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IDA's FOURTEENTH REPLENISHMENT: A RETROSPECTIVE REVIEW

IDA RESOURCE MOBILIZATION DEPARTMENT
CONCESSIONAL FINANCE AND GLOBAL PARTNERSHIPS

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ABBREVIATIONS AND ACRONYMS

Period of Review – The IDA14 period (July 1, 2005 – June 30, 2008)
World Bank Group Fiscal Year (FY) – July 1 to June 30

Exchange Rates – Special Drawing Rights (SDRs)
SDR1 = US$1.46, official rate at replenishment
SDR1 = US$1.63 at the end of IDA14

AAA	Analytical and Advisory Activities
AAP	Africa Action Plan
ARDE	Annual Review of Development Effectiveness
ADP	Accelerated Data Program
AIDS	Acquired Immune-Deficiency Syndrome
AfDB	African Development Bank
APL	Adaptable Program Loan
ARPP	Annual Report on Portfolio Performance
AsDB	Asian Development Bank
BDS	Business Development Services
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASCR	CAS Completion Report
CGAC	Country Governance and Anticorruption
CPR	Country Performance Rating
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organization
DPL	Development Policy Lending
DPO	Development Policy Operation
DRF	Debt Reduction Facility
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EFA	Education For All
ESW	Economic and Sector Work
FCS	Fragile and Conflict-affected State
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Services
FPD	Finance and Private Sector Development
FTI	Fast Track Initiative
GAC	Governance and Anticorruption
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GPOBA	Global Partnership on Output-based Aid
GTZ	German Technical Co-operation (Deutsche Gesellschaft für Technische Zusammenarbeit)
H&A	Harmonization & Alignment
HIPC	Heavily-Indebted Poor Country
HIV	Human Immunodeficiency Virus
HNP	Health, Nutrition and Population
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
ICT	Information, Communication and Technology
IDA	International Development Association
IEG	Independent Evaluation Group (formerly OED)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IsDB	Islamic Development Bank
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
KfW	Kreditanstalt für Wiederaufbau
MAPS	Marrakech Action Plan for Statistics
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small, and Medium Enterprise
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
NCBP	Non-concessional Borrowing Policy
NEPAD	New Partnership for African Development
NGO	Nongovernmental Organization
NLTA	Non-lending Technical Assistance
NPV	Net Present Value
NSDS	National Strategies for the Development of Statistics
OECD-DAC	Organisation for Economic Cooperation in Development, Development Assistance Committee
OBA	Output-Based Aid
ODA	Official Development Assistance
PARIS21	Partnership in Statistics for Development in the 21st Century
PBA	Performance-based Allocation
PCPI	Post-Conflict Performance Indicator
PEFA	Public Expenditure and Financial Accountability
PEPFAR	US President's Emergency Program for AIDS Relief
PER	Public Expenditure Review
PIU	Project Implementation Unit
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
QAE	Quality-at-Entry
QAG	Quality Assurance Group
QALP	Quality Assessment of Lending Portfolio
QEA	Quality-at Entry Assessment
QSA	Quality of Supervision Assessment
RBCAS	Results-based Country Assistance Strategy
REDI	Recent Economic Developments in Infrastructure
RMS	Results Measurement System
SME	Small and Medium Enterprises
STATCAP	Statistical Capacity Building program
SWAP	Sector-Wide Approach
UN	United Nations
UNAIDS	Joint United Nations Program on HIV/AIDS
WBG	World Bank Group
WDR	World Development Report

TABLE OF CONTENTS

ANNEXES

BOXES

TABLES

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FIGURES

This report has benefitted from team work involving staff across the World Bank Group. Gaiv Tata (Acting Director, IDA Resource Mobilization Department CFPIR) provided overall guidance and direction. Agata E. Pawlowska was the main author of the report and served as Team Leader. The CFPIR Team included Abebe Adugna, Alberto D. K. Agbonyitor, Ivar J. Andersen, Christophe Marie Bories, Angelique dePlaa, Kazunori Fukusumi, Mary T. Mulusa, Caroline Badra Sadacca and Robert Johann Utz. Kathia A. Coupry provided considerable writing and editorial input. Qiang Cui, Kazunori Fukusumi and Iryna Trach gave instrumental data support.

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IDA14 REPLENISHMENT: A RETROSPECTIVE REVIEW

EXECUTIVE SUMMARY

Background

1. **During the IDA14 period (July 1, 2005-June 30, 2008), most IDA countries continued with the relatively good performance experienced since 2000, although the global financial crisis increasingly puts these gains at risk**. During 2000-2008, the average GDP growth in IDA countries was 6.5 percent a year and GDP per capita also increased by 4.5 percent per year. This was due in part to strong external demand, improvements in macroeconomic management and the business environment. These growth rates enabled IDA countries to make progress towards the Millennium Development Goals (MDGs), including through reducing the number of people living on less than US$1a day, improving access to basic infrastructure services; and increasing outcomes in primary and secondary education. More limited progress was made towards achieving health-related MDGs. Despite overall progress, several African countries are still off track in reaching the MDGs and this situation will likely be further exacerbated by the ongoing global financial crisis.

2. **IDA countries also benefited from continued strong support from the international community with IDA providing record levels of financial resources over the three-year period**. The IDA14 replenishment resulted in the highest level of resources (up to that time) making available a commitment authority of SDR 21.4 billion (US$32 billion equivalent). Project commitments remained heavily focused on the poorest countries; over 90 percent of IDA's resources went to countries with per capita incomes below US$1,065, or approximately US$3 per day. Almost half of the total new commitments went to Sub-Saharan African countries (US$15.8 billion). Funds were provided either as outright grants (22 percent of all IDA14 commitments) or as credits (which have a grant element of more than 60 percent). IDA commitments continued to focus on infrastructure (US$10.9 billion or 34 percent), public administration (US$8.4 billion or 26 percent) and social sectors (US$7.4 billion or 23 percent).

IDA14 Policy Framework

3. **Financial support was underpinned by a robust IDA14 policy framework, which focused on improving the impact of IDA's assistance and overall aid effectiveness at the country-level, including through IDA's "platform" role**. Key areas where progress was made include**:** (i) strengthening the Performance Based Allocation System, (ii) supporting increased debt sustainability, including through refining the basis for providing grants; (iii) sharpening the results measurement system; (iv) reinforcing the country-based model for development; and (v) supporting sustained growth through private sector development. The key accomplishments and challenges are summarized below; based on implementation experience several challenges were addressed at the IDA14 Mid-Term Review or during the IDA15 Replenishment discussions. However, some issues remain and addressing them has become even more important due to the impact of the global financial crisis.

Strengthening the Performance-Based Allocation System

4. **The Performance Based Allocation (PBA) system remained central to the effective use of IDA funds during the IDA14 period, incorporating both performance and needs in distributing resources**. Almost two-thirds of IDA resources (64 percent) were provided through the main allocation system to better performing countries. Resources provided through ring-fenced exceptions also grew during the IDA14 period reaching 9 percent for post-conflict and re-engaging countries, 3 percent for arrears clearance and 3 percent for the regional pilot program.[1]

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[1] Capped countries (i.e., India, Indonesia and Pakistan) received another 22 percent.

5. Concerns around the complexity of the Performance-Based Allocation formula emerged during IDA14. Further modifications made during IDA14—most notably the discount on grant allocations and the deduction, or "netting out," of annual debt service flows from IDA allocations under the Multilateral Debt Relief Initiative (MDRI) and redistribution of these resources to IDA-only countries—made allocations more volatile. For example, while no country is financially worse off following the introduction of the MDRI netting out, application of the mechanism resulted and will continue to increasingly result in significant reductions in new IDA allocations to several countries. This has implications not only for the level of resources IDA makes available but also may negatively affect IDA's ability to play its platform role in countries where new IDA resources have been significantly reduced. While some of the volatility was addressed by simplifying the PBA formula in IDA15, the MDRI netting out remain to be tackled at the IDA15 Mid-Term Review.

Moving Toward Debt Sustainability

6. **IDA's provision of debt relief, which commenced through the Heavily Indebted Poor Countries (HIPC) Initiative, grew substantially during the IDA14 period, with the introduction of the Multilateral Debt Relief Initiative (MDRI) in July 2006, one year into IDA14 implementation**. By the end of IDA14, significant debt relief had accrued to 23 countries (most of them in Africa). IDA's financial contribution increased significantly as well – from 20 percent of total HIPC costs to over 65 percent of total MDRI costs.

7. **IDA also introduced several measures during IDA14 to help prevent the re-accumulation of debt**. These measures included: a Debt Sustainability Framework (developed together with the IMF), a grant allocation system based on forward-looking analysis of a country's debt dynamics (a significant evolution from the backward-looking framework in place during IDA13), a Non-Concessional Borrowing Policy, and a program to help countries improve debt management capacity. The experience with implementing these measures during the IDA14 period was largely positive, though implementation of the Non-Concessional Borrowing Policy was challenging.

Sharpening the Focus on Results

8. **IDA was the first International Financial Institution to introduce a results measurement system during IDA13 and continued to improve it during the IDA14 period**. Efforts focused on: country-level statistical capacity building; strengthening the results focus of IDA country assistance strategies (CASs); closely monitoring quality of Bank projects and programs; and strengthening the Results Measurement System (RMS). Progress on statistical capacity building was limited. During IDA14, all CASs were results-based leading to their increased selectivity and stronger results chains. The emphasis on improving the quality of Bank projects resulted in 75 percent of IDA projects achieving their development objectives. The two-tiered RMS continued to be refined in IDA14, clearly delineating country-level outcomes (Tier 1), which are not directly attributable to IDA, and the outputs of IDA projects and the quality of its project portfolio (Tier 2). Given that IDA was leading the way, there was limited comparable experience to draw upon. Consequently, areas for further improvements were identified based on implementation, and several challenges are being addressed during IDA15.

Reinforcing the Country-Based Model

9. **IDA further strengthened the country-based development model by giving greater attention to country-ownership of poverty reduction strategies (PRS) and alignment of IDA country assistance strategies (CASs) with PRSs**. Country ownership of PRSs was reinforced through improved relevance of analytical and advisory activities; support for increased involvement of civil society organizations; and training for a wider group of stakeholders (including legislatures, civil society, academia and research institutes). Similarly, IDA made good progress in aligning its CASs with PRSs and in deepening its engagement with stakeholders (i.e., other than in the executive branch) in CAS processes. IDA also continued to work with partners to align support with government budget cycles, and maintained a strong record of predictability in

budget support. Development policy operations were increasingly prepared using good practice principles of conditionality and were streamlined to ensure closer alignment with PRSs and to improve country ownership of reforms. Finally, progress was also made in improving the country focus of IDA diagnostic work and technical assistance and enhancing the Governance and Anticorruption (GAC) agenda in the CAS process.

10. **IDA also contributed to enhance overall aid effectiveness at the country level through increased collaboration with development partners and further decentralization of Bank staff**. Drawing on its platform role, the Bank intensified partnership in preparing and implementing collaborative country strategy work, common performance assessment frameworks, coordinated budget support, and sector-wide approaches. Potential synergies within the World Bank Group were also exploited mainly through the preparation of joint IDA-IFC CASs. This was accompanied by significant progress in decentralization, with 55 percent of regional staff Bank-wide and 30 country director positions located in the field at the end of IDA14.

11. Notwithstanding progress made in supporting the country-based model, challenges remain. First, while participation by stakeholders during CAS preparation increased, more emphasis is needed in strengthening government capacity to consult civil society, local governments and parliamentarians. Second, CAS results frameworks need to more clearly separate CAS outcomes from higher level country outcomes as well as to better incorporate the contribution of the existing portfolio. Finally, even with more robust results frameworks, CASs need to be flexibly implemented to adapt to changing country circumstances with greater emphasis being placed on ex-post reporting (through CAS Progress and Completion Reports).

Sustaining Growth and Private Sector Development

12. **IDA continued to support private sector development as the key to economic growth, job creation and poverty reduction**. In close collaboration with other development agencies, IDA provided analytical and financial support to investment climate reforms to remove regulatory and structural constraints. The substantial support to infrastructure – at 34 percent or US$10.9 billion of new project commitments during IDA14 – was a critical part of the support for private sector development. This included 17 projects, for a total of US$1.78 billion, to support regional cooperation and integration in infrastructure sectors, especially in Sub-Saharan Africa. Public-private partnerships were encouraged by continuing to pilot output-based aid in delivering basic infrastructure and services to the poorest segments of the population (e.g., connecting over 300,000 households to energy and 200,000 to water and sanitation services). Finally, IDA supported increased access to finance and an improved business environment for micro, small, and medium enterprises (MSME), including through a joint IDA/IFC Africa MSME pilot program.

Emerging Challenges

13. **While several shortcomings in the IDA14 policy framework were addressed during IDA14 implementation and/or as part of IDA15 preparation and implementation, new challenges are emerging**. Responding to the global financial crisis will require increasing resource availability without jeopardizing debt sustainability, and without losing sight of longer-term development objectives. Simultaneously, the longer-term focus on enhancing IDA's engagement in fragile states and more broadly on the results agenda will need to continue.

14. **As needs increase in low income countries, it will be crucial for the development community to ensure that additional resources are provided on highly concessional terms.** The short-term financing needs of IDA countries are increasing as the impact of the global financial crisis spills over into the real economy through trade, remittances and FDI channels. Supporting these needs through highly concessional finance would not only preserve the hard won debt sustainability achieved through HIPC/MDRI initiatives and IDA grants but would also prevent the seeds of a future debt crisis being sown in the context of trying to address the current one.

15. **As the global financial crisis continues to unfold, IDA will also need to increase its flexibility in providing resources that allow countries to better respond to crises**. The strength of the current allocation system stems from its transparent rules-based approach. However, given the asymmetric nature of the impact of the global financial crisis on the core spending in IDA countries, IDA needs to consider expanding the resource allocation framework to deal with this differential impact in response to the financial crisis. A proposal for establishing a *Crisis Response Window* within IDA15 to maintain core spending in IDA countries will be considered at the IDA15 Mid-Term Review.

16. **Addressing the development challenges facing the fragile and post-conflict countries will remain important**. IDA's assistance to this group of countries will need to be strengthened, in terms of both financing and operational approaches. There are three key challenges. First, given the fixed amount of total resources available for IDA, there are inherent trade-offs and it will be important to document the benefits resulting from the assistance and the resulting improvements in fragile states. Work in this area will include: an external panel review of the Post-Conflict Performance Indicators; development of state and peace building indicators to complement more traditional (MDG type) indicators; and measurement of the economic and social benefits to neighboring countries from avoiding negative spillovers. Second, the experience with lengthening the assistance under and the eligibility criteria for accessing IDA's exceptional assistance to post-conflict countries and re-engaging countries would need to be reviewed. Third, further refinements will be needed to increase the impact of IDA's operational approaches in fragile states including through increased collaboration with other development partners (e.g., the UN).

17. **Finally, the results agenda will remain central to the long-term development effectiveness of IDA countries and to IDA's ability to consistently demonstrate its own effectiveness in supporting this agenda**. Several areas will continue to be emphasized. First, statistical capacity building will remain a priority given that the vast majority of countries, particularly African fragile states, lack adequate statistical infrastructure and capacity. Second, given that over the past 10 years only about half of IDA country programs in low-income countries have met their development objectives, greater attention will be needed in ensuring that the increased results focus in CASs is accompanied by better implementation. Third, with the growing Bank portfolio in Africa and African fragile states, maintaining the historically high levels of satisfactory development outcomes will remain a challenge. Fourth, the implementation of the IDA controls assessment will be important and an action plan prepared by Management is already under way. An Implementation Oversight Panel has been established to ensure effective monitoring and accountability for implementation of these actions. Finally, going forward, the measurement of IDA's impact will remain challenging. Some actions are already underway (e.g., introducing standardized core indicators in key sectors and assessing the impact of analytical and advisory services). Further work is needed to better capture the entirety of the impact which IDA contributes to country outcomes through its financial assistance and its platform role.

PROGRESS IN DEVELOPMENT OUTCOMES IN IDA COUNTRIES

1. ***Development progress over the short period of three years of IDA14 (FY06-FY08) is difficult to measure***. While this section provides data over the IDA14 period, survey data is gathered with different frequencies and is available with delays. As an alternative, a medium-term view (from the start of the 2000s) is presented to illustrate progress made by IDA countries. Strong global economic growth fostered a robust growth performance in IDA countries. Global economic growth picked up from 2.7 percent a year in the 1990s to 3.2 percent a year during 2000–08—with China, India, and Russia expanding the fastest at 9–10 percent a year. Global GDP per capita also grew more rapidly at 2 percent a year, compared with 1.2 percent during the 1990s. Inflation remained generally low, but rising food prices heightened pressures in FY08.

2. ***IDA countries experienced higher growth rates than the average for all countries***. Between 2000 and 2008, the average GDP in IDA countries grew 6.5 percent a year, even slightly higher than the 5.8 percent in IBRD countries. [2] Even in per capita terms, IDA countries grew by 4.7 percent a year,[3] enabling countries to reduce poverty, though progress was uneven. Extreme poverty—that is, the proportion of people living on less than US$1.25 a day, measured in 2005 prices—fell from 47.9 percent in 1999 to 42.4 percent in 2005. This achievement was largely thanks to the progress in Asia, though there was also some progress in Sub-Saharan Africa.[4]

3. ***These achievements were underpinned by improvements in the business environment***. Between 2005 and 2008, the average cost of starting a new business in IDA countries was cut by more than a sixth and the average duration for registering a new business dropped from 61 days to 37.[5] The average duration for trading across borders also dropped from 45 days to 38. In this timeframe several IDA countries were included among the top 10 reformers— Georgia, Ghana, Tanzania in 2005/06, Kenya in 2006/07, Azerbaijan, Kyrgyz Republic, Senegal and Burkina Faso in 2007/08. But there is still room to do more. For example, on average it still takes 114 days in IDA countries to register property, almost two years to enforce a contract, and close to four years to resolve insolvency.

4. ***IDA countries also made important progress in improving access to basic infrastructure***. Between 2004 and 2007, household electrification rates increased by more than 6 percentage points (based on data from 46 IDA countries where data is available to measure progress), with over 68 percent of households having access to electricity in 2007.[6] Access to safe water and sanitation, respectively, increased by 7 and 16 percentage

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[2] See: IMF (2003), "*Sub-Saharan Africa Regional Economic Outlook*"; IMF (2009b), "*The Implications of the Global Financial Crisis for Low-Income Countries;*" and World Bank (2009) World Development Indicator database.

[3] Growth rates included support from increased exports, remittances and FDI. Sub-Saharan Africa's exports reached 40 percent of GDP on average during 2000–08, up from 31 percent in the late 1990s. In 2008, FDI reached about 5 percent of GDP, from 1 percent in the 1990s, while remittance receipts rose to about US$40 billion in 2006–07, from US$8 billion in the late 1990s. There was some disparity between IDA-only and IDA-blend countries, with more robust growth in blend countries. During 2000–08 average annual GDP growth for IDA-only countries was 5.7 percent compared with 6.9 percent for the blend countries. Average annual GDP per capita growth for IDA-only countries was 3.5 percent, compared with 5.4 percent for the blend countries.

[4] Between 1999 and 2005, the proportion of population living below the international poverty line was reduced from 58 to 51 percent in Sub-Saharan Africa, from 44 to 40 percent in South Asia, and from 35 to 17 percent in East Asia. China and India were among the most successful.

[5] Twenty-five IDA countries made significant progress in easing the process of starting a business, 16 significantly reduced their licensing requirements, 20 improved processes to register property, 25 introduced reforms to cut administrative burdens on importing and exporting, and 11 improved the enforcement of contracts. For starting a business or licensing, significant progress refers to having reduced the number of approval procedures or time in days and reduced the cost by more than 5 percent of per capita income. All data obtained from Doing Business database.

[6] Significant increases were reported in Bangladesh (from 32 percent in 1999 to 41 percent in 2004), Mongolia (from 67 percent in 2000 to 86 percent in 2005), and Madagascar (from 11 percent in 1997 to 20 percent in 2003).

points during 2000–06, but coverage is still low (78 percent and 35 percent, respectively).[7] Telephone (especially mobile) and Internet connectivity witnessed the fastest expansion, again from low levels. By the end of 2007, 27 percent of people in IDA countries had access to phones, compared with 70 percent worldwide, and 12 percent had access to the internet, compared with 22 percent worldwide.

5. ***The past eight years (2000-2008) have also seen positive advances toward reaching the Millennium Development Goals (MDGs)***[8]—a set of eight time-bound goals adopted by the global community in September 2000, committing to a new global partnership to reduce extreme poverty.[9] Progress has been achieved even in some of the more challenging regions, and several MDG targets were, prior to the financial crisis, expected to be reached by the 2015 target date.

- The goal of cutting in half the proportion of people in the developing world living on less than US$1 a day by 2015 from the 1990 level was considered within reach, although it was unlikely to be attained in Sub-Saharan Africa.
- On the education front, IDA countries substantially improved their primary and secondary enrollments and completion rates, as well as their gender parity ratios. By 2007, nearly 8 of 10 children attended and completed primary education. Although progress in Sub-Saharan Africa was slower (with a primary enrollment rate of 70 percent and a completion rate of 60 percent), improvements achieved since 2000 were on par with the rest of the IDA countries. Secondary school enrollments were close to 42 percent for all IDA countries, though again Sub-Saharan Africa was lower, at 25 percent.
- The gender parity index in primary and secondary education for all IDA countries was close to or above 90 percent, including in the two most populous regions, Sub-Saharan Africa and South Asia. However challenges remain with all 18 countries that are not on track to meet this target being IDA countries.
- Gaps were not narrowing on indicators of gender equality and empowerment (such as wages and labor force participation).[10]

6. Progress in achieving the key health-related MDGs was more mixed. Specifically,[11]

- While the mortality of infants and children under 5 was reduced by more than 20 percent during 2000–07, rates in IDA countries, and especially in Sub-Saharan Africa, were almost double those of other regions.[12]
- Maternal mortality rates in IDA countries (650 per 100,000 live births in 2005) were on average five times those in the IBRD countries. Progress in increasing the proportion of births attended by skilled health workers in IDA countries was slow, with hardly any improvements in Sub-Saharan Africa.[13]
- Adult HIV prevalence (as well as tuberculosis prevalence) stabilized since 2000, but often at very high levels, particularly in southern Africa.[14] The number of people newly infected with HIV/AIDS declined from 3.0 million in 2001 to 2.7 million in 2007.

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[7] All data obtained from the Development Data Platform database.

[8] See Annex 5 for a complete list of MDGs and their indicators. All data obtained from the Development Data Platform database.

[9] http://www.un.org/millenniumgoals/bkgd.shtml

[10] See: World Bank (2008j), "*Global Monitoring Report.*"

[11] See: United Nations (2008a), "*The Millennium Development Goals Report.*"

[12] In 2007, 105 of every 1,000 children in IDA countries died before reaching age 5, but there are large variations across regions–150 in Sub-Saharan Africa, 78 in South Asia, and 54 in East Asia (the new numbers are average among IDA countries in each region). Infant mortality (per 1,000 life births) was 74 for IDA, 92 for Sub-Saharan Africa, 64 for South Asia, and 23 for East Asia and the Pacific.

[13] Maternal mortality rates in Sub-Saharan Africa were at 920 per 100,000 live births in 1990 and 900 in 2005.

[14] On average during 2001–07 prevalence of HIV/AIDS (measured as percent of population ages 15–49) stood at 1.4 percent in IDA countries, 5.5 percent in Sub-Saharan Africa, and 19.9 percent in Southern Africa. Incidence of

- Deaths from measles in developing countries fell from more than 750,000 in 2000 to less than 250,000 in 2006, a result of about 80 percent of children receiving vaccines.
- Malaria prevention expanded, with increases in insecticide-treated bednet use among children under 5 in Sub-Saharan Africa: since 2000 in 16 of 20 countries, use has at least tripled.
- In 2006, 24 percent of people living in IDA countries were malnourished, including 35 percent of children under age 5, with South Asia (22 percent and 41 percent, respectively) and Sub-Saharan Africa (30 percent and 27 percent, respectively) showing the highest proportions.

Financial Support to IDA Countries to Reach the MDGs

7. ***The greater emphasis on achieving the MDGs required higher spending on poverty reduction, which was achieved through a significant growth in fiscal revenues of developing countries and higher concessional financing from the international development community, including through debt relief***. Although information on poverty-related expenditures is limited and difficult to compare across countries,[15] estimates for 33 IDA countries[16] indicate that government poverty-related expenditures rose from 6.8 percent of GDP in 2000 to 8.8 percent in 2007. Total official development assistance (ODA)—including debt relief—to developing countries and IDA countries also rose. Aid to all ODA recipients (commitments in 2005 prices) increased from US$72 billion in 2000 to US$118.8 billion in 2006, growing at an average annual rate of 9 percent.[17] And in recent years, non-DAC (Development Assistance Committee) donors and private donors boosted available financial resources for development, although these funds have not always been provided on concessional terms. It is estimated that since 2000, ODA from non-DAC countries has more than tripled (in constant prices), reaching US$5.1 billion in 2006.[18]

8. ***While the total volume of ODA received by IDA countries during 2000-06 grew rapidly at an average annual rate of over 10 percent, the share of country programmable aid remained virtually unchanged at approximately 50 percent***. In IDA-eligible countries, the total volume of ODA (as measured by commitments in 2005 prices) increased from US$37.2 billion in 2000 to US$60.1 billion in 2006, driven mostly by rising emergency assistance and debt relief. The share of country programmable aid[19] received by IDA countries, however, increased at a slower pace, from about 46 percent in 2000 to about 50 percent in 2006. The share of social sectors (including education, health, and water and sanitation) in sector allocable ODA to IDA-eligible countries increased from 42 percent 1997-01 to 48 percent in 2002–06,[20] mainly due to large global funds focusing on health and education sectors.[21] During the same timeframe, the share of economic infrastructure in

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tuberculosis (per 100,000 people) during 2000–06 was 218 in IDA countries, 360 in Sub-Saharan Africa, and 500 in Southern Africa.

15 See: IDA and IMF (2008), "*HIPC and MDRI Status of Implementation,*" Washington, DC.

16 Data refers to 33 post-decision-point HIPC countries, excluding Central African Republic, Haiti, and Liberia, for which data is not available. Ibid.

17 Much of this increase stemmed from debt relief, which rose from US$4.4 billion in 2000 to US$16.7 billion in 2006. ODA for core development programs grew as well (from US$36.2 billion to US$61.9 billion), albeit at a slower pace. All data are from OECD/DAC Creditor Reporting System.

18 See: United Nations (2008b), "*MDG Gap Task Force Report*."

19 Country programmable aid is defined by the OECD DAC as total ODA net disbursements minus humanitarian aid, debt relief, donor administrative costs, imputed student costs, research, costs of refugees in donor countries, food aid, and core grants to nongovernmental organizations.

20 Based on commitment data. See: World Bank (2008f), "*Aid Architecture. An Overview of the Main Trends in Official Development Assistance Flows. An Update*."

21 Global program funds focusing on health and education invested about US$11.5 billion in IDA countries during 2001–07. The main global funds include the U.S. President's Emergency Program for AIDS Relief (PEPFAR), the Global Alliance for Vaccines and Immunization (GAVI), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), and the Global Environment Facility (GEF). For more, see: IDA (2009a), *"Foreign Aid Earmarking: How much of ODA is Earmarked*."

sector allocable ODA to IDA countries fell slightly from 33 to 32 percent. Among multilaterals, IDA had the largest commitments for physical infrastructure, at about US$7.4 billion or 12 percent.[22]

9. ***Substantial resources were allocated to cancel the debt of the world's poorest IDA countries***.[23] By the end of June 2008, 33 of the 41 IDA-eligible countries had qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, of which 23 had reached their completion point—meaning that all the conditions for debt relief had been fulfilled and relief became irrevocable. The costs to creditors of delivering relief under the HIPC Initiative to 33 post-decision point HIPCs amounted to US$51.1 billion in 2007 net present-value (NPV) terms. Post-completion-point countries also received additional assistance of US$22.7 billion in NPV terms under the Multilateral Debt Relief Initiative (MDRI), further reducing their debt service. As a result of these two initiatives, debt burdens have come down significantly. At end-2007, NPV of the debt-to-export ratio for post-completion-point HIPCs averaged 63 percent, sharply lower than the 200 percent for pre-completion-point HIPCs. For all 33 post-decision-point countries, debt service represented an average of 6.1 percent of exports in 2007, down from 16.6 percent in 2000.

10. ***Overall, progress has been significant during the first years of the new millennium but there is a growing concern that the unfolding global financial crisis could unravel some of these achievements***. IDA countries, similarly to the developed countries, are exposed to changes in external conditions through real and financial sector links with the outside world. The high concentration of primary commodities in their export structure (close to 70 percent over the last decade) makes them particularly vulnerable to the recent drops in commodity prices and significant declines in export earnings and associated government revenues. Similarly, sharp reductions in FDI and remittances would further tighten resources for IDA countries. These developments, in turn, could also undermine countries' debt sustainability.

Objective of the IDA14 Retrospective Review

11. ***In this overall context, the retrospective review looks at IDA's contributions, during the IDA14 replenishment period***. The implementation of IDA14 focused on the following agreed themes: improving country level effectiveness by strengthening the performance-based allocation mechanism and working together with other donors and development partners; strengthening the focus on results and the results measurement system at the country, program, and project levels; accelerating growth and private sector development in IDA countries; and ensuring debt sustainability. This review reports on IDA's activities over FY06–08, evaluates IDA's performance against benchmarks and commitments, and evaluates the quality of IDA's assistance. The report draws on existing WBG reports, research and strategy papers, QAG and IEG evaluations as well as other literature.[24]

12. The report's structure is consistent with its retrospective nature. Chapter I evaluates the context of the IDA14 replenishment, including the client countries assisted and levels of financial support provided. Given that the modality for delivering aid is as important as the level of assistance, Chapter II looks at four key elements of the IDA14 policy framework: (i) improving aid effectiveness by directing more resources to countries with good policies and institutions; (ii) ensuring sustainable results by assisting the countries in avoiding future debt distress; (iii) working together at the country level to improve country-level aid effectiveness; and (iv) promoting sustainable growth and private sector development. Chapter III provides a quantitative and qualitative analysis of the results achieved during the IDA14 period at the country, regional, and global levels. Chapter IV identifies the problems encountered during the implementation of IDA14, lessons learned, areas for improvement, and the way forward.

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22 See: World Bank (2008e).

23 See: IDA and IMF (2008).

24 For bibliography see Annex 15.

IDA AND ITS CLIENTS

Highlights of Chapter I

- Since its inception in 1960 until the end of IDA14, IDA has provided over US$193 billion of concessional financing to eligible countries, averaging US$10 billion in commitments per year over the last five years, close to 80 percent of which went to Africa and South Asia.
- IDA14 witnessed the highest commitment levels up to that time, reaching US$32.4 billion (SDR 21.4 billion)**.** Commitments were made to 74 countries and a record high 554 new operations were approved.
- The Africa region continued to receive the largest share of IDA commitments at US$15.8 billion during IDA14 (up from US$11.6 billion in IDA13). Eligible post-conflict and re-engaging countries, a significant number of which are in Africa, benefitted from exceptional financing support.
- Despite the global shifts of ODA away from infrastructure to social sectors, IDA continued to scale up its high level of support for infrastructure, which accounted for over one-third (US$10.9 billion) of total commitments during IDA14.
- IDA continued to maintain a high-quality portfolio, but there is room for improvement, especially in Africa—and particularly in the group of fragile and conflict-affected countries.

13. ***Since its inception in 1960, IDA has been among the three largest multilateral donor organizations providing concessional financing to the world's poorest countries***.[25] It has provided US$193 billion to eligible countries. It has provided financial assistance and played a platform role in linking global development issues to country programs through country strategies, analytical work, global programs, and trust fund activities. And it has leveraged and/or coordinated additional finance from other development partners (including multilateral and bilateral donors) through project-based co-financing and program-based coordinated financing.

14. ***IDA14 witnessed the highest commitment levels up to that time, reaching US$32.4 billion, equivalent to SDR 21.4 billion*** (see Figure 1).[26] This represented an 18 percent rise in nominal (SDR) terms over IDA13 commitments of US$24.9 billion (SDR 17.5 billion). Of the total, about 55 percent, or US$18 billion (SDR 12 billion), came from new contributions from 39 donor countries.

15. ***During IDA14, commitments were made to 74 countries out of 82 eligible countries.*** Eligibility for IDA assistance depends on two criteria: a country's relative poverty (defined as GNI per capita below an established threshold)[27] and a lack of creditworthiness for non-concessional borrowing, both from commercial sources and from IBRD.[28] Based on these criteria, 82 countries qualified for IDA assistance during IDA14, 65 IDA-only borrowers and 17 qualified for both IBRD and IDA assistance (the so-called IDA/IBRD-blend countries; see Annex 3).[29] During IDA14, IDA made commitments to 74 countries, up from 70 in IDA13. IDA-only countries received a record high US$24.7 billion (SDR16.3 billion), with a 76 percent share of total commitments, up slightly from 73 percent in IDA13. Blend countries received US$7.8 billion (SDR5.2 billion) during IDA14, with a 24 percent share of total commitments, down slightly from 27 percent in IDA13. In addition to its traditional loan and grant products, IDA also financed two partial risk guarantees worth $175 million. Countries that did not receive IDA commitments during IDA14 fell into one of the following categories: countries in non-accrual status, and small, mainly island, economies that do not have operations in

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[25] The European Commission and the UN agencies have been the main channels for multinational ODA since 1990. IDA's share in total multinational ODA during 2000–06 (2005 prices, net disbursement basis) averaged 20 percent. IDA is the second largest provider (after the European Commission) of net multilateral ODA to developing countries and the largest provider to IDA-eligible countries.

[26] The amount does not include commitments of US$809 million (equivalent to SDR0.5 billion) that were postponed to July 2008, funded by IDA14 commitment authority. See: IDA (2008d), "*Transition from IDA14 to IDA15.*"

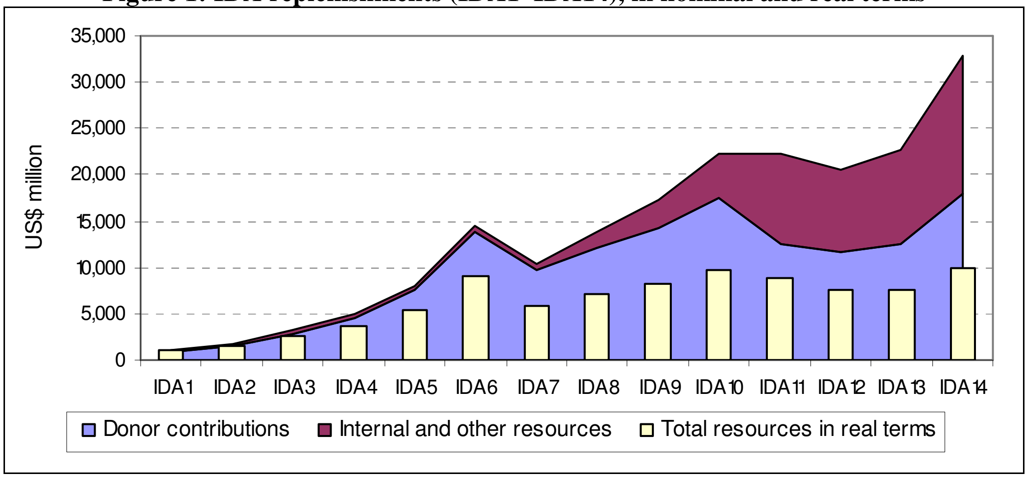
[27] The threshold (called "operational cutoff"), updated annually based on the World Bank Atlas methodology, was US$965 in FY06, US$1,025 in FY07, and US$1,065 in FY08.

[28] 2008b. OP3.10 Annex D, footnote 2.

[29] This does not include the special cases of Kosovo and Iraq. Kosovo, as a territory within a member country under United Nations interim administration (United Nations mission in Kosovo—UNMIIK) during IDA14, was eligible to receive grants. Iraq received one-off assistance as agreed during the IDA13 MTR.

every replenishment.[30] Credits to four countries remained in non-accrual status at the end of IDA14,[31] down from eight at the end of IDA13. IDA credits in non-accrual status amounted to US$3.2 billion, equivalent to 2.8 percent of total outstanding IDA credits.

Figure 1: IDA replenishments (IDA1–IDA14), in nominal and real terms



16. Graduation from IDA is a key measure of development progress by IDA recipients. The process of graduation from IDA is normally triggered when a country exceeds the operational per capita income cutoff for several years or when a country achieves creditworthiness for adequate amounts of IBRD lending and other commercial sources of funds, even though its per capita income remains below the operational cutoff (see Annex 1). To date, there are 27 countries that once received IDA resources which have since graduated, of which Serbia (FY07), Albania, Montenegro, and Indonesia (FY08) graduated during IDA14.[32]

17. ***The terms of IDA's assistance are highly concessional and tailored to country circumstances***.[33] During IDA14, 78 percent of IDA's resources (US$25.3 billion) were provided to countries as credits, with no interest charges and with principal payments over 35-40 years after a 10-year grace period. Because IDA credits do not accrue interest,[34] they have a significant grant element (estimated at around 60 percent for regular credits for IDA-only countries). During IDA14, 21.8 percent of IDA resources were provided on a grant basis (US$7.2 billion). In IDA13 the average grant share was 19.2 percent.[35]

18. ***IDA donors also played a key role as financiers of the two debt relief initiatives – HIPC and MDRI***. Beginning with the IDA14 replenishment, donors committed to financing IDA's share of the HIPC Initiative on a pay-as-you-go basis over the 3-year commitment period of each IDA replenishment. IDA's overall portion is estimated to amount to about 20 percent of the total HIPC costs (US$15.42 billion in nominal terms and US$14.3 billion in end-2007 NPV terms). With the introduction of the MDRI, IDA donors agreed to finance 65 percent of the total MDRI costs (US$37.4 billion in nominal terms and US$18.3 billion in end-2007 NPV terms). Sub-Saharan African countries received about US$17 billion in assistance in end-2007 NPV terms, or more than half the resources under the two debt relief initiatives, which released significant domestic resources

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[30] In IDA14, four small economies—Kiribati, Tonga, Vanuatu, and St. Vincent and Grenadines—did not commit IDA funds.

[31] The four countries were: Myanmar, Somalia, Sudan, and Zimbabwe.

[32] Indonesia graduated in FY80, re-entered in FY99 and graduated again in FY08. In IDA history, an additional eight countries had graduated from IDA, but subsequently returned. There were no reverse graduates during IDA14.

[33] For definitions of IDA terminology, please see Annex 1. The method for determining the terms of assistance is discussed more in Section 2.2.

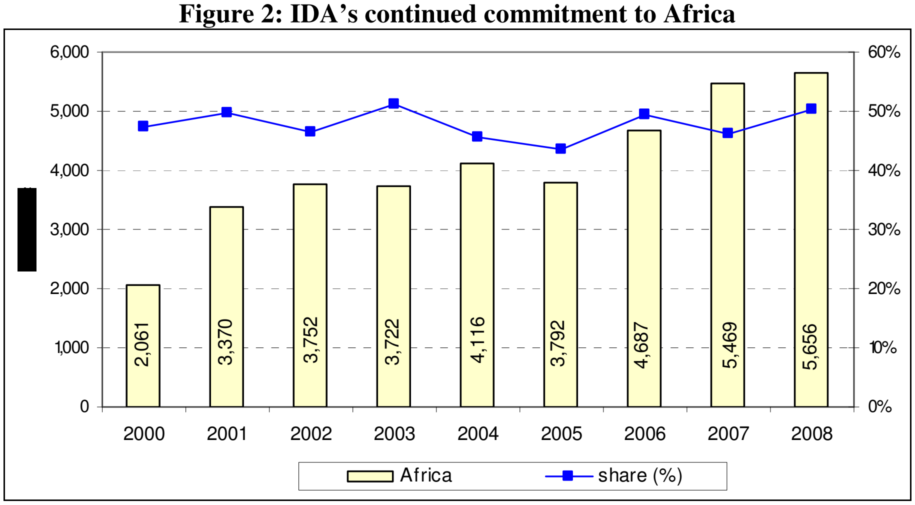
[34] A fixed interest charge is applied to hard-term credits.

[35] Grant share in total commitments was 19.3 percent in FY06, 17.9 percent in FY07, and 28.5 percent in FY08.

(i.e., funds that otherwise would have been used to pay the principal and the interest) to complement the fresh resources provided under IDA14.

19. ***Africa continued to receive the largest IDA commitments during IDA14, with eligible post-conflict countries benefitting from exceptional financing support***. Commitments to Africa reached US$15.8 billion, up from US$11.6 billion in IDA13 (see Figure 2).[36] South Asia remained the second largest region, with commitments increasing from US$8.0 billion in IDA13 to US$9.4 billion in IDA14. Commitments to East Asia and Pacific almost doubled from US$2.5 billion to US$4.1 billion as well as commitments to the Middle East and North Africa which rose from US$417 million in IDA13 to US$850 million. Commitments to Latin America and the Caribbean remained on par with IDA13, while commitments to Europe and Central Asia dropped from US$1.6 billion in IDA13 to US$1.4 billion. In terms of percentage share, Africa accounted for 49 percent of the total IDA14 commitments, South Asia for 29 percent and East Asia and Pacific for 13 percent.

Figure 2: IDA's continued commitment to Africa



20. IDA continued to provide eligible post-conflict countries with exceptional financing support, relying on a careful ring-fenced approach that is still linked to the performance-based allocation (PBA) system. During IDA14 commitments for ten post-conflict countries were US$3.2 billion, up from US$3.0 billion in IDA13.[37] And exceptional allocations of US$453 million were provided to three countries re-engaging with IDA after a prolonged period (e.g., Central Africa, Haiti, and Togo).

21. ***Despite the global shifts of ODA from infrastructure to social sectors,[38] especially in low-income countries, IDA continued to scale up its high level of support for infrastructure and productive sectors*** (including agricultural development) at the country and regional levels to stimulate production, create employment, and reduce poverty. As depicted in Figure 3, during IDA14, the infrastructure sector (particularly energy and mining, as well as water and sanitation) accounted for close to 34 percent (US$10.9 billion) of total commitments (up from 30 percent, or US$7.5 billion, in IDA13. IDA also slightly increased its commitments to industry, trade, and finance, bringing the amount close to US$3 billion. The social sectors remained at about US$2.5 billion a year, with growing attention to education.

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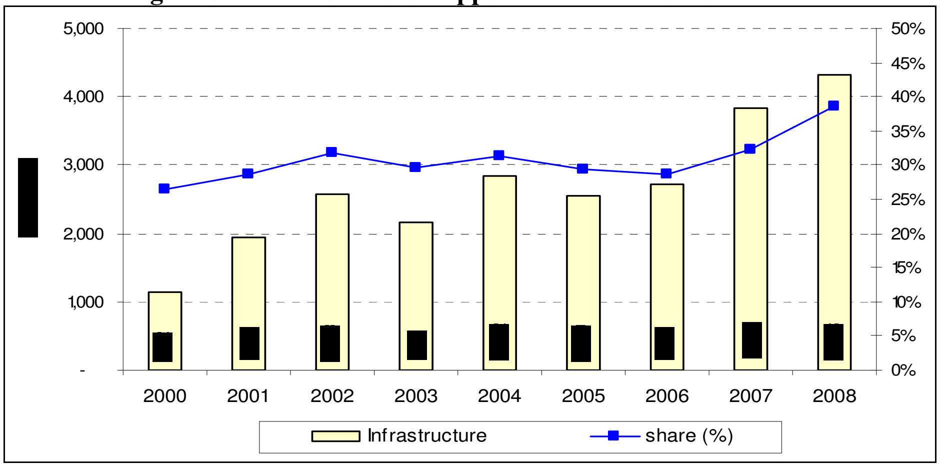
[36] In IDA14, Ethiopia was the largest borrower in the region, followed by Nigeria, Tanzania, Democratic Republic of the Congo, Uganda, and Ghana. These top six countries together accounted for almost half the region's total commitments.

[37] Post-conflict countries include: Afghanistan, Angola, Burundi, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Eritrea, Liberia, Sierra Leone, and Timor-Leste.

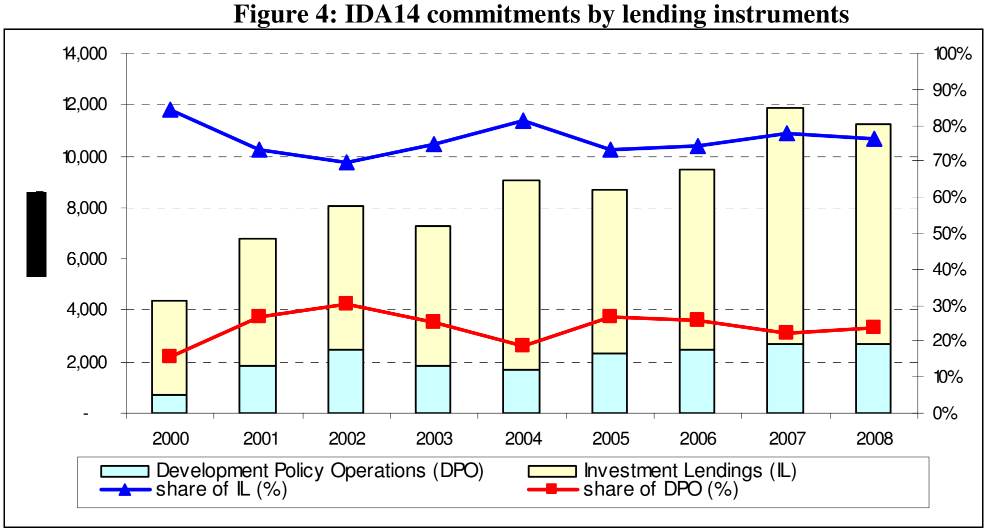
[38] The share of ODA allocated to basic social services (that is, basic education, primary health care, nutrition, safe water, and sanitation) increased from 7 percent in 1997 to more than 21 percent in 2006, or $12 billion a year. See: United Nations (2008).

Figure 3: IDA's continued support to infrastructure



22. IDA increased its support in addressing regional and global priorities by implementing the Regional Pilot Program, started in IDA13. Commitments for the program during IDA14 were US$1.9 billion, representing 6 percent of total IDA14 commitments. Twenty one new projects were approved (up from 7 in IDA13), benefiting 31 countries—21 in Africa, 5 in Latin America and the Caribbean, 2 from East Asia and Pacific and 3 in Europe and Central Asia. The program has been an important financier of regional infrastructure, especially in Africa, and this accounted for 96 percent of total commitments under the program in IDA14.[39]

Figure 4: IDA14 commitments by lending instruments



23. ***Investment and development policy lending ratios remained largely unchanged during the IDA14 implementation period*** (see Figure 4). Investment lending accounted for 76.1 percent of the total IDA14 commitments (US$24.7 billion), close to its 76.6 percent share in IDA13. The funds mainly supported infrastructure and social sectors. The share of development policy operations (DPOs) reached 23.9 percent of the total IDA14 commitments (US$7.7 billion), which was similar to the 23.4 percent in IDA13—well below the 30 percent threshold at which management would have had to seek the guidance of the Executive Directors.[40] Almost half the DPOs (45 percent of total commitments) were focused on support to law, justice, and public administration, and another quarter (21 percent) to social sectors.

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[39] The implementation experience, lessons, and results are discussed in more detail in Section 4.5.

[40] See: IDA (2008a), Ft. 41.

24. ***The quality of IDA's portfolio remained high, although there is room for improvement in the Africa region and in the fragile and conflict-affected countries***. IDA regularly monitors and evaluates the development effectiveness of its programs and projects, along with periodically reporting on the progress,[41] as part of the IDA14 monitoring requirements and within the framework of the Results Measurement System (RMS). Given the increasing lending commitments during IDA14, maintaining a high-quality portfolio remained a top priority. Quality at entry remained high at 89 percent and 75 percent of projects were adequately supervised and achieved their development objectives. While these results are promising, there is room for improvement, especially in Africa and for fragile and conflict-affected countries, which consistently show lower results (with only half of African fragile states projects being rated satisfactory for achieving their development objectives during FY05–07 compared with three-quarters of non-African fragile states projects).

[41] Chapter III provides a discussion of the results achieved during IDA14, while Annex 9 presents a detailed description of the Results Management System Tier 1 and 2.

PROGRESS IN IDA14 POLICY FRAMEWORK

Highlights of Chapter II

- Good implementation progress was made. Challenges were encountered, particularly in sharpening the focus on results, and enhancements were subsequently introduced (either at the IDA14 Mid-Term Review (MTR) or during the IDA15 Replenishment discussions) in the IDA policy framework.
- The Performance-Based Allocation system remained central to the effective use of IDA funds, incorporating both performance and needs as the basis for allocation of resources. At the IDA14 MTR, changes were made to improve its transparency and lessen volatility. Nevertheless, challenges emerged with the application of MDRI netting-out mechanism.
- IDA was the biggest single contributor to the two major debt relief initiatives—HIPC and MDRI. To prevent the rapid re-accumulation of debt, especially non-concessional debt, IDA introduced a debt sustainability framework, a grant allocation system, the Non-Concessional Borrowing Policy (NCBP), and a program to help countries strengthen debt management capacity. Implementation experience thus far has been largely positive, though execution of the NCBP remains challenging.
- Progress has been made in enhancing IDA's country-based development model by giving greater attention to country-ownership of poverty reduction strategies (PRSs) and alignment of IDA country assistance strategies with those PRSs.
- The aid effectiveness agenda also evolved under IDA14, with further decentralization of Bank staff and increased collaboration with other development partners, aimed at lowering transaction costs for recipients and improving development outcomes. Going forward, greater efforts are needed to strengthen country-level statistical capacity and country monitoring and evaluation systems.
- Finally, IDA, in close collaboration with the IFC and MIGA, continued its support to sustainable economic growth and private sector development by fostering investment climate reforms, supporting private firms, promoting private participation in delivery of social and infrastructure services, and increasing support to regional integration.

25. ***Overall, good progress was made in implementing the IDA14 policy framework, which contained elements essential to enhancing IDA's development effectiveness in the key policy areas***. First, while maintaining a performance-based allocation of IDA resources, several improvements were introduced (such as a discount on grants under the new grant allocation system and a new "netting out" rule initiated under the MDRI) to help address country-specific needs. Second, given the increased emphasis on debt sustainability in IDA countries, a new grant allocation framework was introduced in IDA14 based on a more forward-looking debt sustainability analysis. A new policy framework was also designed to guard against a re-accumulation of unsustainable debt in IDA countries benefiting from HIPC and MDRI initiatives. Third, important steps were introduced to strengthen IDA's country-based development model. Finally, lending and non-lending support for sustainable growth and private sector development in IDA countries were strengthened. This chapter outlines the changes introduced, their impact, and challenges remaining.

1. Evolution of IDA's Performance-Based Allocation System under IDA14

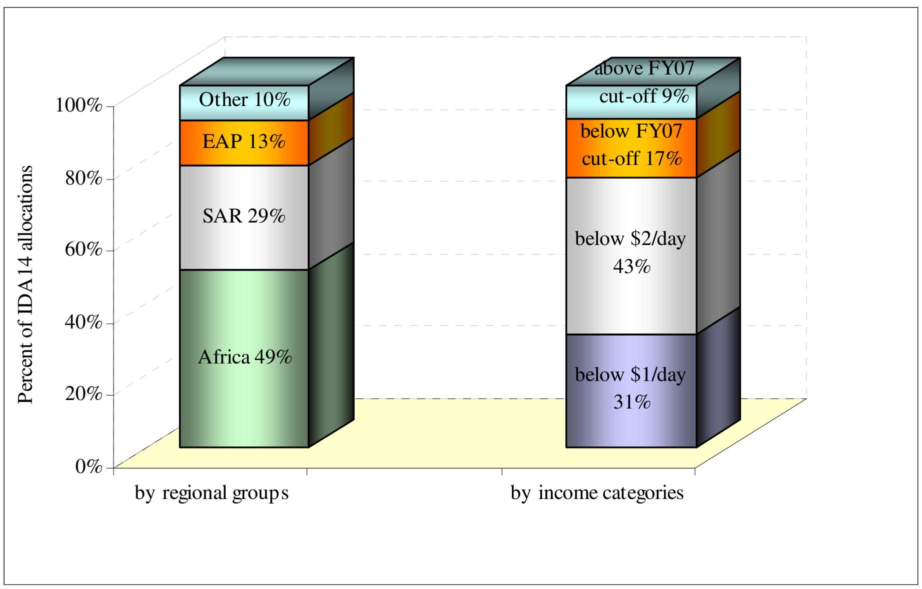
26. ***The Performance Based Allocation (PBA) system, which is central to the effective use of IDA funds, worked well during the IDA14 period and research also confirmed its long-term success in directing resources to countries achieving better development results***. In an environment where the demand for concessional IDA resources far exceeds supply (which is fixed once the replenishment size is determined), the PBA system helps allocate these scarce concessional resources in a transparent manner. The bulk of the resources are allocated according to a formula, which takes into account a country's needs and performance. Country performance is measured using Country Performance Ratings (CPRs), which comprise Country Policy and Institutional Assessment (CPIA) ratings and portfolio performance ratings. While performance indicators are heavily weighted in the PBA formula, needs also factor into the formula through population and per capita income measures.[42] While IDA allocates its resources using the PBA system, it does not earmark its resources

[42] See Annex 1 of IDA (2008a), "*Additions to IDA Resources: Fifteenth Replenishment—IDA: The Platform for Achieving Results at the Country Level.*"

for specific sectors or purposes. This is in keeping with IDA's country-based approach to development with governments and Bank country teams deciding on the sectoral and thematic composition of IDA resources in the context of each Country Assistance Strategy (CAS).

27. ***During the IDA14 period, the PBA worked well in directing resources to well-performing countries with significant development needs, while accommodating country-specific needs through its ring-fenced exceptions***. The PBA system was subject to extensive reviews at the IDA14 Mid-Term Review (MTR) to assess its adequacy and efficiency from the following four perspectives:[43] focus on results, balance between needs and performance, emphasis on governance, and predictability and flexibility. In terms of the focus on results, the review confirmed that the PBA system directed more resources to countries with good policies and institutions as measured by the CPIA. Since the CPIA itself covers a composite measure of indicators that have been empirically shown to be critical for long-term growth and poverty reduction,[44] the PBA system could therefore be seen as directing more resources to those countries that are more likely to achieve higher growth and poverty reduction. Furthermore, another study confirmed that higher CPIAs/CPRs were quite strongly associated with better development results (as measured by human development indicators, under five mortality, immunization rates, and GDP per capita) at the country level over the long term.[45] This study also showed that, based on IEG ratings, countries with higher CPR scores at the initial stages, and with improving CPR scores during project implementation, have a higher likelihood of achieving satisfactory outcomes in implementing IDA projects.

Figure 5: Structure of IDA resources by regional groups and income categories



Source: Bank staff calculations.

28. While the PBA system emphasizes country performance, it also accounts for country needs. As a starting point, IDA's eligibility criteria (low per capita income and lack of creditworthiness) ensure that IDA's concessional resources are allocated to the poorest countries. In fact, around 90 percent of IDA's resources during IDA14 went to countries with per capita incomes below US$1,065 (FY08 IDA's operational cutoff), of

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43 www.worldbank.org/IDA.

44 Empirical evidence shows that there is a strong connection between good policies and institutions and growth and poverty reduction over the long-term. For a recent survey of the literature, see, for example, Lars P. Feld, Gebhard Kirchgässner, "*Institutions and Economic Growth: A Survey of the Recent Empirical Evidence*", SCALA Discussion Paper No. 11/2008 and Bassanini , Scarpetta , and Hemmings , 2001, *"Economic Growth: The Role of Policies and Institutions. Panel Data Evidence from OECD Countries"*, OECD Economics Department Working Paper No. 283 .

45 Source: IDA (2007e), "*Selectivity and Performance: IDA's Country Assessment and Development Effectiveness."*

which 72 percent was for countries that are not creditworthy to access IBRD financing (see Figure 5)[46] Further, country-specific needs are also accommodated by the PBA system through its ring-fenced exceptions (capping allocations for creditworthy blends[47] and exceptional allocations for post-conflict countries and countries re-engaging with IDA after a prolonged period of inactivity).

29. Since good governance is important for the long-term growth performance of a country and helps ensure effective use of concessional resources,[48] the PBA system includes governance (cluster D of the CPIA) as a key element in the determination of a CPR. A review undertaken for the IDA14 MTR found that the governance factor increased the dispersion of country performance ratings thereby accentuating the differences between strong and weak governance countries. Within the context of the governance framework developed in the 2006 Global Monitoring Report, the review confirmed that the CPIA cluster D was a sound indicator for measuring governance in IDA's PBA system. It also found that the emphasis on governance in the PBA was complemented by its importance in country dialogue and operational work (for example, through the WBG governance and anti-corruption strategy). The high weight of governance (currently 68 percent) in the CPR has been extensively discussed by IDA donors in several replenishments,[49] including the most recent IDA15 discussions, where IDA donors fully examined and agreed to maintain its current weight in the allocation formula for the IDA15 period (FY09-FY11). The high weight reflects both the importance of governance in growth and poverty reduction and the emphasis that IDA donors have placed on the need for minimizing fiduciary risks to aid resources.

30. While aid from IDA is predictable for the replenishment period, it could vary annually. An examination of the predictability of IDA's annual aid[50] indicates that annual commitments are more volatile than allocations and thus do not always track allocations year-on-year. In any given year, commitments may exceed PBA allocations for some countries (front loading), while for others, commitments may be lower than allocations (back loading).[51] This front- and back-loading of resources may affect the predictability of IDA's assistance year-on-year but not for the replenishment period as a whole. For the replenishment period as a whole, commitments match allocations.

31. ***During the IDA14 period, two modifications were introduced into the PBA system, which added to the formula's complexity affecting transparency of the allocation process.*** The allocation of IDA resources is a transparent process because it is based on a formula, agreed upon in advance during the replenishment. The formula, along with its components for each country, is disclosed on the external web. While participants agreed to leave the PBA formula largely unchanged from the one that was put in place at the beginning of IDA13, two modifications were made during IDA14 which were a result of the introduction of the grant allocation system in FY06[52] and of the new netting out system initiated under the MDRI, which was first implemented for the FY07

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46 Source: IDA (2007b), "*IDA's Performance Based Allocation System: Simplification of the Formula and Other Outstanding Issues.*"

47 Capping IDA allocations to some large creditworthy Asian countries helps release resources to other regions, such as Africa, where there are considerable challenges to long-term development. Without caps on the allocations for India, Pakistan and Indonesia allocations to African countries would represent only some 22 percent of IDA instead of their current share of close to 50 percent.

48 A paper reviewing the governance factor in the PBA system was prepared for the IDA14 MTR. See: IDA (2006c), *"IDA's Performance-Based Allocations System: A review of the Governance Factor."*

49 See, for example, IDA (2007b), "*IDA's Performance Based Allocation System: Options for Simplifying the Formula and Reducing Volatility;*" IDA (2006c), "*IDA's Performance Based Allocation System: A Review of the Governance Factor*"; IDA (2004a), "*IDA's Performance-Based Allocation System: IDA Rating Disclosure and Fine-tuning the Governance Factor.*"

50 Predictability is defined as the deviation between the norm or "pledged" allocations at the beginning of each fiscal year and the committed or "actual" aid received by the country during the year.

51 For details, see: IDA (2007b).

52 The IDA14 implementation experience with the new grant allocation approach and the MDRI is described in the following section 2.2.

allocation round.[53] This in turn complicated the process of allocating IDA resources, as well as efforts to ensure that the underlying principles of the allocation system were well understood by staff and IDA recipients. At a time when IDA was taking steps to increase its own transparency and accountability through public disclosure of all the components of the PBA system,[54] the IDA14 MTR identified a need to review the PBA system with a view to simplifying it. Consequently, at the time of IDA15 replenishment, a simpler linear formula was introduced.

32. ***Further steps were taken since FY08 to reduce the impact of volatility in portfolio ratings on country allocations***. These changes included: basing the portfolio rating on the percentage of actual IDA problem projects instead of actual plus potential problem projects; using a quarterly average of actual problem projects instead of an end-year snapshot; and introducing a revised conversion scale to convert the percent of actual problem projects into a portfolio rating. Furthermore, trigger-based lending (high-base-low case) scenarios that had been in use to modulate the size of the IDA financial envelope in CAS or transitional support strategies (TSS) were discontinued during IDA14. Instead, country strategies started to use the allocation norms as determined by the IDA's PBA system as a basis for defining the resource envelopes for country strategies.

33. ***The implementation experience with the PBA during the IDA14 period highlighted two other issues that affected IDA's ability to respond to the fragile states and the small economies, which were subsequently addressed during IDA15 replenishment***. In some carefully ring-fenced cases, IDA makes exceptional allocations to fragile states to meet their special needs. One such case is the exceptional allocation given to countries emerging from severe conflict. When the post-conflict window was set up in IDA13, it was envisaged to provide five years of exceptional allocations, including two years of phase out to normal PBA allocations. At the IDA13 MTR, the duration of exceptional allocations was increased to 7 years, including three years of phase out to normal PBA allocations. However, the implementation experience during IDA14, supported by the findings of the emerging research, showed that the three year phase-out period resulted in a relatively sharp drop-off in IDA allocation, which could be disruptive for country programs. Extending the phase-out period would thus help to prevent sharp reductions in IDA assistance. In light of this, at the outset of IDA15 the duration of exceptional allocations was extended for up to ten years by doubling the phase-out period from three to six years. The experience with the extended phase-out period will be reviewed at IDA15 MTR.

34. The second issue emerged with regard to the inability of countries with small IDA allocations to fully benefit from the regional pilot program.[55] Given the strong demand for regional projects, especially in Sub-Saharan Africa, and the need to demonstrate ownership by participating countries, one-third of the cost of an eligible regional project is charged to the country envelope to leverage two-third of the cost from the regional envelope. While the split between the country allocation and topping-up fund has been working well, implementation experience has shown that there have been instances where country participation in regional projects was constrained by a small IDA allocation. To address this issue, at IDA15 replenishment, a cumulative ceiling on an individual country's cost of participation in regional projects was set at 20 percent of its annual allocation.[56] While this provision applies to all countries, it is expected that such a ceiling would disproportionately benefit small states with populations below 1.5 million, where regional integration is important. At the IDA15 MTR, IDA will report on experience with the scaling up.

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[53] In addition, two minor changes were introduced at the beginning of the IDA14 period. First, a three-year moving average of the procurement flag was used (instead of annual information) to lower volatility in the governance factor of the formula. Second, a new scale was introduced to convert portfolio performance into a rating. This change inadvertently caused volatility in allocations during the IDA14 period, which was dealt with later in IDA14.

[54] The CPIA ratings and their components as well as the IDA country performance ratings and their components have been made publicly available since June 2006.

[55] The implementation experience of the pilot is discussed in section 4.5.

[56] Placing a cumulative ceiling would benefit countries with small IDA allocations where this ceiling would likely be binding.

35. ***Overall, the PBA system has been effective in directing resources to well-performing countries with significant development needs, though experience during IDA14 also revealed challenges***, namely: (i) the complexity of the formula; (ii) the short phase-out period of exceptional allocations given to countries emerging from severe conflict and to countries re-engaging with IDA; and (iii) the inability of countries with small IDA allocations to fully benefit from the regional pilot program. Learning from the implementation experiences, some changes were put in place during the IDA14 MTR. Other outstanding issues are discussed in further detail in chapter IV.

2. IDA debt reduction and sustainability initiatives

36. ***IDA continued to play an important role in funding and managing the two major debt relief initiatives—HIPC and MDRI. In addition, IDA introduced several measures to prevent a re-accumulation of debt that generally worked well during IDA14. These measures will become increasingly important as the global financial crisis spreads to IDA countries, with potentially negative effects on debt sustainability***. For IDA countries to sustain the economic and social gains they have achieved during the last decade, they will need, at minimum, to maintain macroeconomic stability. Avoiding debt distress would be a key element of this. As evidence from recent Debt Sustainability Analyses (DSAs) suggests, the reduction of the debt burden achieved in many IDA countries through support from the HIPC Initiative and the MDRI could be quickly reversed if the country's new borrowing strategy is unsustainable. Since debt sustainability—one of the key IDA14 themes—will remain a long-term challenge for developing countries (HIPCs in particular), IDA developed and implemented a comprehensive three-pronged action plan:

i) Continuing to provide debt relief through the HIPC and MDRI initiatives.
ii) Helping countries to prevent future debt distress, supported by analysis contained in the Debt Sustainability Framework (DSF), refining the IDA's grant allocation system; improving the application of the IDA Non-Concessional Borrowing Policy (NCBP); and enhancing the work program on debt management.
iii) Re-engaging with countries in arrears to the Bank.

2.1 Implementing the HIPC Initiative and MDRI

37. ***IDA's provision of debt relief, which commenced through the HIPC Initiative, grew substantially during IDA14 with the approval of the MDRI Initiative.*** The enhanced HIPC Initiative is a comprehensive approach to reduce the heavy debt burdens of the world's poorest countries. During IDA14, HIPC countries continued to make progress: Cameroon, Malawi, and Sierra Leone reached their completion points in 2006, and the Gambia and Sao Tome and Principe did in 2007.[57] At the end of the IDA14 period (end June 2008) total committed HIPC Initiative debt relief from IDA amounted to US$12.14 billion in nominal terms for the 23 post-completion point countries and US$3.28 billion for the ten countries in the interim period between the initiative's decision and completion points.[58] Over 90 percent of HIPC Initiative debt relief to post-completion point countries went to the 19 African HIPC countries. IDA's total estimated share of the HIPC Initiative costs, including pre-decision point countries, is US$14.3 billion in end-2007 NPV terms.

57 During IDA14 several countries reached a Decision Point, which marks a formal entry to the HIPC Initiative, including Republic of Congo and Haiti in 2006, and Afghanistan and CAR in 2007.

58 Out of 40 countries eligible for HIPC debt relief, 7 were still at pre-decision point and have not received any HIPC debt relief as of June 30, 2008, most of them being fragile or conflict-affected states. However two of these countries (Cote d'Ivoire and Togo) benefitted in FY08 from the clearance of arrears process described in section 1.3, allowing them to reach the HIPC Decision Point in FY09.

38. The MDRI was proposed by G8 heads of states in July 2005, and in July 2006 the Executive Directors of IDA approved its implementation.[59] Although it had not been included in the IDA14 financing framework, it had a significant impact on IDA14 financing. The MDRI provides for full cancellation of eligible debt to IDA,[60] AfDB, and IMF for countries that reach the HIPC completion point.[61] By the end of the IDA14 period, all 23 post-completion point HIPC countries had received an estimated US$43.3 billion in MDRI debt relief in nominal terms, 87 percent of which was provided to African countries. It is projected that the total cost to IDA of providing MDRI relief to all HIPCs will be US$37.4 billion in nominal terms and US$18.3 billion in end-2007 NPV terms.

39. ***In both initiatives, IDA plays a dual role in providing debt relief and managing, jointly with the IMF, the process through which this relief is provided, coordinated, and monitored***. As a provider of debt relief, IDA is the biggest single contributor, with over 65 percent of MDRI costs and 20 percent of HIPC costs. In its joint role as manager of the debt relief process, IDA closely monitors HIPC countries' macroeconomic stability and progress toward decision or completion points, using country specific triggers. Further, IMF and IDA have undertaken extensive outreach efforts to encourage other private and bilateral creditors to provide their share of debt relief, as participation in the HIPC process is voluntary. It is estimated that, as of September 2008, private creditors have provided around 33 percent of their expected share of debt relief with the Debt Reduction Facility (DRF) catalyzing commercial creditor participation.[62] Non-Paris Club bilateral creditors have provided around 40 percent. Since its inception, the DRF has supported 25 completed buy-back operations, extinguishing more than US$10 billion of external commercial debt. The last two operations (Liberia and Nicaragua) were particularly important because the vast majority of litigating creditors participated in the buy-back.[63]

2.2 Helping countries prevent future debt distress

40. ***Despite the significant decline in debt burdens, debt sustainability will remain a long-term challenge for IDA countries.*** The benefits from debt reductions could be quickly reversed if countries embark on unsustainable borrowing strategies or are exposed to serious shocks, particularly those involving declines in exports. DSAs suggest that even after HIPC Initiative and MDRI relief, only nine of the 23 post-completion point HIPCs have a low risk of debt distress, and the number of countries with a high risk of debt distress has increased from one to four between 2007 and 2008. Further, DSAs indicate that, even before factoring in the impact of the global financial crisis, debt to exports ratios for the median will increase between 2007 and 2017 for every category of debt distress, but especially in countries at a high risk of debt distress (see Box 1).

41. ***To limit the risk of debt re-accumulation in low income countries, IDA introduced a comprehensive four-pronged approach,*** comprising the following instruments: (i) Debt Sustainability Framework (DSF) which monitors changes in country debt sustainability prospects based on DSAs completed for most IDA-only countries;[64] (ii) IDA's grant allocation system, which allocates grants to countries if their DSA finds them at risk of debt distress; (iii) the IDA Non-Concessional Borrowing Policy (NCBP), which aims to reduce the risk of

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59 IDA members also approved a separate replenishment for the MDRI to fully finance the costs to IDA of providing debt relief on a dollar for dollar basis.

60 For IDA, debt stocks as of December 31, 2003 are eligible for cancellation.

61 Although not originally part of the MDRI, IADB now also provides 100 percent debt relief for HIPC countries.

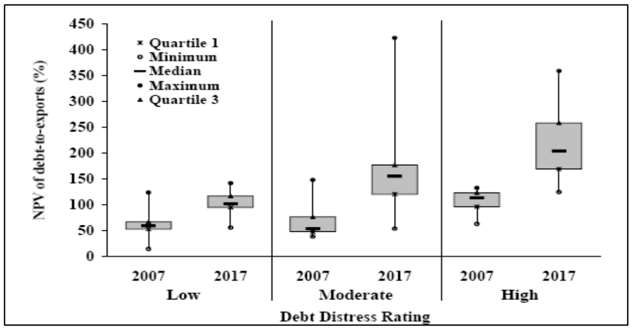
62 The DRF provides grants to HIPCs, to buy back (at a deep discount) the debts owed to external, commercial creditors. It also finances the legal and financial advice needed to implement such buybacks.

63 The Nicaragua buy-back was initiated during the IDA14 period, with the Grant approved by the Board in July 2007 and the first two closings taking place in December 2007 and February 2008. The last two closings took place in the second half of 2008. In the case of Liberia, the Grant was approved in December 2008 and the buy-back took place in April 2009.

64 The DSF is a broader initiative, which focuses on all IDA countries and goes beyond countries which received debt relief through the HIPC and MDRI initiatives.

new debt distress from non-concessional sources; and (iv) a menu of Debt Management tools that helps borrowers manage debt more effectively.

Box 1: Long-term debt sustainability challenges in post completion point HIPC countries



Post-completion point HIPCs face two key vulnerabilities.[1] First, most of them are vulnerable to export shocks. With the exception of two high-risk countries, the NPV of external debt to exports ratio of post-completion point countries is below its performance related threshold in 2007. Vulnerability in the long term is evidenced by a large projected increase in the debt to exports ratio after 10 years under the most extreme stress tests in each DSA, which involves in most cases a shock to exports. However, there are important differences among the groups. First, in low-risk countries, the external debt ratio, although much higher after the shock, remains at manageable levels.

For moderate-risk countries, the increase is on average much larger and brings the ratio above the indicative thresholds, in light of a lower capacity to carry debt. Second, these countries are also highly sensitive to the terms of new financing. Under the standard DSA alternative scenario of less favorable terms from lenders (2 percent increase in interest rate), 60 percent of DSAs show the NPV of external debt-to-exports ratio exceeding the DSF thresholds for HIPCs, compared to 30 percent for non-HIPCs.

These vulnerabilities are especially acute for the four out of 24 post-completion point HIPCs already at high-risk of debt distress. Since high risk ratings are generally associated with a low and undiversified export base and poor (or deteriorating) quality of policies and institutions (as measured by the CPIA index) these countries will need to take urgent action to develop a more diversified export base.

(1) This analysis is based on the September 2008 Progress Report.

The Bank-Fund Low Income Country Debt Sustainability Framework

42. ***The DSF enabled IDA to take a major step forward in how it analyzes debt issues and the related policy advice it provides to low-income countries.*** The DSF provides the overall framework for analyzing the debt sustainability outlook in low-income countries. The central element of the DSF is the debt sustainability analysis, conducted regularly to assess the risk of debt distress that each low income country faces.[65] Since the introduction of the DSF in 2005, the number of countries with DSAs has grown substantially.

43. The DSF was reviewed in 2006 to improve the quality and rigor of DSAs and ensure that it provides a thorough and consistent, albeit flexible, treatment across countries.[66] DSAs performed since then apply the elements of the review (such as the impact of large investment projects on growth), and in the assessment of debt distress, consideration is given to country-specific mitigating factors. The forward-looking nature of the DSA enables IDA to be more active in helping countries address debt sustainability issues, including through adjusting the mix of grants and credits (see discussion below) and through advice on a country's broader lending strategies. It also guides other creditors on providing resources on terms that are consistent with both progress toward development goals and long-term debt sustainability.[67]

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65 The DSAs consist of three elements: a standardized forward-looking analysis of debt and debt-service dynamics; a debt sustainability assessment based on indicative debt-burden thresholds that depend on the quality of the country's policies and institutions; and recommendations for a borrowing (and lending) strategy that limits the risk of debt distress, while maximizing the resource envelope to achieve the MDGs.

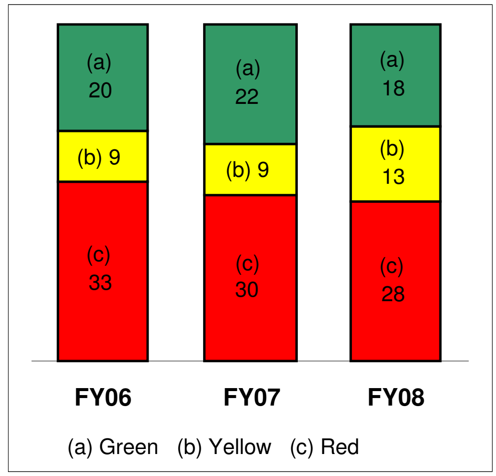
66 Some aspects of the DSF were further revised in August 2009 to allow IDA countries more flexibility in obtaining external finance to deal with the effects of the global financial crisis. See: IDA (2009b), *"A Review of Some Aspects of the Low-Income Country Debt Sustainability Framework."*

67 See: IDA (2004), *"Debt Sustainability in Low-Income Countries—Proposal for an Operational Framework and Policy Implications"* for details on the analytical framework underpinning the DSF. For more recent updates go to http://go.worldbank.org/69TGUEX071.

IDA's Grant Allocation Framework

44. ***The IDA14 grant allocation framework marks a significant evolution from the framework in place in IDA13, when grants were allocated according to multiple debt and non-debt-related criteria***. In IDA14, grants are used to further the debt sustainability objective, with a country's risk of debt distress being primary criterion to determine grant eligibility. Based on DSAs countries are assessed to be either in debt distress, or at high, medium, or low risk of debt distress. Countries rated as in debt distress or at high risk receive a 100 percent of their allocations as grants (these are the so-called "red light" countries), those at medium risk receive a 50 percent of their allocations as grants ("yellow light" countries), and those at low risk receive a 100 percent of their allocations as credits ("green light" countries). To preserve the performance incentives embedded in the PBA and to recoup forgone charge income on grants, grant allocations were discounted by 20 percent. The resources made available from this discount were then either distributed based on performance to all IDA-only countries or used for recovering forgone service charges (see Annex 6).

Figure 6: Number of countries by traffic light



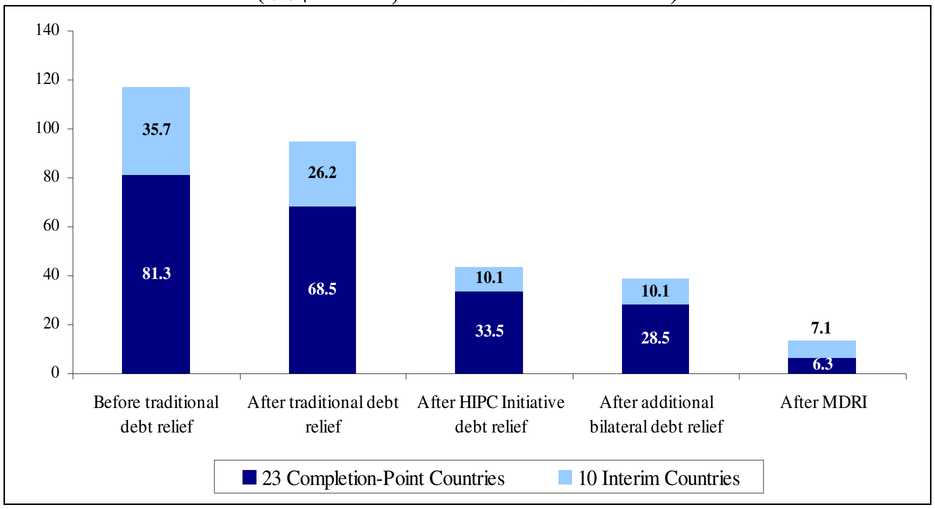
45. ***The grant allocation framework evolved significantly over the IDA14 period providing a more forward-looking assessment of country debt situation***. At the beginning of the period, the grant allocation framework initially had to rely on historic ratios to estimate the risk of debt distress.[68] As annual DSAs started to be systematically produced, allocation of IDA grants was increasingly based on a forward-looking analysis of the debt dynamics in low-income countries. By FY08, 54 of 59 IDA-only countries had their traffic lights based on these "dynamic" DSAs, compared with only four of 62 countries at the beginning of the IDA14 period.

46. While the number of grant eligible countries remained relatively stable over the IDA14 period, there was a slight reduction in the number of the "red light" countries (that is, the countries in debt distress or at high risk of debt distress in FY08) (see Figure 6). It is also notable that while the debt relief provided under the HIPC and MDRI Initiatives was very significant for many countries (see Figure 7) it has not automatically translated into a low risk of debt distress for all recipients. This is partly explained by the move to "dynamic" DSAs: the forward-looking elements of these DSAs are able to highlight continued vulnerabilities in many countries that the static approach was not able to capture. The continued vulnerability of countries to debt distress risks highlights the need for strengthened debt management and cautious new borrowing strategies, as well as of increasing economic resilience to help maintain the reduced debt ratios achieved by debt relief.

47. IDA grants during FY06-08 amounted to SDR 4.7 billion (US$7 billion), or 22 percent of IDA commitments, of which African countries received 70 percent (SDR 3.3 billion). The impact of IDA grants on a country's debt dynamics greatly depends on the share of IDA resources in total new financing. When IDA accounts for a significant share of total external financing, IDA grants can significantly reduce the speed of new debt accumulation.

[68] For example, NPV of debt to GDP ratio, NPV of debt to exports ratio, and the debt service to exports ratio.

Figure 7: Post-decision point HIPCs' debt stock under different debt relief stages (US$ billion, at end-2007 NPV terms)



Note: Estimates based on decision point debt stocks.
Source: HIPC Initiative country documents, and IDA and IMF staff estimates.

IDA's non-concessional borrowing policy

48. ***Efforts to provide debt relief and grants gave rise to the concern that if the fiscal space created were utilized for rapid re-accumulation of debt, especially non-concessional, this could undo the benefits of IDA's efforts to restore debt sustainability***. ***To prevent this, IDA introduced the NCBP***, aiming to influence the lending behavior of other creditors so that their lending decisions took account of debt sustainability issues highlighted in the DSF.[69] It also aimed to influence borrower behavior by stressing the importance of sound debt management, improved debt reporting, and, if warranted by debt sustainability concerns, reduction in the volume of IDA financing and adjustment to IDA lending terms. While the NCBP set minimum concessionality requirements, the policy acknowledged that under certain circumstances non-concessional loans could appropriately be part of a financing mix that helped promote economic growth. Thus, the policy contained a set of country- and loan-specific criteria used by staff to undertake case-by-case assessments of potential exceptions to the policy.

49. ***Since 2006 the outreach effort has been successful in developing better coordination among creditors, increasing understanding of the DSF among debtors and guiding their borrowing decisions***. First, an increasing number of MDBs (AfDB, AsDB, IADB and IFAD) are either taking into account DSF risk ratings or include debt sustainability issues into setting their own financing terms or. Second, the new AfDB policy on non-concessional debt accumulation mirrors the NCBP. Third, after an extensive outreach program, the OECD Working Group on Export Credits and Guarantees adopted a set of sustainable lending guidelines in January 2008. These principles include an agreement to adhere to IDA and IMF concessionality requirements in low-income countries. Fourth, discussions have been held with non-OECD bilateral creditors. Finally, Bank and IMF staff also attended various meetings with private creditors to share information on the DSF. Nonetheless, some creditors are still offering non-concessional terms to grant-eligible and post-MDRI countries. Since 2006 several country cases have been examined in the framework of the NCBP process including Angola, Mali, and Ghana.[70]

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69 IDA (2008c), *"IDA's Non-Concessional Borrowing Policy: Review and Update. Implementation of IDA13 Recommendations: Progress and Challenges."* In August 2009 the IMF Board approved new guidelines for debt limits in Fund-sponsored programs to help countries deal with the effects of the financial crisis. Some adjustments in the NCBP will be made accordingly by December 2009. For more information see: IMF (2009), *"Debt Limits in Fund Supported Programs: Proposed New Guidelines."*

70 In case of Angola and Ghana, a disincentive mechanism was applied by hardening the terms of IDA's financial assistance. Mali was granted a waiver based on country and project level considerations.

And since 2005, in partnership with the IMF and regional capacity building institutions, IDA has organized eight training workshops on the DSF in Africa, Asia, and Latin America, which were attended by country officials from all post-completion-point HIPCs (and low-income countries across all the regions).

Strengthening Country Debt Management Capacity

50. ***Given the importance of debt management in helping to reduce the rapid re-accumulation of new debt, technical assistance (TA) for debt management was enhanced during IDA14.*** In April 2007 the World Bank and IMF approved a scaled-up work program to help improve debt management in low-income countries.[71] This demand-driven program introduced two new instruments: the Debt Management Performance Assessment and technical assistance on designing and implementing country-specific Medium Term Debt Strategies (see Box 2). Most activities are implemented jointly with regional debt management assistance providers.

Box 2: Key instruments of the Debt Management Facility

The Debt Management Performance Assessment (DeMPA) is used to assess strengths and weaknesses in government debt management practices through 15 indicators spanning the full range of government debt management functions. The recommendations form the basis to formulate actionable reform programs, which can then be collaboratively supported by the donor community. As of December 2008, the DeMPA has been applied in 23 countries. The Bank has also trained its staff, as well as international TA providers, donors and country authorities to explain the rationale and objectives of the DeMPA tool.

The Bank and the IMF have finalized a toolkit to aid formulation of the *Medium Term Debt Strategy (MTDS)*. The MTDS provides an assessment of the cost-risk trade-offs for different borrowing strategies within a medium-term context. As of December 2008, the MTDS approach has been piloted in Bangladesh, Cameroon, Ghana, Moldova and Nicaragua.

51. ***While overall, experience with the implementation of the DSF framework has been positive and results encouraging, challenges remain***, in particular, with creditor collaboration, information asymmetries, and the impact of the disincentive mechanism, and also in addressing the needs of post-MDRI countries at low risk of debt distress. While IDA is exploring opportunities for collaboration with all creditors, there are limits to what can be achieved by this process based on the use of moral suasion. Furthermore, the disincentives in the NCBP to affect country borrowing decisions have also been less effective, especially where IDA financing is small relative to other external financing sources. Inadequate information, especially on the expected costs and benefits of planned investments, can make decisions on responses to non-concessional borrowing difficult.

2.3 Re-engaging with Countries in Arrears

52. ***The IDA14 period saw significant progress in the way that IDA helps support the efforts of countries with arrears to IDA and IBRD to normalize their relations and re-engage with the Bank and the rest of the international community***. In particular, IDA began to implement a systematic approach to arrears clearance under which IDA resources were used to provide exceptional arrears clearance allocations to countries meeting eligibility and readiness criteria. To proceed with re-engagement through an arrears clearance operation, there must be strong international cooperation, a reasonable expectation of continued country stability, and a successful economic stabilization program with a comprehensive arrears clearance plan for preferred creditors. In FY08, three IDA countries (Liberia, Côte d'Ivoire, and Togo) cleared their arrears for a total of US$817 million, leaving another four countries (Myanmar, Somalia, Sudan, and Zimbabwe) with continued arrears to the Bank at the end of the IDA14 period.

[71] Going forward, scaled-up efforts will be financed to a large extent through the multi-donor Debt Management Facility, established in November 2008, following the discussions at the IDA and IMF Executive Boards (see: World Bank (2007d), *"Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward."* The document also contains information on additional Bank and Fund capacity-building activities in public debt management.

53. ***Recognizing that the traditional mechanisms for supporting arrears clearance would be insufficient in the face of the high levels of arrears accumulated by some countries,***[72] ***the systematic approach to arrears clearance was developed during IDA14*** and discussed with the Executive Directors and with the IDA Deputies in the context of the IDA15 replenishment agreement. The approach is ring-fenced by eligibility criteria, which specify that only countries in arrears at end-2006 that are (or could become) grandfathered for HIPC eligibility can receive exceptional support. The level of exceptional arrears clearance support is based on the capacity, needs, and circumstances of eligible countries. Countries that are in a financial position to do so will need to contribute from their own sources.

54. In practice support for arrears clearance simply frontloads debt relief that countries in arrears would receive after they reach the HIPC decision point. Since IDA donors have committed to finance the cost to IDA of debt relief dollar for dollar, they agreed to finance the full cost of the support needed by the first three countries that have already completed the process and four countries that could potentially be eligible for exceptional arrears clearance allocation. The IDA15 agreement thus includes SDR 0.9 billion to cover the estimated cost of implementing the systematic approach during the last year of the IDA14 period and until the end of the IDA15 period.

55. ***The systematic approach has been successful, evidenced by the first three countries that have successfully cleared arrears and entered the HIPC debt relief process***. Without the systematic approach it would have been difficult for any of these countries to have normalized relations with the Bank (or with the rest of the international community), re-entered a regular development path, or received the benefits of HIPC debt relief. For each country, detailed “capacity to pay” assessments were carried out. These assessments concluded that Liberia and Togo did not have capacity to contribute resources toward arrears clearance from their domestic resources. But Côte d’Ivoire was assessed to have the capacity to pay 50 percent, with the other 50 percent being provided from an exceptional arrears clearance allocation.

56. ***The systematic approach will remain a useful part of IDA’s toolkit***. As in the three completed cases, the key to successful implementation in the future will remain a strong commitment and effort by the countries to resume social and economic recovery, as well as a concerted effort by creditors to help clear arrears and provide new resources for development.

[72] For instance Liberia had arrears to the Bank that were 14 times the size of its IDA allocation and also had extremely limited access to domestic and donor resources with which to support arrears clearance. The Executive Directors asked IDA management to use an exceptional IDA allocation to clear Liberia’s arrears. They also asked that a systematic approach to arrears clearance be developed so that such exceptional allocations could be made available for other IDA countries where arrears exceed IDA allocations and capacity to pay.

3. Working Together to Strengthen the Country-Based Model

57. ***During IDA14 the country-based development model, recognized in the 2005 Paris Declaration on Aid Effectiveness as the most effective approach to achieving economic growth and poverty reduction, continued to be the basis for IDA's engagement with its client countries and other development partners***. Country-owned poverty reduction strategies (PRSs) and IDA's country assistance strategies (CASs), the two building blocks of the model, significantly evolved during IDA14 due to greater attention to ownership and results.[73] Good progress was made in forging closer collaboration between IDA and other development partners as well as within the WBG. But managing for results within the country-based development model revealed significant weaknesses in the statistical capacity of IDA countries. While some progress has been made in this area, a more focused and coordinated long-term commitment is required by all the partners to address the issues. This chapter will assess improvements made during IDA14 in the above areas and outline remaining challenges.

3.1 Strengthening Country-Ownership and Results-focus of Poverty Reduction Strategies

58. During FY06–FY08, the number of countries with PRSs expanded significantly and many countries developed second generation PRSs. At the end of IDA13, forty countries had full PRSs in place, and three countries had prepared a second generation strategy. By the end of the IDA14 period, those with full PRSs in place increased to 52, of which 29 were second generation PRSs, and an additional 7 countries had prepared interim PRSs.[74]

Strengthening country ownership of PRSs

59. ***In line with the IDA14 commitments, IDA implemented significant reforms in applying conditionality to reflect country ownership of PRSs***.[75] The 2007 Conditionality Review and preliminary findings from the forthcoming Development Policy Lending (DPL) retrospective[76] provide evidence for stronger government ownership of Bank-supported programs, including where they support sensitive reforms,[77] and for the use of analytic work to address the poverty and social impacts of policies. For IDA countries, the reference point is almost uniformly a country's PRS as the basis for the policy content and performance monitoring of Development Policy Operation (DPO). Since the late 1990s, the Bank has sharply reduced the number of disbursement conditions to about 9 per operation in 2008 from 12 in 2007 and 32 in 1999.

60. IDA has also introduced greater flexibility in its policy-based lending by shifting the focus to longer-term institutional reforms and public sector governance. DPOs are increasingly results-focused, and most operations now have a results framework with baselines and targets to track progress in program

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[73] This section draws heavily on the 2007 assessment of PRSs entitled "*Results-Based National Development Strategies Assessment and Challenges Ahead* " (World Bank 2008b), which provides a review of the quality of PRSs and country level monitoring and evaluation frameworks in 62 countries, as well as results of the 2009 "*Country Assistance Strategies: Retrospective and Future Directions"* (OPCS, 2009).

[74] Among the group of fragile and conflict-affected states, five countries (Afghanistan, Cambodia, the Gambia, Lao PDR, and Tajikistan) have a PRS II, ten (Burundi, Chad, Congo DR, Djibouti, Guinea, Guinea-Bissau, Nigeria, Sao Tome and Principe, Sierra Leone, and Timor-Leste) have a PRS I, four (Republic of Congo, Côte d'Ivoire, Haiti, and Liberia) have an interim PRS, and two (Central African Republic and Sudan) have Transitional Results Matrices.

[75] World Bank's operational policy for development policy lending was reformed in 2004 and the Good Practice Principles for the Application of Conditionality were adopted in 2005.

[76] See: OPCS (2007), "*Conditionality in Development Policy Lending"* and forthcoming "*Development Policy Lending Retrospective—Flexibility, Customization, and Results"* (World Bank and OPCS 2009b).

[77] Sensitive reforms, as defined by the Bank in 2005 include privatization, price liberalization, subsidy reforms, utility price adjustments, trade reform, and user fees. They have been used in less than one-third of Bank-funded operations and in fragile environments only when there is sufficiently strong evidence of ownership. In such cases, IDA supports these reforms with analytic and financial resources.

implementation. In many countries, IDA is working closely with financial partners to align support with government budget cycles, and it maintains a strong record of predictability on budget support.

61. Governments also made significant progress in involving civil society organizations (CSOs) as well as parliamentarians in formulating, implementing, and monitoring national development strategies (see Box 3). The review of national development strategies in low-income countries finds that, during FY07, in 26 of the 27 IDA-only countries that received IDA PRSC support, CSOs were involved in the formulation of national development strategies. The majority of the countries also consulted CSOs during implementation and monitoring.[78] Nonetheless, there is still room for improvement,[79] especially in broadening the ownership base of national development strategies beyond the executive branch of the government (particularly core government agencies) by ensuring a more active involvement of the legislative bodies. Finally, a stronger emphasis was placed on training activities offered to a wide group of stakeholders (including legislatures, civil society, academia, and research institutes) to support the design of PRSs.

62. Several PRSs highlight the role of parliament in PRS oversight, either through a PRS standing committee (e.g., Azerbaijan and Ghana), other standing committees (such as budget committees), or through membership of PRS steering committees managed by the executive branch (e.g., Chad and Georgia). Some parliaments (e.g., Bosnia and Herzegovina and Ethiopia) are implementing changes to facilitate legislative oversight of PRS implementation. Many governments report to parliaments on budget and PRS progress (e.g., Benin, Kyrgyz Republic, Mozambique, and Tajikistan).

Box 3: Examples of Participation in the PRSs

Afghanistan. The Afghanistan National Development Strategy (ANDS) finalized in April 2008 is the product of extensive national, provincial, and local-level consultations. National consultations involved all major governmental and civil society institutions, including nongovernmental organizations (NGOs), cultural associations, religious communities, tribal elders, the private sector, development experts, and the international community. Sub-national consultations involved discussions with provincial governors, provincial representative bodies, village councils, parliamentarians from each province, local civil society leaders, representatives of Provincial Reconstruction Teams, and prominent individuals in all 34 provinces. More than 17,000 people, nearly 50 percent of them women, directly participated. The sub-national consultations represented the first significant dialogue between the central government and the provinces, designed to strengthen center-periphery relations. The outcome included around 18,500 village-based development plans, leading to 290 district development plans, which were finally consolidated into 34 Provincial Development Plans that outlined each province's needs and key development priorities.

Armenia. For its second PRS, the Sustainable Development Program, Armenia had an extensive participatory review process, including social surveys and 38 public discussions, including 18 at the regional level. The public discussions addressed the most acute local problems, including employment, small and medium entrepreneurship, education, and health service development programs. And the preparatory process included an extensive public awareness process through the media and the internet.

Tanzania. The involvement of Tanzania's parliament in setting priorities for their PRS resulted in significant progress in education sector and more efficient use of available budget resources. During the strategy discussions with members of parliament (MPs), education was often viewed as the area in which they could have an important positive policy impact. Expansion of basic education in Tanzania has been dramatic, driven by the elimination of school fees as part of the PRS. The net enrollment of children aged 7 to 13 was 58.5 percent in 2000, rose to 85 percent in 2002, combined with recruitment of 7,300 new primary teachers and building of 13,000 new classrooms. This success story reflected MP mobilization efforts in their constituencies: the proposed budget was three billion shillings, but the work was completed for 1.7 billion shillings due to the ownership and oversight of parliament.

Source: Kroon, Cindy and Rick Stapenhurst (2008), "*Parliaments' Role in Poverty Reduction Strategies.*"

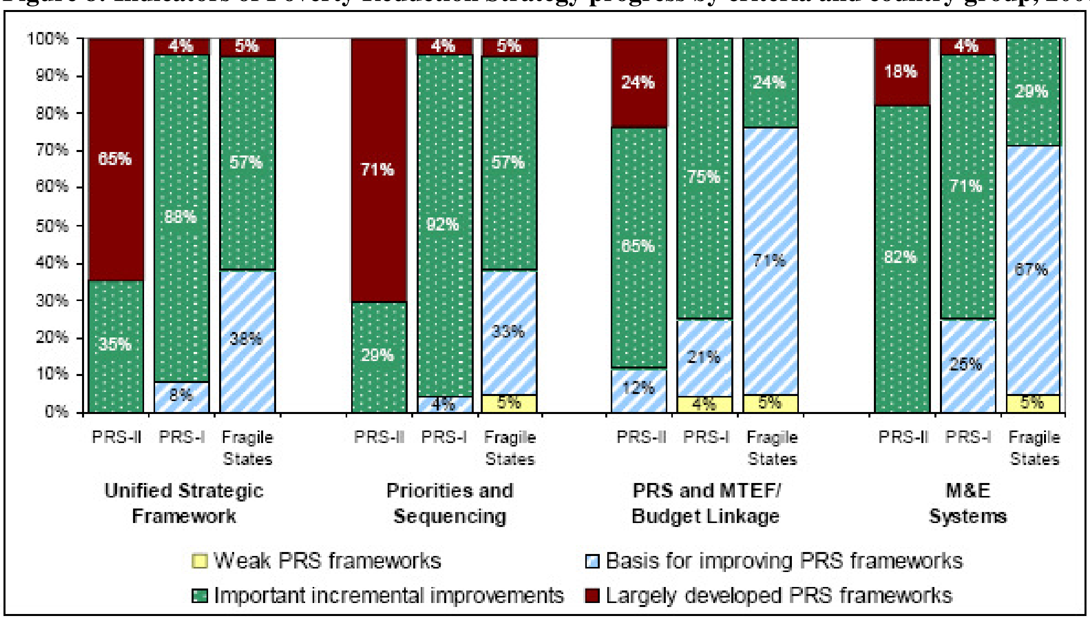
78 See: World Bank (2008b).

79 See: Wood, Bernard et al. (2008), "*Evaluation of the Implementation of the Paris Declaration—Phase One—Synthesis Report.*" and Kabell Konsulting ApS. (2009), "*Better Aid—Aid Effectiveness—A Progress Report on Implementing the Paris Declaration.*"

Supporting Country Efforts to Sharpen the Results focus of PRSs

63. ***Since 2001, IDA countries have made steady progress in sharpening the results focus of their development strategies through implementation experience and by building the capacity of key domestic institutions***. According to the assessment of development strategies and results frameworks carried out in 2007, only 45 percent of countries had operational development strategies or had made significant progress in achieving them in 2001and less than 20 percent had results-oriented frameworks. By the end of 2006 the numbers had doubled, reaching 81 and 53 percent, respectively.[80] Further, there is a clear progression from the first-generation PRS countries (PRS I) to the second-generation PRS countries (PRS II), reflecting learning as countries gain experience with these instruments and build capacity of key domestic institutions—whether public financial management or monitoring and evaluation systems.[81] Assessment of country performance along four specific measures of PRS quality (see Figure 8) shows that PRS II countries have made significant progress in all areas: they have reached good standards in forging unified and well-prioritized strategies, improved public financial management, strengthened the links between the PRS and budget, and made progress toward establishing country-level monitoring and evaluation systems (for more details see Annex 7). On the other hand, the vast majority of PRS I countries have demonstrated incremental improvements. However, the review also showed that the quality of PRSs in fragile and conflict-affected states reflects specific development challenges faced by these countries, so preparation of PRSs should be adapted accordingly (see Annex 8 for more details).

Figure 8: Indicators of Poverty Reduction Strategy progress by criteria and country group, 2006



Source: World Bank (2008b), "*Results-Based National Development Strategies: Assessment and Challenges Ahead*."

64. ***Going forward IDA will continue assisting its client countries in improving the quality and result-focus of their PRSs***, including by strengthening country-level statistical capacity and improving monitoring and evaluation systems. Currently, very few PRS I countries are approaching the Paris Declaration targets for monitoring and evaluation systems and, even among PRS II countries, the vast majority lack well-developed systems. So, IDA will continue its support through capacity building and analytic and advisory activities in the design, implementation, and monitoring of PRSs (see also discussion below).

[80] World Bank (2008b).

[81] Ibid.

3.2 Evolution of Country Assistance Strategies during IDA14

65. ***During IDA14 the results based-approach was applied to all CASs, which resulted in their improved alignment with national development strategies and sharpened results focus***. The CAS is the central tool for guiding IDA's country programs and, ultimately, assessing the impact of its work. During IDA14, 72 CAS products were prepared for the recipients of IDA assistance, including 33 CASs, 17 CAS progress reports, and 22 interim strategy notes. Evolution of CASs during IDA14 took place along three dimensions. First, IDA14 CASs reflected efforts to effectively align IDA's country assistance with PRSs, including customizing CASs for fragile and conflict-affected states for their particular development challenges. Second, results-based CASs were streamlined and much experience has been gained in designing IDA programs and operations with a focus on results. Third, CAS diagnosis and programming continued to focus on country priorities, including such important cross-cutting themes as macroeconomic policy, governance, sustainable development, and gender.

Improving Alignment of IDA Programs with Countries Strategies

66. ***For recent IDA CASs, alignment with PRSs is universal, although the degree of alignment varies across countries*** (see Box 4). Alignment of development assistance to countries' own priorities has been a priority for the international aid community, including IDA. Implementation of the Paris Declaration principles led to significant progress in collaboration between development partners; the importance of ensuring alignment of aid programs with country priorities was further highlighted by the Accra Agenda for Action. Key aspects of implementing IDA's commitments on alignment include anchoring IDA assistance programs in countries' long-term vision and priorities set out in a PRS and using IDA programs to help countries strengthen the policies, plans, and institutions needed for development.[82] Almost all IDA CASs prepared during FY06–07 discuss the country's PRS and generally reflect PRS priorities. Overall, the timing of the PRS and the CAS seems to be a clear determinant of the extent of alignment; it is stronger when CASs draw directly from the government's own strategy in cases such as Uganda, Bhutan, and Ghana, but weaker where the elapsed time between the preparation of the two documents was longer.

Box 4: Examples of CAS Alignment with PRS

Vietnam's Country Partnership Strategy (CPS) organizes Bank lending and non-lending activities around the four pillars of the country's Socio-Economic Development Plan (SEDP). The CPS aims to assist Vietnam and its development partners with the Hanoi Core Statement (HCS) goals on ownership, alignment, harmonization, results, and accountability. Donors have pledged to align their respective ODA strategies to the SEDP, monitor the results of assistance using the government's results-monitoring framework, and jointly conduct progress reviews on realizing the HCS targets. The government's SEDP uses localized MDGs to develop a system of indicators to monitor and evaluate progress. The new results-based CPS program matrix links the SEDP higher-order goals with CPS outcomes and outputs supported by specific Bank interventions, as well as by other donor partners.

The **Tanzania Joint Assistance Strategy** was developed through a government-led process. Besides the country's PRS, which provides the substantive framework for IDA support, the government set an explicit strategy for aligning donor support with its PRS and Medium-Term Expenditure Framework. The Bank is aligning its CAS behind the government's programs and strategies, increasingly using harmonized aid modalities (such as development policy lending, basket funds, and joint analytical and advisory services), and relying more and more on government processes and systems.

The **Tajikistan CAS** builds on the country PRS. It was refined during a two-day retreat between senior Bank staff and the entire team of government decision makers. This approach, based on joint diagnosis and discussion rather than presentation of a pre-developed draft strategy, allowed the government to discuss the challenges and proposed Bank interventions and emerge with a clear understanding of the underlying logic of the proposed strategy. With a basic outline of the strategy in hand, the Bank Group then met with civil society representatives to hear their views and consulted other donor organizations to secure their support.

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[82] This includes customizing CASs for fragile and conflict-affected states (FCS). See Annex 8 for the findings and recommendations of a recent review of the Interim Strategy Notes prepared during IDA14 for FCSs.

67. ***IDA also deepened its engagement with countries' legislatures, CSOs, academia, and research institutes during CAS product preparation, although more emphasis could have been placed on strengthening government capacity to consult and effectively follow-up during implementation***. Broad participation by stakeholders and consultations with civil society, supported by disclosure of CAS documents, can help identify the internal and external challenges countries face, delineate the most effective interventions for the Bank, and build support for the Bank program. Today most CASs—and, to a lesser extent, Interim Strategy Notes (ISN) and CAS PRs—are drafted in close consultation with government, usually with numerous ministries and agencies and at various levels, from national to local; often, parliaments are also consulted. The Bank also often undertakes consultations with a broad array of stakeholders—civil society and the non-government sector (NGOs, labor unions, universities, and business associations), as well as other development partners. Those consultations are most successful where they are closely aligned with government processes for national development strategies. Depending on the country, the degree and depth of consultations varies. It is important to note that CAS participation often depends on the participatory processes of the PRS. Hence, strengthening PRS participation is critical, with a focus on enhancing governments' capacity to consult civil society and integrate the outcomes of these consultations into the PRS (as discussed in section 3.1). In addition, participation has been underpinned by the Bank's disclosure policy, which has a strong presumption in favor of public access to CAS product documents.

68. ***Although a majority of CASs remained focused on growth and poverty reduction, the link between economic growth and poverty reduction could be strengthened***. About 81 percent of IDA CASs have economic growth as one of the key objectives in the results framework. Roughly 20 percent of CASs focus on accelerating and sustaining growth, 40 percent on making growth more pro-poor, and 40 percent on both. However, recent CASs fell just short of satisfactory in their treatment of the poor as productive actors, who contribute to and benefit from growth, rather than merely as consumers of public goods.

69. ***IDA will continue its efforts to better align its strategies and programs with countries' national development strategies and priorities***, including maintaining upstream support for the design of PRSs (as discussed in section 3.1). These efforts will also help achieve a more meaningful alignment of donor support. In addition, IDA will support government capacity to consult civil society and institutions (local governments and parliaments) on CASs to improve quality and continuation during the implementation phase. CASs should also be more candid about impediments in a country's environment, culture, or capacity that is not conducive or facilitative of civil society involvement (such as press and media restrictions). And systematic documentation of the process and outcomes will need greater attention in CASs.

Sharpening the results focus of IDA CASs

70. ***An important achievement of IDA14 was successful implementation of the results-based approach in CASs, which entails three elements***. First is a more precise and realistic formulation of country outcomes, to which IDA activities are expected to contribute directly during the CAS period. Each CAS has a results matrix that lays out the logical links between the country's priorities and the Bank's program, identifies a set of milestones for monitoring progress, and specifies what the Bank program is expected to achieve. As such, it is a key tool for laying out the development outcomes which IDA programs intend to influence. Second is a clear framework for monitoring progress during CAS implementation. Each CAS specifies monitoring arrangements, taking into account existing limitations in a country's statistical and monitoring capacity and indicating how these deficiencies are addressed. Finally, each CAS incorporates lessons through a formal self-evaluation of the implementation of the last CAS program (a CAS Completion Report (CASCR)). While all CASs prepared during IDA14 were Results-based Country Assistance Strategy (RBCAS), significant challenges remain, especially in the quality of the results and monitoring and evaluation frameworks.

71. ***Overall, during IDA 14, the quality of CAS results matrices has improved and they have become more selective***. A review of forty-three CASs delivered during FY06-FY08 Q2 focused on the clarity and persuasiveness of linkages between the Bank's interventions, expected CAS outcomes, and country

development goals—the results chains. Most CASs were found to have results designs of moderate quality. Few recent CASs demonstrate strong results chains—only seven CASs stood out for particularly strong results frameworks in which most country development goals were logically linked to CAS outcomes, which in turn had clear links to Bank activities. Another sixteen had moderately strong results frameworks. The FY07 and FY08 CASs had somewhat stronger results matrices than FY06, possibly due to increased design experience. The strength of results chains in IDA and blend CASs improved relatively more strongly than IBRD CASs, and all seven of the strong results matrices belong to IDA CASs (Honduras, Lesotho, Malawi, Nicaragua, Senegal, Tanzania, and Yemen).

72. Result matrices have also become more selective during IDA14, as measured by the number of CAS results, and in particular, CAS outcomes. On average, each CAS during FY06-08 Q2 set out 25 outcomes, but the number varied from a low of 5 outcomes to a high of 72. The average CAS identified 12 country development objectives, and more than 50 milestones to keep track of progress on results. Over time, CASs have been steadily improving, as the number of goals for country programs narrows, falling from an average of 32 for all countries in FY06 to 21 in FY07 and 20 in the first half of FY08. IBRD and IDA CASs have converged, with IDA improving from a slightly weaker position.

73. Finally, while all CASs incorporate the experience and lessons from the previous CAS, as reviewed in the CASCRs, more efforts are needed to strengthen the quality of inputs. A recent IEG review[83] of RB CASs notes that the quality and usefulness of CASCRs depends greatly on the quality of the results framework of the original CAS, indicators, and monitoring systems. Poorly designed results frameworks limited their usefulness for country program monitoring and management. It is difficult to interpret the information on a project's status if the expected outcome is vaguely defined or lacks baselines and targets to measure progress. Another issue is the volume of information to be provided, with assembling data being a challenge. The IEG review suggests that many CASCRs discuss what the Bank did (process, inputs, and outputs) but do not necessarily provide convincing evidence of the success of the Bank country program in achieving its objectives.

74. ***Despite these positive developments, significant challenges remain, especially with maximizing the synergies from the full package of Bank support***. Country Assistance Evaluations (CAEs) over the past 10 years covering about 81 country programs in low-income countries—incorporating projects, AAA, and other types of assistance—show that almost half did not meet their development objectives.[84] The FY08 Annual Report on Portfolio Performance (ARPP) found that synergies between and among the Bank's lending, knowledge services, and dialogue were not fully exploited and projects were not always relevant to the country's core development challenges, leading to poor program outcomes. For example, there is scope for a better synergy between Poverty and Social Impact Analysis (PSIAs) and reforms proposed in DPLs, as well as the articulation of distributional impacts.[85] The 2008 QAG Country AAA Assessment also rated country AAA programs lower than individual task ratings, signifying problems with coherence and with satisfactory outcomes of country programs which are lagging those at the project level.

75. ***Further, although increased emphasis on country statistical capacity had been incorporated in CAS monitoring and evaluation frameworks, the process needs to be accelerated and strengthened***. In the first RB CASs, there were wide variations in the attention paid to weaknesses of statistical capacity and remedial actions to address them. There was a tendency for the CAS teams to overload the results matrix with numerous indicators, without due attention to methodological validity, the feasibility of collection, or existence of a

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[83] IEG (2008a), *"Annual Review of Development Effectiveness 2008: Shared Global Challenges.*" A more detailed discussion of this issue is presented in Chapter III.

[84] Ibid.

[85] A 2009 IEG evaluation of the effectiveness of the PSIAs suggests that their impact on operational work could be enhanced by improving the degree of their integration into the Bank's country assistance program, ensuring that staff have a clear understanding of the PSIA approach, clarifying the operational objectives of each PSIA and tailoring the approach to these objectives, and enhancing quality assurance.

baseline. Some improvements can be discerned in more recent CASs, especially as country teams became more aware of available resources for addressing statistical capacity issues. Increasingly, CASs include a description of the gaps in currently available data followed by a discussion on ways to address this issue through strengthening country-level statistical capacity. There has also been steady progress among CAS teams to use the instruments and resources available to help countries prepare action plans for improving statistics (see discussion below in section 3.4).

76. IDA will continue to strengthen the implementation of RBCASs through continuous staff training and scaled up support to CAS teams to improve the quality of results frameworks. The 2009 CAS Retrospective (OPCS, 2009) provided recommendations on how to facilitate this process.

Strengthening Quality and Relevance of Diagnostic Work as Analytical Foundations for PRSs and CASs

77. ***During IDA14, the country focus of IDA diagnostic work and technical assistance improved***. The 2008 IEG evaluation[86] indicates that most of IDA's Economic and Sector Work (ESW) and technical assistance met its objective of informing and helping implement policies. The same evaluation notes a significant role of the Bank's ESW in informing Bank strategy. CAS preparation was informed by the Bank's ESW work in 10 of the 11 countries reviewed. In five of these countries, core diagnostic reports (e.g., Country Economic Memoranda and Public Expenditure Reviews) and sectoral ESW (e.g., education sector and rural sector) reports were found to have played an important role in informing CASs. In a few cases, corporate and regional ESW, as well as some technical assistance activities, also helped inform CASs.

78. ***Further, following the approval of the Bank's Governance and Anticorruption (GAC) Strategy, attention to governance and anticorruption was heightened in the CAS process***. A key development during IDA14 was mainstreaming the governance and anticorruption agenda as a core element of the CAS process following the approval of the WBG Strengthening Engagement on Governance and Anticorruption Strategy in March 2007. It required, where appropriate, that CASs give explicit consideration, underpinned by improved diagnostic work, to: governance shortcomings and corruption vulnerabilities; potential risks that they may pose for development and Bank-funded operations; adequacy of the government's program for addressing these problems; and ways in which private sector engagement and domestic accountability mechanisms can help support and strengthen the program's implementation and governance outcomes. To further enhance the quality of the treatment of GAC issues in CASs, the country governance and anticorruption approach was introduced in 2007 and piloted in 27 countries in FY08, a majority of which were IDA.[87]

79. A review of GAC implementation in FY06–FY08 CASs shows that a discussion of in-country governance and corruption conditions is now a standard feature of all CASs (see Table 1).[88] The review also finds a better quality of discussion of GAC issues (e.g., causes of corruption, government commitment, and track record), with the discussion usually grounded in AAA, particularly in the FY07–08 CASs. All CAS programs in the review period included support to country efforts for GAC through non-lending and lending activities. Such support was predominantly targeted at the executive branch to increase the supply of measures

[86] IEG (2008d), "*Using Knowledge to Improve Development Effectiveness: An Evaluation of the World Bank Economic and Sector Work and Technical Assistance, 2000-2006.*"

[87] The Country GAC process is a country-team-led process intended to identify, deepen, systematize, and mainstream engagement in governance. IDA countries with CGAC include Bangladesh, Burkina Faso, Burundi, Cambodia, Cameroon, Democratic Republic of Congo, Ethiopia, Honduras, Kenya ,Mali, Moldova, Mongolia, Nepal, Sri Lanka, Uzbekistan, Yemen, and Zambia.

[88] In countries where the Bank faces a relatively higher risk in its operations from corruption, CASs tend to present a better discussion of the relationship between GAC and growth and poverty reduction (which in IDA countries generally refers back to the PRS), as well as a better discussion of the government's commitment and track record. World Bank (2008c), "*Strengthening World Bank Group Engagement on Governance and Anti-Corruption: A One-Year Progress Report.*"

to build the capacity of the state in public financial management and to address governance constraints on the private sector. The demand side for governance was also supported, albeit to lesser extent (e.g., in about half the CAS programs) by promoting local participation and capacity building outside of the executive branch (only in about a third of the CASs). While there are several "good practice" examples on incorporating the demand side of governance into the WBG's development work,[89] mainstreaming is required.

80. ***The recommendations of the 2008 review of GAC implementation indicate that the quality of GAC discussion in the country strategies could be improved by strengthening the links between weak governance and anticorruption, its effects on poverty reduction and growth, and outcomes of the remedial actions proposed in the CAS.*** Another area to work on is the assessment of risks to Bank operations, given that only half of the CASs included it. Following an intensive learning and capacity building process under the CGAC approach, attention could be focused on deepening multi-stakeholder engagement on GAC issues upstream of CAS preparation, developing a new generation of governance and political economy diagnostic tools,[90] and strengthening the management of country portfolios from a GAC perspective. Finally, improving the capacity and effectiveness of state accountability institutions outside the executive branch would be important.

Table 1: Integration of GAC into CASs, 2006–2008

	Not at all	Some	Adequate	High
Do CASs provide a diagnosis of governance condition and corruption risks (percent)?				
FY06 CAS	0	19	62	19
FY07/08 CAS	0	4	64	32
Do CASs integrate GAC issues in TA /lending (percent)?				
FY06 CAS	0	6	75	19
FY07/08 CAS	0	8	80	12
Source: GAC Secretariat				

3.3 Aid effectiveness agenda—toward better development impact from the Bank's assistance and stronger and more effective partnerships

81. ***During the course of IDA14, important developments took place to strengthen and broaden the scope of collaboration between IDA and other development partners.*** Two operational policy changes regarding additional financing and rapid response were critical in providing greater speed and flexibility in delivering Bank assistance, as well as improving its impact and effectiveness. Building on the lessons learned from these changes, towards the end of the IDA14 period, the Bank began to design a more comprehensive investment lending reform program. The Bank also continued to scale up use of country systems in specific fiduciary areas in an increasing number of countries and launched a pilot for the use of country procurement and safeguards systems. In addition, the Bank updated CAS guidelines to improve alignment with PRSs, adopted a new policy on development policy lending that substantially reformed the use of conditionality, simplified operating processes, facilitated pooling of funds, widened procurement eligibility, and facilitated joint analytic work. Finally, various innovative forms of collaboration between IDA and governments and other donors have been emerging and the Bank has actively engaged to work both with recipient countries and non-traditional sources and channels of aid in an effort to enhance overall aid effectiveness.

Improvements in IDA operational policies

82. ***Over the last decade, the Bank made several improvements to its operational policies with a view to improving the responsiveness and impact of its development assistance.*** While several policy changes took place before FY06, they had an impact on IDA's operations during IDA14. For example, the policy framework

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89 For example, CGACs in Bangladesh and the Democratic Republic of Congo, and GAC in projects in Argentina's State Modernization Loan, and Indonesia's Local Governance Reform Project. A new community of practice is currently being developed, including both Bank staff and external participants, to facilitate experience sharing and knowledge development on the demand-side agenda.

90 This includes participatory diagnostic surveys (used to help build coalitions and design GAC action plans) and, specifically at the CAS level, a series of pilots that link governance and political economy diagnostics with development strategy.

on expenditure eligibility (approved in 2004) benefited IDA countries by providing more flexibility in setting out cost sharing arrangements and in funding recurrent costs. Similarly, the reform of development policy lending (OP 8.60) in 2004 and the adoption of the Good Practice Principles for the Application of Conditionality in 2005 led to fundamental changes in development policy lending, including better alignment with countries' poverty reduction strategies, greater results focus and streamlining of prior actions.

83. ***Several operational policy changes were also introduced during the IDA 14 period, of which additional financing and rapid response reforms were the most important.*** The reform of additional financing (OP 13.20) was approved by the Board in May 2005. The change in policy was meant to: scale up the impact and effectiveness of the Bank's development assistance; reduce transaction costs to borrowers and the Bank; and realign the Bank's policies with borrower needs, the results agenda, and the evolving design of investment lending. A progress report prepared at the end of the IDA14 period [91] confirmed that "lighter" processing to invest in projects whose current performance is satisfactory is a simpler, risk-based approach to delivering Bank operations. IDA countries have made significant use of this option to scale up successful projects—1 out of every 3 IDA investment lending operations in FY07 and FY08 were additional financing operations (providing between 12 to 15 percent of loan commitments in those two years). Preparation costs of these operations were lower by 15 percent and preparation time was shorter (only one-fourth of the time) than those of traditional operations. Sampling also revealed that implementation of the operations was better than average as rated on both development outcomes and implementation progress.

84. The rapid response policy (OP 8.00) was introduced in February 2007 to provide greater speed and flexibility in delivering Bank assistance, in integrated recovery programs in weak-capacity environments in closer partnerships with development partners. While Bank assistance is focused on its core development and economic competencies, appropriate partnership arrangements are also established with other development partners, including the UN. A progress report prepared two years into implementation[92] indicated that the new policy resulted in faster processing of emergency lending across a wide range of crisis situations; supported a corporate-wide response to emerging global crises; strengthened important partnerships with development partners working in crisis and emergency settings; focused management attention on the Bank's engagement in disaster-prone, fragile, and conflict situations; and enhanced institutional support to country teams working in these situations. While the policy resulted in substantial shortening of Bank project processing, challenges remain in ensuring faster implementation.

85. ***Beyond the focus on improving the impact of individual interventions, the impact of development assistance can be increased if development agencies support efforts to strengthen the institutions and systems that countries already have in place.*** Using country systems also enhances country ownership and thus the sustainability of development programs. In addition, using country systems can lower transaction costs and increase aid effectiveness by providing a natural focal point for donor efforts to harmonize their processes. In line with this thinking, during the IDA14 period World Bank continued to scale up the country systems in specific fiduciary areas-financial management (accounting, financial reporting, auditing) and national competitive bidding procurement for projects in an increasing number of countries where it judged such country systems to be acceptable. The Bank also launched pilots for the use of country procurement and safeguards systems that seek to deepen the use of country systems. A particular focus has also been on offering support for strengthening countries own systems to facilitate their use by IDA and other development partners. The Paris Declaration Survey indicators suggest a significant increase in the use of country systems by IDA between 2005 and 2007 (see Figure 9). Usage of country public financial management and procurement systems increased from 42 to 62 percent and from 40 to 52 percent, respectively.

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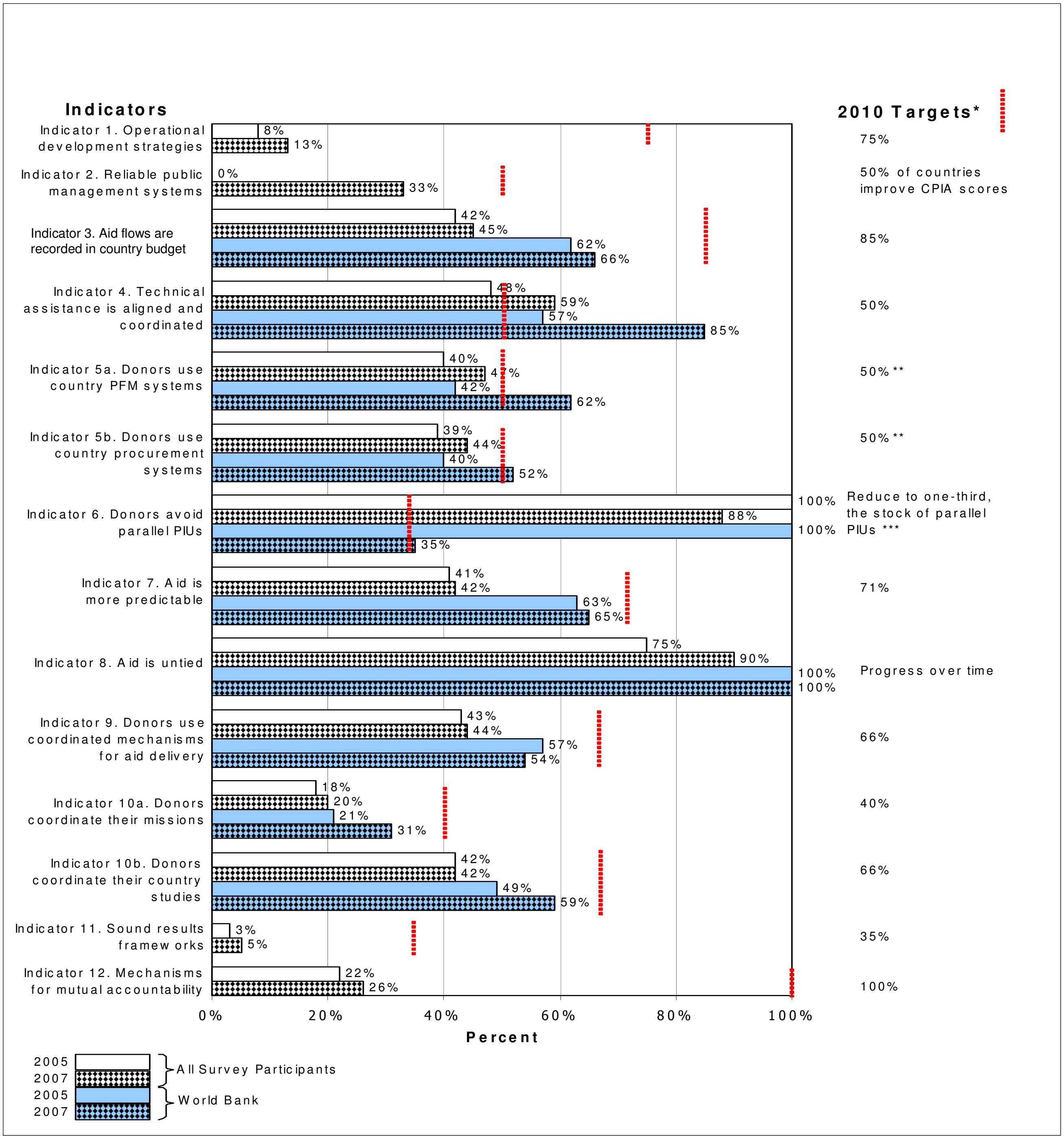
91 World Bank (2009f), *"Additional Financing - Responding to New Needs: Progress Report."*

92 World Bank (2009g), *"Rapid Response to Crises and Emergencies (OP 8.00): Progress Report."*

Figure 9: Survey on monitoring the Paris Declaration—A comparison between the 2005 and 2007 results



* These targets were set for the development community as a whole.
** The targets on the use of country financial management and procurement systems were revised to 50 percent in Accra. The original Paris Declaration target for the two indicators was 80 percent.
Source: World Bank (2009b), *"Following Up on Accra: A World Bank Action Plan on Aid Effectiveness."*

Stronger Collaboration between IDA and Other Donors

86. **Various innovative forms of collaboration between IDA and governments and other donors have been emerging.** They include providing analytic leadership in developing common performance assessment frameworks, coordinated budget support, and sector-wide approaches; participating in division of labor exercises and common arrangements for project and program management; sharing information on IDA programs; performing joint diagnostic work and working closely with other donors on joint or collaborative assistance strategies; respecting governments' mission-free periods; and co-chairing donor meetings. Recent years have also seen an important evolution of the harmonization agenda, with greater emphasis on government engagement and leadership. Disseminating good practice from one country team to another is also a crucial part of IDA's strategy.

87. **Collaborative CASs have become an important instrument for strengthened partnership between IDA, clients, and other development partners.** A variety of different approaches for partnerships in the preparation of collaborative CASs provide important lessons of experience to further enhance collaboration at the country level. At a minimum, IDA CASs take into account support by other development partners and describe these activities in the document. Increasingly, this also includes support provided by non-DAC donors and global funds who have become important development partners of many IDA countries in recent years. Beyond this, the degree of collaboration among development partners on CASs runs across a spectrum from coordinated timing (Honduras), to joint evaluation of the country situation (Kyrgyz Republic and Timor-Leste), to a compact with operational principles (Bangladesh, Papua New Guinea, and Vietnam), to joint results frameworks (Bangladesh and Mozambique), to fully joint strategy documents (Ghana, Tanzania, and Uganda)—see Box 5. Initial lessons include: the importance of government interest and commitment to a joint strategy by development partners, and clearly articulated preferences for the nature and scope of collaboration; the need to ensure that a collaborative CAS does not overshadow or institute a process parallel to the country's PRS or other national process; the usefulness of partners having clear and joint understanding on the objectives of the collaboration and what they want out of the process; and the requirement for a transparent division of labor that is led by recipient country preferences and not by those of development partners.

Box 5: Examples of Collaborative Country Strategy Work

In **Rwanda and Mozambique,** well-functioning budget support groups triggered a joint analysis and review of the country's situation and poverty reduction strategy, leading to a joint performance assessment framework for budget support. In **Timor-Leste,** a Joint Assessment Mission has led to a collaborative approach dealing with reconstruction challenges and to a division of labor among the participating donors. In **Tanzania and Mozambique** the collaboration compact, based on the Paris principles, has been transformed into harmonization and alignment benchmarks for the Bank's portfolio and into operational principles for sector operations.

The **Mali** CAS also demonstrates good practice in integrating aid effectiveness benchmarks into the results matrix. In its CAS for **Vietnam**, the Bank includes data on baseline values for the country with respect to the Hanoi Core Statement, a harmonization and alignment action plan signed by government and donors. In **Rwanda**, the Bank team adheres to the agreement between donors and the government to pursue where possible sectorwide approaches in operations.

Source: OPCS (2009), *"Country Assistance Strategies: Retrospective and Future Direction."*

88. The IDA14 period saw a further diversification of sources and channels for development assistance. A number of middle income countries launched or significantly expanded their South-South cooperation, global program funds became important channels for the provision of development assistance in various sectors, the most prominent ones being in education and health, and private philanthropy also became an increasingly important contributor to international development efforts. These developments have enhanced resources and choices available to IDA recipients, but at the same time they have also generated new challenges for ensuring efficient delivery and use of development assistance. The World Bank has actively engaged with recipient countries as well as non-traditional sources and channels of aid in an effort to enhance overall aid effectiveness. Such efforts include training and knowledge exchange with donors scaling up programs such as Russia and other Eastern European countries, cooperation agreements such as the Memorandum of Understanding (MOU) signed with the China EXIM Bank, and work with new partners at the country level in the context of program

based approaches or through co-financing activities. The World Bank has been active in international fora to foster inclusion facilitated by, *inter alia,* the preparation of a round table aimed at enhancing engagement with official providers of development assistance outside the DAC and Global Program Funds at the Third High Level Forum on Aid Effectiveness held in Accra in September 2008.

Box 6: Examples of "best in class" joint IDA-IFC CASs

Prerequisites for the "best in class" joint IDA-IFC CAS

1. Strong interest of the country's government and private sector in developing services across the public-private spectrum.
2. Significant interest and operational engagement of both the Bank and IFC in the development of the country's private sector.
3. Clear signals from Bank and IFC management about the need for an integrated strategy for the country.
4. Extensive interactions by the Bank and IFC before and throughout the CAS process.
5. Good working relationships between Bank and IFC staff in the country, often facilitated by co-location.

Examples of "best in class" joint IDA-IFC CASs

The **Albania CAS** is based on a shared IDA/IFC analysis of the key issues. It provides a separate IFC strategy that analyses the underlying development issues for each of IFC's areas of engagement (manufacturing and corporate sector, financial sector, infrastructure, and the outsourcing of public services to the private sector). The analysis clearly informs the Bank diagnosis (in the main text) of the country's key development challenges with respect to maintaining high growth rates and improving service delivery. The IFC strategy also indentifies areas of opportunity for joint IDA-IFC activities, although it would have been more effective if picked up in the program discussion of the main text.

The **Tajikistan CAS** takes a novel approach by placing IFC in the lead for designing the WBG program for one of three pillars ("Improve business opportunities in rural and urban areas"). This leads to a rich program of complementary and coordinated IFC, IDA, and partner activities aimed at working with the government on a strategic framework for private sector development, reducing the cost of doing business as measured by IFC surveys, improving access to financing by private businesses, and increasing income opportunities for farmers following up on IDA's Agriculture Sector Strategy.

The **Madagascar CAS** stands out in guiding collaboration on the operational level for one of its two pillars ("Remove the bottlenecks to investment and growth in rural and urban areas"). It presents various joint projects or activities (with IDA and IFC financing project components), including replication of a successful Integrated Growth Poles project, guarantees for PPP investments in a hydropower project, an IDA-IFC risk sharing facility, and working jointly with the government on a specific concession arrangement. The CAS also explores areas for collaborating on complementary activities such as facilitating access to credit and other financial services and leasing and improving the regulatory environment in mining, forestry, and tourism.

Source: OPCS (2009), *"Country Assistance Strategies: Retrospective and Future Direction."*

89. ***While collaboration between IDA, IFC and MIGA has been strengthened during IDA14, more can be done to improve collaboration across the WBG.*** A recent review of World Bank – IFC collaboration in IDA countries[93] reports that more than half of IDA CAS products prepared during FY06–08Q2 have been joint with IFC[94] and about 5 percent joint with MIGA and IFC, which is a significant improvement compared to IDA13 when only 26 percent of IDA CASs were joint with IFC. Several joint CASs—including those for Albania, Tajikistan, and Madagascar (see Box 6)—were identified as "best in class". However, in most cases, the joint CAS process has not catalyzed a genuinely integrated WBG strategy for individual countries. Most CASs included a summary description of IFC activities, but did not consider how each organization can contribute to country goals individually and jointly. IFC teams typically did not contribute to the CAS results framework, which tracks progress. To address these weaknesses the Operational Policy and Country Services (OPCS) and IFC's Strategy Department initiated a joint CAS pilot in six countries.[95] Early results are promising and upon the

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[93] IDA/IFC Secretariat (2009), *"World Bank – International Finance Corporation Collaboration in IDA Countries: A Progress Report."*

[94] For full CASs prepared during FY06–FY08Q2, 18 of 26 IDA and blend CASs have been prepared jointly.

[95] The pilot focuses on IDA countries (e.g., Albania, Burkina Faso, the Republic of Yemen, Sierra Leone and Nepal), but includes one non-IDA country as well as two ISN countries to ensure that the team acquires relevant learning. The pilot has three components: (a) identifying a small number of priority sectors for potential collaboration and organizing joint team sector strategy workshops, (b) having IFC participate in the results framework, and (c) having the Bank's regional vice president and IFC's regional director co-chair review meetings.

completion of the pilot, a review will be undertaken to assess how to facilitate stronger linkages between the Bank's country strategy process with that of the IFC's annual strategy process.

90. ***IDA's efforts to implement global aid effectiveness commitments are strong.*** Particularly important has been the significant progress that IDA has made in decentralization. In FY08, Bank-wide, close to 50 percent of regional professional staff was located in the field, up from 44 percent in FY04. Of the 40 country directors (who have substantial decision making authority), 30 are in the field (including 9 of the 11 country directors in Africa). Further, the share of internationally recruited staff located in country offices has increased from 23.1 percent in FY04 to 27 percent in FY08.

91. ***Significant progress has also been made in decentralizing financial management and procurement staff thereby improving support to clients for implementing projects, and strengthening country systems***. About two thirds of the Bank's operational financial management and procurement staff are now based in the field. Country and global survey data suggests that this has resulted in timelier processing of requests for decisions on fiduciary matters.[96] In addition, decentralization of fiduciary staff has also played an important role in assisting countries in strengthening their financial management systems and facilitating the use of these systems by IDA and other development partners.

Box 7: Examples of IDA's Technical Leadership in Work with International Community

Public Expenditure and Financial Accountability (PEFA). PEFA is a partnership between the World Bank, the European Commission, the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund. It aims to support integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability.

Procurement. In early 2003, a joint OECD-DAC/World Bank Roundtable Initiative on Strengthening Procurement Capacities in Developing Countries was established to create better tools and techniques to strengthen procurement in developing countries. Subsequently, the World Bank became a key member of the DAC Joint Venture for Procurement, contributing to work on three key areas: (i) strengthening and facilitating the use of the common benchmarking tool; (ii) catalyzing country level activities to improve procurement systems; and (iii) contributing to the work of the Joint Venture on Monitoring the Paris Declaration, and developing a framework for performance management measurement.

Aid Effectiveness. In collaboration with the OECD, the World Bank works with bilateral donors to achieve consensus concerning the evolution of the donor community, donor policies, and aid flows. The World Bank participates in the Senior Reflection Group on Future of DAC and acts as co-chair/vice-chair of DAC subsidiary bodies and working parties including Fragile States Group, Governance Network, and the Working Party on Aid Effectiveness.

92. Going forward IDA will continue with its efforts for closer and more meaningful collaboration with other development partners under governments' leadership as well as within the WBG. As collaboration in the CAS preparation process has become more widespread and country teams have used a variety of different approaches, some important lessons of experience are emerging. Most importantly, the form and degree of collaboration during CAS preparation needs to be grounded in the country-based model and country circumstances, with client countries determining the extent of donor collaboration in the preparation of country assistance strategies. There is also increasing recognition that the ultimate goal of collaborative CASs needs to be deepened alignment of donor support with the recipient countries' poverty reduction strategies and not merely the preparation of a joint document. Finally, experience with collaborative CASs has also shown that transaction costs for donors and recipient countries can be very high. Going forward, it will thus be important to ensure that there is balance between these transaction costs and the benefits for the recipient country. In addition, the World Bank will continue to work with the international community to provide technical leadership in areas where it has demonstrated its strength and capacity, such as financial management and procurement, results, and monitoring of aid effectiveness (see Box 7). And it will continue to lead by example in such areas as

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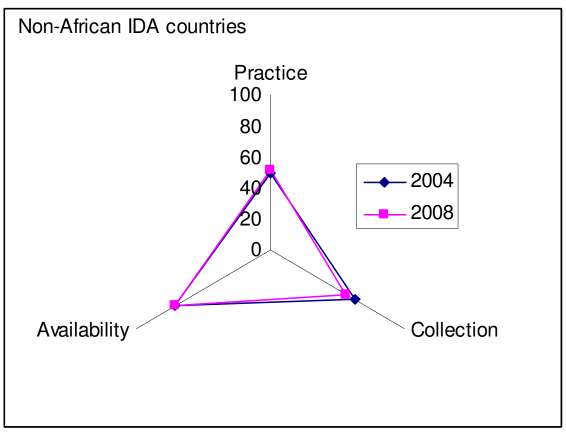
[96] World Bank (2009c), *"Towards a Global Bank: An Update."*

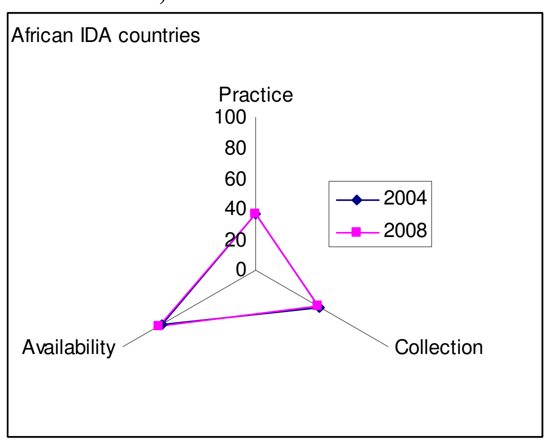
untied aid and good practice conditionality. In these and other areas, the Bank will continue to help shape the international aid effectiveness agenda by supporting the OECD-DAC Working Party on Aid Effectiveness and its cluster work as well as participating in other fora.

3.4 Strengthening Statistical Capacity in IDA Countries

93. ***IDA countries continue to experience severe limitations and weaknesses in their statistical infrastructure and capacity to analyze data and translate the findings into policy actions*. *However, there is a renewed urgency and momentum among the Governments and the donor community to address that*.** African IDA countries continue to lag behind non-African IDA countries in all dimensions of statistical capacity—statistical practice, data collection, and indicator availability (see Figure 10). Further, although data availability for tracking progress of IDA countries in key development outcomes has improved over the past decade, substantial gaps remain and must be addressed systematically to improve the quantity and quality of available data (see Table 15 in Annex 9). Since the beginning of the new millennium, several statistical capacity building initiatives at the country and international levels have been launched. These initiatives can be grouped under three broad categories: (i) focusing attention on country-level data gaps in critical thematic areas; (ii) enhancing the supply of and the demand for reliable statistics; and (iii) boosting efforts to scale up support for improving statistical capacity and building results management capacities.

Figure 10: Measuring statistical capacity in low-income countries, 2004–2008





Source: World Bank, Development Data Group.

94. ***While for almost a decade development partners have been stressing the importance of statistical capacity building for better management, the Roundtables on Managing for Development Results created a new momentum to accelerate this agenda***. Jointly with other development partners, IDA actively participated in preparing and implementing the three International Roundtables on Managing for Development Results in Washington (2002), Morocco (2004), and Hanoi (2007). At the second roundtable, a global plan for statistics—the Marrakech Action Plan for Statistics (MAPS)—was developed. A broad partnership is engaged in implementing MAPS, supported by IDA through the Bank's Development Grant Facility. As part of the follow-up to the third roundtable, the Bank helped convene representatives of the donor community, PARIS21, and other interested parties to review options for scaling up assistance to statistical capacity during the World Bank-IMF 2007 Spring Meetings. This renewed urgency facilitated further progress in the run-up to the Third High Level Forum on Aid Effectiveness, convened in Ghana in September 2008. All these efforts brought together government officials and development experts from more than 40 developing countries, donor agencies, private companies, and NGOs. The result was a consensus to develop mechanisms and financial support to scale up investments to accelerate statistical capacity development in low-income countries.

95. ***Implementation of the MAPS has produced some important results in improving planning and frequency of data collection***. By the end of September 2008, sixty IDA countries were designing, awaiting

adoption of, or implementing National Strategies for the Development of Statistics (NSDS).[97] This includes 38 of the 40 IDA countries in Sub-Saharan Africa, of which 13 are fragile states. IDA has been supporting the preparation of NSDSs through several programs. The Trust Fund for Statistical Capacity Building (TFSCB) provided funding for 60 new projects, most of them for IDA countries. The Statistical Capacity Building Program (STATCAP) lending program provides IDA resources for countries that are investing in better statistical systems. During IDA14, new projects totaling US$34 million were approved for Kenya, Sri Lanka, and Tajikistan. In September 2008, the Statistics for Results Facility was launched to support statistical capacity building in IDA countries.[98] In addition, countries like Nigeria received support through a larger public sector reform credit. Finally, the Accelerated Data Program (ADP) was launched in 2006 to improve national household survey programs and the accessibility and use of survey data.[99] By the end of FY08, about twenty IDA countries were participating in the ADP.

96. ***Since 2000, both the demand for and the supply of statistics in IDA countries has risen, with an emphasis on quality, coverage, and relevance. The introduction of the IDA's Results Measurement System (RMS) in 2002 provided an additional incentive***. During 1999–2007, 53 of 64 IDA countries (or 83 percent) showed better statistical capacity, of which more than one-quarter saw substantial improvements.[100] About two-thirds of Sub-Saharan African IDA countries improved their statistical capacities, although only 11 percent made substantial progress. The availability of data tracking progress in key development outcome indicators rose during IDA14 (see Table 15 in Annex 9). For example, data on household electrification rates and access to water have particularly benefited from a number of newly available surveys and a new compilation effort that harvests information from existing surveys. The availability of statistics on education (for example, enrollment, completion rates, and equity) has also improved. But indicators measuring poverty incidence (for example, poverty headcount, malnutrition, and malnourishment) and health (for example, child and maternal mortality and births attended by skilled staff)

Box 8: IDA Results Measurement System

The IDA Results Measurement System (RMS) was launched in 2002 during the IDA13 replenishment and enhanced in IDA14 to strengthen IDA's focus on results. The RMS tracks two forms of effectiveness: *development* or *country-level effectiveness,* which refers to the achievement of sustainable improvements in outcomes on the ground in IDA countries, and *agency effectiveness,* which means the work that organizations in the donor community do to ensure that their business practices conform to the principles of good aid management, have enabling effects on country capacity and institutions, and contribute to country-level effectiveness.

Following that logic, the IDA RMS is a two-tiered system. Tier 1 provides an overview of the economic and social progress of IDA countries during the IDA14 period. Tier 1 indicators monitor aggregate progress on 14 country outcome indicators grouped into four categories: growth and poverty reduction, public financial management and investment climate, infrastructure, and human development. Tier 2 monitors IDA's contribution to development outcomes using indicators of the quality and effectiveness of IDA programs and projects as well as examples of the outputs that IDA produces in four sectors.

For more details on the IDA RMS and its evolution during IDA14 see Chapter III and Annex 9.

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[97] National Strategies for the Development of Statistics (NSDS): Worldwide Report on Progress and Emerging Issues, PARIS21 Secretariat, October 2008.

[98] The TFSCB provides grants to help strengthen the capacity of statistical systems in developing countries. The STATCAP lending program provides loans or credits to finance the implementation of an NSDS and support the long-term development of the national statistical system. The STATCAP lending amount is part of IDA resources available for that country, which (especially for small countries), may limit IDA's ability to respond adequately to country's needs and priorities. The Statistics for Results Facility aims to build country capacity to manage for development results, align statistical efforts more closely with national development plans and PRSs, and facilitate the implementation of NSDSs through a sector-wide approach (SWAP) in statistics. The primary role of the facility is to provide grant funds to meet any remaining financing gaps, if needed. Source: PARIS21 Secretariat (2008), *"National Strategies for the Development of Statistics: Worldwide Report on Progress and Emerging Issues."*

[99] The pilot ADP is managed and financed by the PARIS21 Secretariat at OECD and the World Bank Development Grant Facility. The various partners of ADP also contribute to financing some specific activities in countries.

[100] The assessment looked at three aspects: statistical methodology, the frequency of data collection, and the availability of statistical outputs. While the average improvement in the statistical capacity score for IDA countries was in line with the average in higher-income countries, there was greater variability of change across IDA countries. See: World Bank (2002b), "*Building Statistical Capacity to Monitor Development Progress*."

remain weak. The introduction of the IDA RMS in 2002 helped stimulate these efforts (see Box 8). The compilation effort, initiated mainly for RMS purposes, not only doubled the number of IDA countries with recent estimates but also made the measurement of progress possible. Nonetheless, substantial gaps remain across IDA countries and must be addressed systematically to improve data quantity and quality.

97. ***Building statistical capacity at the country level during IDA14 has proven to be a challenge, but there has been some progress and the initial results are encouraging.*** Joint efforts with other development partners and the countries themselves have induced positive systemic changes that are enabling better monitoring and reporting of country level outcomes, including through Tier 1 of the RMS. But this is not enough. A number of IDA countries, especially the poorest ones in Sub-Saharan Africa, still lack adequate systems for gathering basic social and demographic data. National and sector-specific surveys are done infrequently, as many IDA countries lack the resources or capacity to implement and sustain a regular survey program.[101] Most IDA countries lack an adequate statistical infrastructure to analyze data and translate the findings into policy recommendations. As a result, the relevance of statistics for policymaking is limited. This seriously constrains the transparency and effectiveness of decision-making and program implementation at local levels.

4. Supporting Sustainable Growth and Private Sector Development

98. ***IDA continued to support the private sector in recipient countries in order to accelerate economic growth, job creation and poverty reduction***.[102] Since private sector development (PSD) is a cross-cutting theme, implementation of the PSD strategy required concerted efforts in many complimentary areas to help countries improve their macroeconomic performance and to strengthen the micro-macro linkages in the development process.[103] In the PSD area this included fostering investment climate reforms; strengthening financial systems; supporting private firms, including micro, small, and medium enterprises (MSMEs); promoting private participation in delivery of social and infrastructure services; and supporting regional integration. It also required close collaboration within the Bank so that IDA countries could benefit from an integrated package of lending, non-lending, and advisory services tailored to their specific needs and circumstances.[104]

4.1 Fostering investment climate reforms

99. ***During IDA14, the WBG promoted improvements in the investment climate*** through diagnostic work, policy dialogue, and provision of lending and advisory services to help governments implement regulatory and structural reforms and better measure results. Empirical evidence shows that investors respond to more conducive investment climates. According to the *World Development Report 2005*, investment climate improvements in the 1980s and 1990s caused private investment as a share of GDP to nearly double in China and India and more than double in Uganda.[105] The recent report of the Growth Commission shows that Sub-Saharan Africa has seen its fastest growth in decades, owing partly to better microeconomic policies.[106] IEG

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[101] Of 39 IDA countries in Africa, 13 (36 percent in terms of population) have not conducted a population census in the last 10 years (1997–2006), and 24 (40 percent in terms of population) have conducted less than two poverty surveys (which would be needed to measure trends in poverty rates) during the same period. Source: World Bank staff estimate, based on the information available from the DDP Microdata Catalog**.**

[102] This is in line with the World Bank Private Sector Development Strategy under implementation since 2002. See: World Bank (2002c) and World Bank (2003b).

[103] For more on IDA's multi-sector perspective, combined with its ability to focus on several crosscutting themes see: IDA (2007f). "*The Role Of IDA In The Global Aid Architecture: Supporting The Country-Based Development Mode.*"

[104] This section draws on the findings presented in the draft "*WBG PSD Strategy Mid-Cycle Implementation Progress Paper," (World Bank 2009h).*

[105] *WDR 2005: A Better Investment Climate for Everyone*.

[106] "*The Growth Report: Strategies for Sustained Growth and Inclusive Development,"* 2008.

evaluations showed that countries with better investment climates were more likely to achieve the MDGs[107] and results from both IEG[108] and IFC's development outcome tracking system (DOTS) show that a better investment climate is associated with better development results.

100. ***There is more demand from IDA countries for business climate-related advisory services, especially in regulation and competition policy***. The Bank's work in investment climate consists of: indicators and benchmarking country performance, which helps sets the agenda for policymakers; responsive advisory services which equip governments with the tools to implement reforms and measure results; and policy and investment loans to support requests based on these reforms. During IDA14, the WBG used three main diagnostic tools (see Box 9).[109] The standardized firm level survey (enterprise survey) was introduced in FY05 and was conducted during IDA14 in 33 IDA countries in all regions, allowing cross-country and cross-regional comparisons for nonagricultural private sector firms.[110] The Doing Business (DB) report, launched in FY04, has become the leading global benchmarking effort on the business regulatory environment, capturing substantial attention from policymakers and serving as a strong catalyst for regulatory and wider investment climate reforms. During IDA14, coverage increased from 155 countries, of which fifty-nine were IDA (DB2006), to 178 countries, of which 70 were IDA (DB2008). Drawing on the Enterprise Surveys, DB, and other diagnostics, 32 investment climate assessments (ICAs) were prepared during IDA14 in thirty-one IDA countries. In addition, five Corporate Governance Reports on the Observance of Standards and Codes (ROSCs) and eight Insolvency and Creditor Right ROSCs were prepared for IDA countries during the IDA14 period. Finally, specialized diagnostic instruments that measure the costs of excessive regulation were also utilized.

Box 9: Investment Climate Diagnostic Tools

Doing Business, enterprise surveys, and investment climate assessments are different diagnostic tools but are used in a complementary manner for defining reform priorities. Enterprise Surveys (ES) are a perception-based instrument that relies on the opinion of business owners and managers in each country. The objective of the ES is to have a better understanding of the reasons that prevent or limit the development of businesses in a particular country. It is designed to generate comparative measurements of the quality of governance, the investment climate, and the competitive environment, which can be used to examine the relationship between investment climate characteristics and firm productivity.

Doing Business (DB) collects data from a few experts strictly based on existing regulations. Because standard assumptions (about the legal form of the business, its size, its location, and the nature of its operations) are used in the data collection, comparisons and benchmarks are valid across economies. Doing Business indicators rank country regulations in 10 areas and indicators are published each year on DB's website (http://www.doingbusiness.org/) with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-size firm.

The investment climate assessments (ICA) build on the ESs, DBs, and other diagnostics. Their objectives are to evaluate the state of the private sector; identify the binding constraints to increasing firm investment and productivity; compare firms' competitiveness to neighboring countries or firms in other regions of the world; and identify policies that will alleviate obstacles and improve firm productivity and export competitiveness. Their findings and recommendations help inform strategy at the country level and serve as a basis for detailed policy advice and technical assistance on business environment reform.

All three diagnostic tools have helped focus government attention on investment climate issues by outlining priority areas for reform.

107 See: IEG (2003), *"Annual Review of IFC's Evaluation Findings FY2002: Enhancing IFC's Results in Response to the Millennium Challenge."*

108 See: IEG (2007c), "*Independent Evaluation of IFC's Development Results 2007: Lessons and Implications from 10 Years of Experience."*

109 In addition to these standard diagnostic tools, regions conduct various sector studies and value chain analysis, as well as prepare competition policy notes and other analytical work as requested by the client countries.

110 Five policy areas receive particular attention in the survey: entry regulations and competition; labor regulations and human capital constraints; technology policies; infrastructure services; and governance and the rule of law.

101. The Bank's diagnostic work has led to a strong demand for advisory services for policy dialogue, reform design and implementation. WBG investment climate advisory services were streamlined in February 2007 when the Foreign Investment Advisory Services (FIAS), the global multi-donor advisory facility for investment climate advisory work, and MIGA's Technical Assistance work on investment climate, were consolidated together into the Investment Climate Department. This department is now fully integrated into IFC's Investment Climate business line, while also collaborating closely with WB PSD departments. Of the 125 joint Bank-IFC advisory projects undertaken during the FY08-FY09 period, a large proportion (44 percent) were focused on investment climate reforms with over 90 percent of all investment climate joint advisory projects being in IDA countries. For example, in Kenya, a joint analytical report on Growth and Competitiveness identified legal and administrative impediments to investment including excessive, out-of-date and inefficient licenses. Working in the context of a Bank development policy loan, the Bank and IFC jointly assisted the Government of Kenya in developing and implementing comprehensive business license reforms which resulted in around two-thirds of the 1,325 original business licenses being either eliminated or streamlined.

102. In addition, the WBG continued analytical and policy work on the relationship between the trading environment and developments in the context of the Doha Development Agenda and Aid for Trade,[111] followed up with advisory services to help countries expand and diversify exports and help borrowers improve trade negotiation capacity. In close collaboration with other development agencies, the WBG continued implementing the Integrated Framework Program, aimed at helping governments identify constraints to trade and the potential to expand and diversify the exports of IDA countries.[112] Finally, IDA provided extensive support for policy and institutional reforms through analytical work, including sector-specific policy notes and strategy papers.

4.2 Strengthening Financial Systems

103. ***Given the potential for financial markets in most IDA countries to play a larger role in helping the poor, IDA contributes to strengthening financial systems in its client countries by helping them to improve stability and efficiency of their financial sectors and increase access to financial services***. Deep, efficient and well-regulated financial markets facilitate growth by channeling funds to their most productive uses and allocating risks where they can best be borne**.** Well functioning financial markets can level the playing field for would-be entrepreneurs and employers, and provide poor households with improved opportunities for saving, obtaining credit, and buffering themselves against expected and unexpected shocks. Working with the IMF, IDA supports the achievement of these objectives via lending and non-lending activities including by helping client countries enhance their macroeconomic framework, strengthen their financial regulatory and supervisory policies, and improve financial crisis preparedness. Additionally, support is provided to building capacities of contractual institutions and establishing key market infrastructure components, such as payment systems, credit bureaus, and accounting and disclosure standards.

104. ***IDA launched two key activities in Sub-Saharan Africa during IDA14: a regional Finance and Private Sector (FPD) Strategy and a flagship study, Making Finance Work for Africa***. The strategy focused on strengthening financial sector policies and governance by supporting sound macro-governance; leveraging private finance by lowering cost and leveraging remittance flows; harnessing finance for growth via strengthening financial sector infrastructure such as regulatory and supervisory capacity; and stimulating access through rural finance, SME finance, and microfinance. Country examples include tax modernization and financial sector development projects in Tanzania, a financial and legal sector development project in Kenya, and a microfinance project in Madagascar. *Making Finance Work for Africa* is a review of the challenges and opportunities for financial sector policy in African countries and, based on this, provides a coherent and consistent policy approach that addresses African priorities and can work in African conditions.

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[111] For a detailed list of reports prepared during IDA14 in the context of Doha Development Agenda and Aid for Trade see Annex 4, section B5.

[112] During IDA14 the Integrated Framework study was prepared for several IDA countries, including Angola, Burkina Faso, Central Africa Republic, the Gambia, Kenya, Lao, Pakistan, São Tomé and Príncipe, Sierra Leone, and Uganda.

105. ***During IDA14, 342 financial sector related non-lending activities were undertaken in IDA countries mostly in banking and micro- and SME finance***. The Financial System Assessment Program (FSAP) and the Reports on the Observance of Standards and Codes (ROSCs) are the two key instruments utilized. During IDA14, nineteen FSAPs (of which 13 were initial assessments) and sixty-one ROSCs were conducted in IDA countries. Most FSAPs focused on prudential oversight, monetary and public debt and tax policies. The most common themes of ROSCs in IDA countries were: anti-money laundering and combating the financing of terrorism (AML/CFT) (9, including 2 regional assessments); banking supervision (11, including in Guyana and Haiti), accounting and auditing (20, including in Burundi, Cambodia, and Cameroon), corporate governance (6), and insolvency and creditor rights (5).

106. ***FSAPs and ROSCs serve as the basis for financial sector assistance strategies, delivery of technical assistance and other follow-up work***. Support for the implementation of FSAP and ROSC recommendations focused on: financial sector strategy and policy; legal, regulatory, and supervisory frameworks; market and product development; accounting and auditing; and corporate governance. For example, in Mongolia**,** the FSAP was followed by a financial sector strategy and technical assistance on development banking. Such support was often funded by the Financial Sector Reform and Strengthening (FIRST) Initiative - a multi-donor grant program which, during IDA14, approved 82 projects in IDA countries, including in Angola, Guinea and Tanzania. Technical assistance and policy and knowledge development in implementing AML/CFT recommendations was also provided to IDA countries. During the IDA14 period, 123 TA-related activities were undertaken for strengthening AML/CFT regimes in 32 IDA countries, resulting in, *inter alia*, the passage of AML/CFT legislation and the creation of a financial intelligence unit.

107. ***Improving access to financial services for the poor is also an area of particular emphasis in IDA countries***. The Consultative Group to Assist the Poor (CGAP) has been providing focused assistance through diagnostic work and technical assistance to research. During IDA14, CGAP advised governments on improving policy environments such as microfinance-related regulation, helped build microfinance market infrastructure and counseled financial service providers in developing or improving their microfinance services. Among the IDA countries benefiting from CGAP's assistance are Cambodia, Laos, and Malawi.

108. ***Besides technical assistance, IDA provides financial support to its client countries to strengthen and deepen their financial sector***. During the IDA14 implementation period, 73 projects in 55 countries were approved with at least one financial sector component (such components accounted for US$1.2 billion in projects worth US$4 billion). These projects supported financial sector capacity building programs in the form of new legislation, policy reforms, technical implementation of market infrastructure, and the development of institutional and enforcement capabilities. In addition, regional lending programs were developed in payment systems, capital market development, and trade credit (e.g., in the West African Economic and Monetary Union and the Central African Economic and Monetary Union). Finally, to deliver effective assistance to broaden Micro, Small and Medium Enterprise (MSME) access to finance, the World Bank and IFC have a joint program that delivers integrated packages including reforms of secured lending and financial information infrastructure frameworks.

4.3 Supporting Micro, Small, and Medium Enterprises

109. ***Consistent with the 2002 PSD Strategy, IDA14 continued its support to MSMEs through, inter alia, a joint IDA/IFC MSME Pilot Program***. A vibrant MSME sector plays an important role in maintaining competition and job creation. One of the instruments, the joint IDA/IFC MSME Pilot Program introduced during IDA13 and implemented during IDA14,[113] was aimed at helping generate pro-poor private sector growth

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[113] The pilot experienced initial delays due to three main factors: the MSME projects involved product and implementation innovations that were more readily adopted in some countries (such as Madagascar) than in others (such as Ghana); the policy environment; and human capacity constraints within the WBG, including skills of staff and staff transfers.

and employment in Sub-Saharan Africa. Seven projects were approved under the program during 2003–05 for Ghana, Kenya, Madagascar, Mali, Nigeria, Tanzania, and Uganda. As of the end of IDA14, IDA committed US$260 million (double what was originally anticipated), while the IFC committed US$33.8 million and mobilized US$61.2 million from co-investors. IDA disbursements accelerated from US$14.5 million in November 2006 to US$63.2 million at the end of FY08. IFC disbursed US$6 million.[114]

110. Each of the seven pilot projects includes activities under three key pillars. The first pillar focuses on: new risk capital instruments; strengthening institutions that provide banking services to MSMEs; and increasing access to finance for MSMEs through performance-based grants for companies that provide financial services to MSMEs. The second pillar concentrates on: improving MSME's competitiveness by, inter alia, strengthening Business Development Services (BDS);[115] designing additional financial instruments for MSMEs; developing entrepreneurship; and supporting sub-contracting arrangements between larger and smaller firms. The third pillar supports: reforms to improve the business environment, including strengthening business and land registration; commercial dispute and arbitration resolution mechanisms; development of secured transaction regime and credit bureau; and taxation regimes for MSMEs.

111. ***Despite a slow start, the pace of implementation of the MSME Pilot Program picked up during IDA14 and the initial results are encouraging***. The program has begun to deliver results across all three pillars during IDA14 (see Box 22 in Annex 14). Innovative approaches introduced under the MSME program[116] helped increase availability and affordability of financial services for MSMEs:

- Almost 120,000 loans valued at over US$792 million were approved by participating financial institutions to MSMEs.
- The program has supported 125 financial institutions, and most of them have shown good performance, with improved staff capacity, governance, management, credit and financial management systems, and a range of new financial products and services developed for the MSME market segment.
- Through risk-sharing facilities and risk capital funds, the program was able to leverage US$72 million in private investment in the financial sector.

112. By providing matching grants to almost 180 BDS providers and industrial associations, the program has helped 44,000 MSMEs improve their operational efficiency and service and product quality.[117] This has resulted in an estimated US$8.7 million in new private sector investment to MSMEs that accessed the BDS services. The program spearheaded important reforms to improve the business environment for MSMEs. This was facilitated by actively working with various donors, research institutions, and partners to facilitate private and public dialogue and contribute to the study and design of new policies and regulations. The program has financed over 180 policy studies and assessments. It has also contributed to the formulation or amendment of 66 new laws and regulations at state or national levels in all seven countries—in business license and registration, land titling, investment promotion, compensation, and dispute resolution.

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[114] Disbursements for IFC and the private co-investors include contingent obligations under the partial credit risk guarantee which will take place only if the guarantee is called.

[115] Includes: operations (production); sales and marketing; service (maintenance); human resource management; research and development; financial management; procurement; and strengthening standards.

[116] For example, Performance-based Grant, the Risk-Sharing Facility/Partial Credit Guarantee Scheme, and a Risk Capital Fund.

[117] In 2008 an impact evaluation of the BDS component for Nigeria was conducted that compared a sample of MSMEs that benefitted from the project-supported BDS services with a control group. Results showed that about 70 percent of the MSMEs from the former group reported gains in knowledge and skills as a result of receiving BDS services (compared to 30 percent in the control group); 41 percent increased their employment (16 percent); and 84 percent showed increased in monthly sales (6 percent).

113. The Partial Credit Guarantee Schemes (PCGs) offered by the local banks were incorporated in only 3 of the 7 country pilots based on client demand. While the early outcomes from the Madagascar pilot are encouraging, more time is needed to assess the outcomes in Madagascar, Mali, and Ghana through an entire business cycle.[118] Moreover, this approach may need to be tested beyond the very small existing sample to generate more robust results.

114. The program also tested a range of implementation arrangements in pilot countries, with various types of management functions (including fiduciary and technical) performed by the Project Management Unit (PMU) or contracted out. These include the "firm-led" PMU in Nigeria and Kenya; the "consultant-led" PMU in Ghana, Madagascar, and Mali; and the "business organization-led" PMU in Uganda and Tanzania. The key lesson that emerged is that there is no one solution that fits all, so implementation arrangements need to be tailored to country-specific circumstances.

115. ***Finally, the program contributed to strengthening collaboration and relationships between the IDA and IFC by joining the convening power of IDA—and its involvement in policy development and established relationship with the public sector—with the IFC's relationship with and practical knowledge of the private sector.*** IDA and IFC have developed three new joint IDA-IFC financing models for MSMEs,[119] as well as a joint multi-country monitoring framework that would allow aggregation of the results and impact evaluation at the country and program level. In addition, an IDA-IFC Secretariat was established in February 2008 to encourage more systematic and efficient collaboration. These efforts will help reduce the transaction cost to the client and improve collaboration between the staff from both institutions.

116. ***Going forward, it will be important to continue to strengthen implementation of the pilot projects*** that proactively seek country-specific solutions (for example, in project management arrangements) and focus on close monitoring of results and evaluation of the impacts. It may also be worthwhile to expand the number of the Risk-Sharing Facilities/Partial Credit Guarantee schemes to provide a broader evidence base.

4.4 Promoting Private Participation in Delivery of Infrastructure and Social Services

117. ***In addition to providing around US$11 billion of resources during IDA14 to support the infrastructure sector (discussed in section 6.1), IDA strengthened its focus on promoting public-private partnerships (PPPs) by piloting an innovative and flexible output-based aid (OBA) approach***. The OBA approach, spearheaded through the 2002 WBG PSD Strategy, helped governments deliver subsidized basic infrastructure and services to the poorest segments of the population. Public-private partnerships used the framework of performance-based contracts, linking disbursement of subsidies to agreed outputs.[120] A pilot program was launched in 2003 and its preliminary results from 83 WBG projects with a value of $1.15 billion

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118 A WBG task force was established in FY08 to review the experience of this innovative approach and provide recommendations on the way forward.

119 The first model involved the use of IDA and IFC funds for a risk-sharing arrangement with commercial banks. Under this model, the pooling of public and private funds with a risk-sharing mechanism mobilized liquidity for MSMEs in local currency and made increased access to finance for borrowers who previously did not have access. The second model involved the bundling of IDA-funded performance-based grants with IFC financial instruments, particularly for establishing greenfield microfinance institutions. The third model involved IFC and other co-investors investing in a SME risk capital fund that uses a mix of debt, equity, and quasi-equity instruments tailored for MSMEs. IDA funds are used to support the introduction of a risk capital MSME fund in these countries by establishing an associated technical assistance facility for the SME investees.

120 There are three applications of the OBA approach: one-off subsides; transitional subsidies that pay part of the tariff (difference between the full cost-recovery price and the price the consumer is able and/or willing to pay) and are phased out over time; and ongoing subsidies (where there is a perpetual gap between affordability and cost recovery). Outside of PPP framework, there are also cases of OBA with purely public service providers.

were reviewed at the IDA14 MTR in November 2006.[121] Although it was too early to draw definitive conclusions, the emerging findings were encouraging and the recommendation was for a selective scaling up of OBA within IDA operations. This has therefore been the focus of OBA within the Bank Group, with the Bank-administered program Global Partnership on Output-based Aid (GPOBA) as the main conduit.[122]

118. ***IDA remained the major provider of funds for the OBA projects in the poorest countries***. The number of projects in IDA countries more than doubled, from 16 under IDA13 to 35 under IDA14, with an increase in funding from US$669 million in IDA13 to US$1.15 billion in IDA14 (see Table 18 in Annex 14).[123] This has leveraged additional financing for OBA projects from governments (US$35.6 million), private sector (US$ 83.4 million), donors, and service users. During IDA14, African countries became the largest beneficiary of the OBA funding (including IDA and GPOBA), increasing their share from 38 percent during IDA13 (US$257 million for 7 projects) to 60 percent during IDA14 (US$700 million for 17 projects). South Asian countries were the second largest beneficiaries, receiving about one-third of OBA financing (US$388 million for five projects) during IDA14.

119. As in IDA13, two sectors accounted for the largest share of the funding commitments—health (60 percent) and transport (30 percent). Projects in these sectors were larger compared with other sectors, with an average project size of US$170 million (transport) and US$60 million (health).[124] Water and sanitation had the largest increase in the number of projects (from one small project during IDA13 to 11 projects during IDA14) for more than US$70 million, mainly owing to the GPOBA efforts to pilot the OBA approach in Africa. The quality of the portfolio remained relatively stable throughout IDA14.[125]

Box 10: Results from the OBA projects

OBA projects in infrastructure

- Over 248,000 people have already benefited from connections to electricity, gas, or other energy technologies, with an additional 361,000 expected to be connected by the close of the projects.
- Approximately 100,000 people have benefited from connections to water and sanitation services, with an additional 2.2 million beneficiaries expected to receive service.
- Over 3.9 million people are expected to benefit from the ICT services.
- Projects in five countries are expected to provide 8,620 kilometers of access roads.

OBA projects in health sector

- It is expected that over 7.5 million people will benefit from the various health services provided.

Country examples from projects which closed during IDA 14

- In Nicaragua the number of rural communities with at least one public payphone has more than tripled between 1999 and 2005 (from 171 to 536). The OBA project increased mobile phone coverage to an additional 30 communities.
- In Chad the OBA project assisted in financing the maintenance of 1,800 kilometers of roads.
- In Rwanda the OBA component contributed to increased use of health services in the country. For example, assisted deliveries for pregnant women increased from 29 percent in 2000 to 52 percent in 2007, and contraceptive use increased from 7 to 28 percent in the same timeframe.

120. ***Although the OBA portfolio is still relatively young, the initial results are encouraging (see Box 10)***.[126] All projects that closed during IDA14[127] had satisfactory ratings on achieving their development

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[121] This includes projects financed exclusively or jointly by IDA, IBRD, GEF, GPOBA, other donors such as Kreditanstalt für Wieberaufbau (KfW), German Technical Co-operation (GTZ) and the local governments. Of 83 OBA projects reviewed, 52 projects with US$280 million were in IDA and IDA/IBRD blend countries.

[122] GPOBA, established in 2003, is a multi-donor global program. Current GPOBA donors include DFID, IFC (through the Performance-Based Grant Initiative), DGIS-Netherlands, AusAid, and SIDA.

[123] Of the 35 projects committed during IDA14, GPOBA has funded 18 projects—mostly in water and sanitation—for US$58.8 million.

[124] Many of the GPOBA projects are pilots and are typically small, with an average funding commitment level of US$4 million.

[125] It is difficult to aggregate disbursements of the OBA projects, as some of them are components of larger IDA operations. A review of the 12 stand-alone GPOBA projects approved in IDA14 shows a disbursement ratio of 16 percent during the first 15 months of implementation. A review of 43 OBA projects under implementation (including projects approved before IDA13) indicates that project performance has been stable during IDA14 with two projects "at risk" in FY06, four in FY07, and four in FY08.

objectives and all but two fully disbursed the subsidies.[128] A majority of the projects implemented under IDA14 were designed to allow the countries to benefit from the main advantages of the OBA approach, especially sharpening targeting of subsidies, using private sector expertise or shifting performance risk to service providers (see Table 19 in Annex 14).

121. ***However, aggregation of outputs across all the projects has been challenging due to lack of standardized results frameworks.*** While GPOBA projects use a standard results framework, which enables aggregation of outputs, the non-GPOBA projects do not. Going forward, in order to better capture results from all OBA projects, reporting will need to be strengthened. The introduction of core sector indicators through the IDA RMS, many of which are already being used by OBA projects, is expected to improve reporting. It will also be important to conduct evaluations to compare output-based and input-based approaches and to ensure that monitoring systems link outputs to outcomes.

122. ***While experience from implementing OBA schemes demonstrates the feasibility of the approach, it also identifies a number of lessons and challenges.*** First, the government's role in providing the link with public policy, undertaking appropriate sectoral and legal reforms (such as tariff reforms), and developing appropriate monitoring and verification systems is a pre-requisite for a successful and sustainable OBA program. This in turn is a function of government's capacity to understand how OBA schemes work, how to clearly define subsidies and outputs, and how to monitor outputs and mitigate risks. This is also true for the private sector, especially for small local providers. Thus, capacity building is a vital part of all IDA projects. Second, access to finance is critical, especially for sectors relying on small and local service providers, including public companies, as it affects the extent to which performance risk can be shifted to them. Given that the current financial crisis may exacerbate this problem, it is important that subsidy payments are flexible and tailored to country circumstances—with respect to consumers' ability and willingness to pay for services and the availability of finance for service providers. Innovative approaches to mitigating the issue of access to finance have been piloted, and the results will be closely monitored.[129]

123. IDA has faced some internal challenges in applying the Bank's procedures for procurement and disbursements, as well as determining the subsidy for agreed outputs. In response, the Bank has developed guidelines to address both issues.[130] Training will continue to help Bank staff improve their detailed understanding of the OBA approach and its implementation. The investment lending reform led by OPCS is expected to explore in the future the possibility of introducing a programmatic instrument that would be designed to support a government's program in a particular sector or subsector with a clearly defined results framework.

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[126] For a detailed summary of the achievements against each of the benchmarks and country examples see Annex 14 and refer to IDA (2006e), "*Review of the use of output-based aid approaches*."

[127] A review of ICR ratings of 29 closed OBA projects showed that OBA projects perform generally well with 90 percent of projects having an overall outcome rating of satisfactory or highly satisfactory.

[128] The Nicaragua project subsidy funds were reduced as fewer funds were needed for the subsidy. In Bangladesh the devaluation of the taka led to partial cancellation of project funds.

[129] Options include: use of guarantees (water project in Kenya), donor-funded lines of credit (off-grid renewable energy projects in Ghana and Bangladesh), sub-sovereign lending and government bridge funds, reducing period of payments on portions of the output-based subsidies, and pre-financing by public utilities.

[130] Specifically, the "Guidance Note to Procurement Staff on Procurement Issues in Structuring Output-Based Aid (OBA) Operations Financed by the World Bank;" the "Guidance Note for Staff on Structuring Output-Based Aid (OBA) Approaches in World Bank Group Operations" and the OPCS (2005b), Operational Memorandum on the Application of Paragraph 3.13 of the Procurement Guidelines. The guidance notes provide illustrative practices and incorporate the lessons from procurement assessments conducted under OBA pilot operations across Bank regions.

4.5 Supporting regional cooperation and integration

124. ***With its global reach and expertise on global and regional public goods, IDA is well-positioned to help poor countries, especially small economies, achieve regional integration objectives.*** Regional integration can help countries overcome constraints to competitiveness that are associated with the high costs of national infrastructure systems (especially for landlocked countries) and poorly developed financial sectors. Cooperation among stakeholders offers opportunities for better management of "regional commons" (mostly exogenous risks, such as migratory diseases, agricultural pests, weather-related vulnerabilities, and air pollution), and raises the likelihood of effective and sustainable management of shared natural resources (including lakes and rivers, fisheries, and sensitive ecological environments).

125. ***The Regional Pilot Program, launched in 2003,[131] was extended during IDA14 with a greater focus on Africa and in close partnership with many donors promoting regional collaboration.*** The program aims to help countries reap the benefits of regional integration by: managing externalities inherent in many sectors;[132] achieving economies of scale; and overcoming the disadvantages of land-locked economies. Projects that meet the program eligibility criteria (see Annex 1) receive IDA regional funding in addition to resources allocated through the regular IDA performance-based allocation system. Each country contributes one-third[133] of the cost of the projects attributable to it from its IDA allocations to encourage ownership in the pilot. The projects are strategically aligned with the objectives of the pilot program and the regional strategies.

Box 11: Examples of expected oucomes from the regional projects

- **The West Africa Power Market Development Project.** Expand generation and transmission of electricity and natural gas resulting in lower costs, better supply reliability, and less dependence on imported oil and diesel fuel. (Beneficiaries: Senegal, Mali, Mauritania, and Guinea).
- **The Energy Community of South East Europe.** Electricity transmission systems development to provide a steady continuous energy supply on competitive terms to improve energy supply security. (Beneficiaries: Albania, Bosnia and Herzegovina, Montenegro, and Serbia).
- **The East Africa Transport and Trade Facilitation Project.** Facilitating additional trade within the region and enhancing competitiveness of exports through port and railway modernization through a joint concession. Expected results include higher efficiency and lower transportation and operating costs. (Beneficiaries: Kenya, Uganda, and other landlocked countries).
- **The Regional Trade Facilitation Project.** Facilitate intra-region trade by supporting the establishment of a multi-country-owned African Trade Insurance Agency to provide coverage against losses caused by political risks. (Beneficiaries: Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia)
- **Senegal River Basin Multipurpose Water Resources Development Project.** Support to improve institutional capacity for effective management of the basin and increase availability of water that is expected to result in 35 percent greater acreage under cultivation and 35 percent higher agricultural production; improve agro-forestry practices and development of community fisheries. (Beneficiaries: Guinea, Mali, Mauritania, and Senegal).

126. ***Under the framework of the pilot program, 21 new regional projects were approved for over US$1.9 billion (SDR 1.2 billion), which represented 6 percent of total IDA14 commitments.[134]*** This represents a significant increase from IDA 13 when 7 projects were approved for a total of US$435 million. The projects benefited 31 countries (21 from Africa, 5 from Latin America and the Caribbean, 2 from East Asia and Pacific and 3 from Europe and Central Asia). Africa was the largest recipient, accounting for US$1.7 billion (SDR1.1 billion) of IDA regional commitments during IDA14. Partnerships have featured prominently in most of the operations financed and are expected to contribute strongly to operations being developed. Among the donors and agencies providing co-financing are AfDB, the EC, IDB, USAID, DFID, EIB, the Kuwait Fund, and bilateral agencies of France, Germany, Japan, and South Africa, as well as IFC and MIGA.

127. ***The pilot program is an important financier of regional infrastructure which accounted for 96 percent of commitments during IDA14 under the program.*** Energy and mining (35 percent) and transport (36

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[131] IDA Regional Pilot Program was initiated with the Board paper, "*Pilot Program for Regional Projects*," (IDA, 2003).

[132] Externalities can include positive ones such as shared natural resources and negative ones such as infectious diseases.

[133] Starting from IDA15, smaller countries' contributions are capped at 20 percent of their annual IDA allocation.

[134] Of the total amount SDR 328 million was committed in IDA grants.

percent) accounted for significant shares of the total commitments. This high share of infrastructure reflected shortages of regional funding from other sources, considerable pent-up demand for regional infrastructure, and the capacity of the WBG to partner with regional and national clients to develop investment projects. In Africa, the Regional Pilot program is well-aligned with the priorities of the African Union's New Partnership for Africa's Development (NEPAD), which include, inter alia*,* strengthening regional infrastructure programs, food security, and agricultural development programs; improving market access and market presence; and accelerating progress on better health and education.

128. To strengthen the alignment of the pilot with the NEPAD and to leverage additional funding to support the projects, a Regional Integration Department was established in 2004 in the Africa Region of the World Bank. This department spearheaded the development of the Africa Regional Integration Assistance Strategy (RIAS) in 2008, which identifies the African Action Plan (AAP) priorities where regional approaches can leverage impact at the national level, and where incorporating regional integration into the CAS can strengthen outcomes from the Bank's country-based approach.[135] The pilot program portfolio is still young, with an average age of 1.7 years. Currently, twenty-nine projects are under implementation, of which 21 were approved during IDA14. Only about US$170 million has been disbursed through the end of IDA14.[136] A review of project ISRs identified seven actual problem projects at risk and one potential problem project. IDA is proactively addressing the difficulties through capacity strengthening for local implementation units and private sector partners, as well as reducing the time for internal Bank processes. Greater attention is also being given to making projects less complex.

129. ***The short implementation period of the pilot program makes it difficult to measure development effectiveness, although it is expected that the projects will contribute significantly*** (see Box 11). According to AfDB estimates published in 2006 in a series of three maps showing the "missing links" in the region's ICT, power, and transport networks, by the end of IDA15 the WBG and other donors are expected to significantly reduce the gap (see Table 2). The fact that a majority of the projects approved during IDA14 had a strong trans-boundary externality and were firmly anchored in the regional strategies should contribute to stronger country ownership and commitment to the projects.

Table 2: Addressing the "missing links" in Africa's regional infrastructure networks (kilometers)

Sector	Total length of regional network	Total length of missing/poor quality infra (2006)	WBG involvement under IDA13-14-15 in association with other donors
ICT	91,743	66,294	6,110
Power	106,300	33,300	8,830
Transport	64,000	20,300	9,960

Source: World Bank (2009d).

130. ***Going forward IDA needs to take into account some valuable lessons that emerged from the FY06 and FY10 Africa Portfolio Review and the FY06 IEG Evaluation of Regional Programs***.[137] There is a need to better align sub-regional strategies, sector strategies, and country programs, and to strengthen links between regional strategies and national PRSs. Strong ownership among regional and national stakeholders is critical, as is a clear governance and accountability structure among governments, Regional Economic Communities, and

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135 RIAS identifies three priority areas for support—regional infrastructure, economic integration, and provision of regional public goods.

136 Among the key implementation constraints, which may have contributed to low disbursements, are delayed effectiveness, often owing to the need for parliamentary approval of each borrower; a long and complex procurement process; capacity constraints to manage project implementation effectively; and difficulties in securing counterpart contributions.

137 IEG (2007a), "*The Development Potential of Regional Programs: An Evaluation of World Bank support of Multi-Country Operations."*

implementing agencies. Stronger partnerships with MIGA and IFC are necessary for mobilizing private sector funding and with other donors for co-financing and implementation.

131. Some project-level lessons are also emerging. First, the results-orientation of the regional projects needs strengthening, including results frameworks, regional monitoring and evaluation arrangements, and baseline information. Second, given that regional projects are complex and tend to be more costly to prepare than single-country projects, task managers need to keep project design simple and use Adaptable Program Loans (APLs) when concurrent effectiveness is not required. Third, it is important to leverage local institutions in an environment of weak regional capacities. Finally, IDA is adjusting its internal procedures (originally designed for individual countries) to enable processing of regional projects, including developing a Regional Operations Toolkit to address regional processing issues. The Bank and its partners will continue to help countries overcome these challenges and take advantage of regional integration.

4.6 Strengthening World Bank Collaboration

132. ***Achieving better results in promoting growth and PSD in IDA countries requires that IDA works closely with the other WBG institutions, including IBRD, IFC, and MIGA.*** Following IEG's 2006 evaluation on the WBG's work on investment climate, investment climate advisory services have been streamlined to develop a more collaborative platform, as discussed in section 4.1.[138] The global multi-donor facility for investment climate advisory work and MIGA's technical assistance work on investment climate and FIAS have been consolidated into the joint Investment Climate Department, which is the anchor for WBG investment climate advisory services, including IFC's Business Enabling Environment business line.[139] In 2008 there were 71 (out of 390) active joint IDA/IFC advisory projects across 36 IDA countries (half of them in South Asia and Africa and half of them focused on investment climate reforms). An example of the WBG's joint direct support to firms is the IDA/IFC Africa MSME program discussed in section 4.3.

133. For infrastructure, a large proportion of IDA advisory services on Public Private Partnerships (PPPs) are embedded in the policy dialogue and project preparation for lending operations. To better leverage the range of services for PPPs, IDA strengthened its collaboration with the Public Private Infrastructure Advisory Facility (PPIAF), as well as with the IFC Infrastructure Advisory Unit, in providing analytical and financial support to the PPP initiatives.[140] The pooling of public and private resources, including a range of Bank instruments such as IBRD/IDA Partial Risk Guarantees, IBRD enclave loans and guarantees, and IDA/IBRD credits for government equity contribution have been used to leverage private resources and make the project bankable. Based on joint IDA-IFC investments in infrastructure, US$1 of public financing leveraged US$8 of private financing. Recent initiatives—such as the OBA pilot program, joint planning of IFC/IDA projects and MIGA/IDA collaboration on complex power projects in the Africa Region—will continue and will be expanded throughout the WBG portfolio to maximize the effectiveness of WBG's support to PPPs.

134. In an effort to increase joint WBG efforts that support PSD in IDA countries, an IDA/IFC Secretariat was created in FY08. Further (as discussed in section 3.2), efforts are under way to boost IFC's participation in preparing CASs to improve country strategy formulation, increase synergies, and provide greater WBG development impact. Stronger collaboration between IDA and IFC would need to be forged in the private provision of social services, especially health and education, where IFC support has been growing.

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[138] IEG (2006), "*Improving Investment Climates: An Evaluation of World Bank Group Assistance*."

[139] World Bank (2009h), draft "*WBG PSD Strategy Mid-Cycle Implementation Progress Paper.*"

[140] PPIAF finances assistance with non-transaction, upstream activities like feasibility and option studies, contingent liability diagnostics, legal-regulatory reform, and policy change, while IFC Infrastructure Advisory Unit provides downstream transaction assistance needed to close or restructure deals.

III. IDA14 RESULTS

Highlights of Chapter III

- Complementary activities were undertaken to increase IDA's focus on results during IDA14 including: country-level statistical capacity building; support for countries' efforts to strengthen the results focus of PRSs; making all IDA CASs results based; monitoring quality of Bank projects and programs; and strengthening the IDA Results Measurement System to better capture results from the diverse activities which IDA undertakes.
- Since 2003 there has been a steady improvement in Bank country program outcomes, with 60 percent of them achieving their development objectives. Better performance can be seen at the project level, with three quarters of IDA projects achieving their development objectives. The quality, relevance and impact of the IDA analytical and advisory services also have improved. Going forward, the gap that persists between the country program and project outcomes will need to be addressed.
- IDA pursued implementation of its strategies in all key sectors including infrastructure, agriculture and rural development, and health and education. However, IDA's changing role in some sectors over time has implications for what data is captured and measured. For example, in the health sector, as a result of several large global partnerships entering the aid market, the role of IDA has shifted from a financier to a platform for a more efficient aid delivery.
- Mainstreaming cross-cutting themes such as governance and gender into IDA operational approaches also showed progress during IDA14, with approval of the Governance and Anticorruption strategy and the Gender Action Plan in 2007.
- Going forward, the IDA RMS will need to be strengthened further to more systematically capture the multiple dimensions of IDA contributions to country outcomes.

135. ***The two-tiered Results Measurement System (RMS) continued to be refined during IDA14 with a clear demarcation between country level outcomes (captured in Tier 1) and the quality of IDA's project portfolio and indicative outputs from these projects (captured in Tier 2)***. The IDA RMS, introduced during IDA13, contributed to a more systematic way to capture and report on the quantitative results at two levels (see Box 8). At the country level (through Tier 1 indicators, see Table 14 in Annex 9), the system captures progress in development outcomes without seeking attribution of these results to IDA's support. At the project level (through Tier 2 indicators, see Table 16 in Annex 9), the system assesses the quality of IDA's portfolio of projects and aggregates output indicators from IDA projects in selected sectors.[141]

136. ***In addition to refining the RMS, an assessment of internal controls over IDA operations was carried out as part of the increased focus on quality and results***—the first of its kind for an International Financial Institution. The assessment yielded important findings on how IDA controls can be strengthened and in developing new assessment tools that could be applied to institutions similar to IDA.[142] IEG concluded that "with some important qualifications, IDA's internal controls framework operates to a high standard overall, giving reasonable assurance that the controls operate effectively." Furthermore, IEG stated that subject to identified exceptions, the evidence presented provide Senior Management and the Executive Directors with reasonable assurance regarding the achievement of the three key COSO objectives of reliable financial reporting, compliance with policies and procedures, and the efficiency and effectiveness of operations. The key deficiencies (ranging from significant, to a "material weakness") identified by the review were in the areas of: (i) investment lending, (ii) risk management, (iii) integration of fraud and corruption prevention into operations,

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[141] For a detailed description of the IDA14 Results Measurement System and measures introduced during IDA14 to strengthen IDA's result orientation, please see Annex 9.

[142] See: IEG (2009a), "*IEG Review of IDA Internal Controls: An Evaluation of Management's Assessment and the IAD Review.*" The report was released to the public on April 14, 2009. The assessment commenced with a self-assessment of the control framework by Bank management, which was then reviewed by the Bank's Internal Auditing Department (IAD), and finally the IEG conducted an independent evaluation of all the material. The review used the rigorous COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and methodology, which establishes "a common definition of internal controls, standards, and criteria against which companies and organizations can assess their control systems." Together, these systems ensure that funds are used efficiently and for its intended purpose, including procurement processes, supervision mechanisms and procedures and measures to prevent fraud and corruption.

(iv) financial management and procurement, and (v) information technology and processes and systems for analytic and advisory activities. Bank management is implementing a robust plan of remedial actions to address the deficiencies identified and both IAD and IEG have endorsed management's actions as appropriate. To ensure effective monitoring and accountability for implementation of these actions, an Implementation Oversight Panel (IOP) has been established and management has requested IAD and IEG to review remedial efforts. The IOP has an external co-chair and will report periodically to the President and the Audit Committee on implementation progress.[143]

137. ***The following sections highlight results captured during IDA14. However, there are considerations that need to be taken into account when interpreting the data. Despite significant progress in refining the RMS, it is difficult for any indicator-based system to capture the multiple dimensions of IDA's contributions to country outcomes*** for the following reasons:

(i) First, development outcomes are inherently *multi-sectoral*, with actions taken to improve results in one sector or theme having effects on others. Often achieving the MDGs requires concerted action across sectors. For example, research has demonstrated that improving girls' secondary education has—beyond the direct benefits of educating girls—important spillovers to future Health, Nutrition and Population (HNP) outcomes (such as families' health and mortality). Similarly, improving rural water supply has—beyond the direct benefits of improving health outcomes—an impact on girls' education, as they spend less time bringing water to the house and can attend school instead. So, a single indicator while measuring progress on activities in a particular sector or theme is unable to convey the links that this activity has with other sectors.

(ii) Second, IDA's assistance is often provided as a package of *complementary lending and non-lending* assistance in a sector and is also a source of integrative assistance across sectors through diagnostic studies (for example, on a country's development prospects). It is difficult to quantify or capture through a single indicator the direct or indirect impacts of the non-lending IDA activities, including IDA's advisory function, its active participation in policy dialogue, its role in transferring cross-country and cross-sectoral knowledge and experience, and its convening power. And much of IDA's non-lending assistance becomes a platform for improving broader aid effectiveness, which is also difficult to quantify.

(iii) Third, *aggregation of outputs* from individual projects (Tier 2) to capture changes that can be directly attributed to IDA's interventions is challenging to IDA and its partners, as operational practice in defining outputs varies significantly within sectors, and variations across projects within a sector reflect differences in sectoral priorities and approaches across countries. In the absence of an IDA-wide standardization of core output indicators, and despite considerable efforts of the regions and networks to enable better aggregation and measurement of outputs,[144] it is difficult to monitor year-to-year trends in numbers of outputs within a single sector.

138. In order to capture the richness of the support that IDA provides, this section combines the quantitative output-level results collected as part of the RMS Tier 2 with a more qualitative approach to describe IDA's support in a sample of countries and for selected sectors and themes (drawing on the "IDA At Work" website). The final section discusses IDA's role and achievements in tackling development challenges across national boundaries, at a regional and global level.

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143 Please see for more details: http://siteresources.worldbank.org/NEWS/Resources/IDAControlsFactSheet.pdf.

144 For example, in 2006 the Africa Region launched the Results Monitoring System to rationalize output indicators by developing a list of standardized indicators for nine sectors. The networks made substantial progress in their Sector Strategy Papers to develop results frameworks for ten sectors (e.g., water supply and sanitation, rural development, public sector governance, transport, environment, forestry, and social protection). Standardization of output indicators for all IDA operations in four sectors will be undertaken by IDA15 MTR.

5. Country-Level Results

139. ***Improving country-level outcomes requires a long-term engagement between IDA and its client countries. IDA's role and interventions evolve over time according to the country's stage of development, needs, and priorities.*** For example, while support to peace- and state-building are often common elements in post-conflict countries (e.g., Sierra Leone), over time the focus of financial and non-financial assistance shifts toward structural reforms underpinning a market-based economy (e.g., Lao PDR and Nicaragua), followed by operations supporting broader policy and regulatory reforms (e.g., Armenia and Bangladesh).[145]

Box 12: The evolution of IDA's role in Mozambique over time

1984–1992: War, economic crisis, reforms begin

Main IDA role:

- Economic policy dialogue.
- Analytic work and financial support help government undertake reform and plan transformation to market economy.
- Investment operations restore basic services—urban rehabilitation, health services and schools.

Total IDA lending: US$851 million	
Economic reform	37%
Infrastructure rebuilding	36%
Health/education	11%
PSD/finance	10%
Agriculture	6%

1993–1997: Post-conflict reconstruction and reform

Main IDA role:

Convening power

- Chairs Consultative Group meetings (from 1989), which mobilize donor resources and coordinate donor and government policies.
- Provides framework to shift assistance to post-war reconstruction.
- Encourages investor confidence (for example, involvement of IFC in Maputo Corridor and Mozal).

Financing power

- Committed long-term engagement enhances predictability, effectiveness.
- Large projects for reconstruction of highways, ports, and railways.
- Rehabilitation of health and education infrastructure.
- Training programs to improve human capital.

Knowledge base and policy advice

- Multi-sectoral expertise (for example, needs assessment for reconstruction).
- Sector-wide approach introduced (for example, in roads).
- Policy advice for difficult reforms (for example, privatization, banking sector).

Total IDA lending: US$187 million	
Economic reform	48%
Infrastructure	28%
Health/education	16%
PSD/finance	5%
Agriculture, RD	2%
Public sector reform	1%

1998–2008: Sustained growth

Main IDA role:

- Supports government's poverty reduction strategy; helps strengthen country systems in public financial management, procurement, and governance.
- Leads HIPC (2000) and MDRI (2006) debt relief.
- Continued support for rehabilitation of infrastructure, social services.
- Participates in donor harmonization and alignment with government (General budget support memorandum of understanding for PRSCs (2004), Sector memorandum of understanding).
- Supports regional initiatives (Transfrontier parks, transportation links, and natural gas pipeline).
- Decentralizes operations to country office.

Total IDA lending: US$1.6 billion	
Infrastructure	48%
Budget support	15%
Health/education	15%
PSD/finance	10%
Agriculture, RD	8%
Public sector reform	4%

140. IDA's support to Mozambique is a good example of its long-term engagement and the evolution of its role over time (see Box 12). In the years preceding the 1992 peace treaty, IDA focused on laying the groundwork for Mozambique to shift from a socialist to a market economy and for donor assistance to shift from humanitarian aid to development assistance. Building on these foundations, in the post-conflict era, support focused on reconstruction of basic infrastructure, mainly in transport, health, and education. IDA's policy

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145 For detailed description of IDA's role in selected countries, see Annex 12.

advice, underpinned by analytical work, was critical in helping the government undertake difficult reforms in the financial and public enterprise sectors. Since 1998, Mozambique's economy has been one of the fastest growing in the world, averaging 8 percent growth a year. In 2004, IDA began helping the government to develop its own poverty reduction strategy and to work with a group of 18 donors to provide coordinated financial support to an integrated government-led program, including through Poverty Reduction Support Credits (PRSC).

141. ***IDA, through Tier 1 of the Results Measurement System, monitors the long-term progress of its client countries for selected development outcomes. However, quantifying the progress made during the three years of IDA14 is difficult due to data limitations***. Out of fourteen outcome indicators, only two are available for the period of IDA14 implementation (GDP growth and investment climate indicators). For all other indicators either the available baseline falls prior to FY06 or the latest data point is available for FY06-07. This is partially due to weak statistical capacity at the country level to gather the data and the fact that the surveys are not conducted annually. Overall, between 2005 and 2007, the average annual GDP in IDA countries grew 8.3 percent, even higher than the 7.1 percent in IBRD countries. In per capita terms, IDA countries grew by 6.4 percent a year, on par with the 6.2 percent growth in the IBRD countries. However, due to limited data beyond 2005, it is difficult to estimate the effect of economic growth on poverty reduction. Between 2005 and 2008, according to findings from the annual Doing Business surveys, almost all IDA countries made some progress in improving the business environment. The average cost of starting a new business in an IDA country was cut by more than a third to 94 percent of GNI per capita and the average duration for registering a new business dropped from 61 days to 37.

142. ***Changes in development outcome indicators captured by Tier 1 cannot be attributed to IDA interventions alone, so IDA also separately monitors the impact of its assistance.*** At the aggregate level, IDA uses two types of evaluations: those prepared by IEG—Country Assistance Evaluations (CAEs)—and self-evaluations prepared by country teams—CAS Completion Reports (CASCRs).[146] Given that CAEs cover longer periods of time (12 years on average compare to 4.5 years for CASs) and that CASs do not exactly overlap with the IDA replenishment period, the combination of these evaluations provides a sense of long-term progress rather than specific accomplishments during IDA14.

143. ***According to the 2008 reviews done by the Quality Assessment Group (QAG) and the IEG,[147] since 2003 there has been a steady improvement in Bank country program outcomes measured against their own objectives, which typically include growth, poverty reduction, and the environment***.[148] CAEs show that 60 percent of country programs were moderately satisfactory or better in meeting their development objectives. But the remaining 40 percent of programs—concentrated in countries that are smaller or have extensive poverty—were moderately unsatisfactory or worse in meeting their stated development objectives. Outcome ratings were similar for IDA countries—out of 39 IDA CAEs evaluated over the past 10 years, 22 were moderately satisfactory or better (56 percent), while 17 were moderately unsatisfactory or worse (43 percent). An IEG review of CASCR data, available since FY04, present a slightly more favorable assessment. Two-thirds of all programs reviewed were rated moderately satisfactory or better. For IDA countries—out of 31 IDA CASCRs

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[146] CAE examines Bank performance in a particular country and reports on its conformity with the relevant Bank CAS and on the overall effectiveness of the specific CAS. CASCR is prepared near the end of a CAS cycle. It uses the results matrix to evaluate CAS program implementation and Bank performance under the previous Bank strategy, derives lesson from the implementation of the program to guide the preparation of the new CAS, and is annexed to the new CAS. IEG provides a validation of the CASCR to the Board.

[147] IEG (2008a), "*Annual Review of Development Effectiveness*" reviewed CAEs over the period of 10 years (FY98-08) covering 81Bank country programs, of which 39 were in IDA countries (including Indonesia, which graduated in FY08). The more recent IEG evaluation, "*Annual Review of Development Effectiveness 2009: Achieving Sustainable Development*" (IEG 2009b), broadly confirms the 2008 findings.

[148] Since 1993, Bank-wide average rating for the CAEs has been 3.7 (on a 1-6 scale); slightly lower that the average rating for all projects of 4.0. While according to mean CAE ratings the quality of Bank programs significantly improved starting in 2005, according to the CASCR the quality of Bank programs remained unchanged at 3.8 since 2005.

evaluated, 17 were moderately satisfactory or better (56 percent), while 14 were moderately unsatisfactory or worse (43 percent). All five countries rated unsatisfactory were IDA countries.

144. ***Better performance can also be seen at the project level, with three quarters of IDA projects achieving their development objectives, albeit with the Africa region lagging behind.*** Tier 2 of the RMS measures the quality of IDA projects throughout the project cycle based on reviews conducted periodically by QAG and IEG.[149] According to the 2008 Quality Assessment of Lending Portfolio (QALP), 75 percent of IDA projects have been successful in achieving their development objectives during FY04-FY07—a positive trend given increasing lending commitments during the IDA14 period.[150]However, IDA projects in Africa fragile states continued to lag with only about half being successful in achieving their development objectives. This is consistent with the 2008 Annual Review of Development Effectiveness (ARDE) finding that Bank operations in smaller countries and African countries have poorer performance and, middle-income countries did better than did lower-income countries. The quality at entry of IDA operations remained almost unchanged during FY05-FY07 with 90 percent of IDA operations rated as satisfactory. On average, more than three-quarters of IDA projects were adequately supervised, although the quality of supervision was weaker in Africa (at 64 percent), especially in the fragile states (at 40 percent).

145. ***Finally, the quality, relevance and impact of the IDA analytical and advisory services (AAA) have also improved[151].*** An IEG review (2008d) concluded that 80 percent of Country AAA programs—weighted by expenditures—were rated moderately satisfactory or better (MS+); 91 percent of programs in the QAG assessment[152] rated MS+ on internal quality for all regions, and 87 percent rated MS+ on strategic relevance and scope. Ratings of other quality dimensions of Country AAA, such as dialogue, dissemination, and coherence and integration, were relatively weaker in the 71–77 percent range. The quality of AAA rated significantly poorer in countries with low CPIA scores than those with high CPIA scores.

146. An IEG evaluation found that AAA had a positive impact on the quality of lending operations, albeit the degree varied by regions. Of a sample of 119 loans examined, those preceded by Economic Sector Work (ESW) had better ratings on average on project design and higher overall ratings on assessment of project quality at entry. The quality of investment loans preceded by ESW varies by region from 36 percent in Africa to 50 percent in Latin America and 83 percent for East Asia and Pacific. With regard to QAG, the overall rating on likely impact of C-AAA products was 75 percent MS+. There were significant regional variations around the average ratings of likely impact, with relatively weaker performance in Africa and in the Middle East and North Africa.

147. ***Despite steady improvements in the quality of IDA analytical work and projects, country program outcomes are lagging behind***. While close to three-quarters of IDA projects achieved their development objectives and 80 percent of country AAA programs were rated satisfactory, only about 60 percent of country programs —incorporating projects, AAA, and other types of assistance—achieved their development objectives. Among the possible reasons explaining this divergence is the fact that synergies between and among the Bank's lending, knowledge services, and dialogue were not fully exploited and projects were not always relevant to the country's core development challenges, leading to poor program outcomes.[153] Also, as suggested in 2008 ARDE, the number and scale of the factors that affect broader country level objectives is typically much greater than at the smaller-scale project level. Hence, outcomes measured at this level are more likely to be affected by factors outside the control of development partners. It is also possible that objectives may be relatively more

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149 For a detailed discussion see Annex 9 and 10.

150 This is similar to the QAG outcome rating of 76 percent on average for FY06-08 which uses a different methodology than QALP. Going forward, QALP methodology will become a standard tool for assessing IDA portfolio.

151 For more details see Annex 11.

152 See: World Bank (2008d).

153 For example, as noted in ARPP FY07, there is scope for a better synergy between PSIAs (AAA) and reforms proposed in DPLs, as well as the articulation of distributional impacts.

ambitious at the program rather than project level (and therefore less frequently attained) or indeed that it is more difficult to establish the connection between Bank inputs and outcomes at the program level (as opposed to at the project level).

148. ***While acknowledging the diverging trend between program and project outcomes, the limitations of this analysis need to be recognized.*** Two main reasons make comparisons of Bank program outcomes during IDA14 difficult. First, the majority of the ratings during the past three years were based on the CASCR review, while the ratings in earlier years were based on the CAEs, which weakens the significance of comparisons due to different methodologies used. Second, although over 50 CASCRs have been prepared since they were introduced in 2005, only six of these have been prepared for results-based CASs,[154] of which all were rated *moderately satisfactory* by IEG. The first CASCRs were prepared on CASs that were not results-based, which increases the element of subjectivity and makes comparisons of CASCR ratings over time difficult.

149. In addition, the quality of IDA portfolio (especially in Africa) is affected by under performance in the fragile and conflict-affected countries (FCS), which will remain an important challenge for IDA over the long-term. Engagement in FCSs presents a higher reputational risk to IDA, higher risk to developmental effectiveness of interventions, and higher political/security risk. Monitoring and evaluation of IDA programs in fragile states is more challenging due to lower capacity and more limited information. Going forward, the challenge will be to learn from recent IDA experience in FCSs and improve country-specific "tailoring" of the strategic approaches in a dynamic environment. More examples of good practice and innovative approaches to deteriorating situations are also needed. Finally, to increase the impact of IDA's assistance in FCSs, increased collaboration within the WBG as well as with other development partners (e.g., the UN) will be necessary.[155]

150. ***Therefore, in order to capture the richness of the support that IDA provides, this section combines the quantitative output-level results collected as part of the RMS Tier 2 with a more qualitative approach.*** First, it looks through a prism of a particular sector, where IDA provides a package of finance, knowledge, and coordination services and uses different instruments (such as, investment or development policy credits and grants), enabling it to respond flexibly to country needs, priorities, and performance using. Second, it looks through the thematic lens, where linking the policy dialogue and knowledge with lending across various sectors, enables IDA to capture the multi-dimensional and cross-sectoral aspects of development. Finally, it describes development challenges that cross national boundaries—at a regional and global level—where IDA leverages its country-focused assistance and policy dialogue by bringing along and working with other development partners.

6. Sector-specific achievements

151. ***During FY06-FY08, IDA supported private sector-led growth at the country level through a mix of lending and non-lending activities in four key sectors: infrastructure, education, health, and agriculture and rural development.*** A good understanding and diagnosis of key constraints and bottlenecks is important to ensure IDA-financed operations have a strong impact at the sectoral level. So, finance and knowledge are often integrated as a package of IDA services provided at the country level. This is reflected not only in IDA's research and analytical products, such as Economic and Sector Work, but also in policy dialogue and advice as well as project design and implementation.

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154 Specifically, five RB CAS pilots were prepared for Brazil, Mozambique, Sri Lanka, Ukraine and Zambia and one on the RB CAS for the Philippines.

155 See Annex 8 for more details on FCS.

6.1 Infrastructure

152. ***Infrastructure development is a key sector that contributes directly and indirectly to economic growth and poverty reduction in developing countries. It is estimated that poor infrastructure is holding back Africa's economic growth per capita by 2 percentage points each year overall, and reducing firm productivity by 40 percent.***[156] Infrastructure development not only contributes to economic growth, but provides important inputs to outcomes in human development (including MDGs) through improved basic service delivery. Safe and convenient water supplies save time and arrest the spread of a range of serious diseases—including diarrhea, a leading cause of infant mortality and malnutrition. Electricity powers health and education services, and boosts the productivity of small businesses. Road networks provide links to global and local markets. Information and communications technologies improve access to information and reduce transport costs by allowing people to conduct transactions remotely. As described in the 2008 WDR, well functioning infrastructure is a necessary building block to harness agriculture's power to promote economic growth, reduce poverty and promote environmental sustainability, especially in the context of climate change.

Box 13: Infrastructure investment needs in Africa

The spending needs are very large. Some US$100 billion is needed to address Africa's infrastructure deficit every year; about two thirds for investment and the remaining third for maintenance. The power sector alone could absorb 40 percent of this total.

Existing spending on infrastructure in Africa is higher than previously thought. Africa is spending US$45 billion on addressing its infrastructure deficit and as much as two-thirds of it is domestically sourced. External finance from donors, private sector, and South-South cooperation has also been buoyant in recent years, with total commitments reaching US$20 billion in 2007, just prior to the onset of the global financial crisis.

More could be done within Africa's existing resource envelope. An additional US$17.5 billion can be mobilized if Africa captures the inefficiencies that currently exist in infrastructure spending by, for example, allocating public resources more effectively (US$3.3bn), increasing the government's capacity to spend capital budgets (US$2.0bn), reducing ineffective subsidies (US$4.2bn), and improving management of utilities (US$8.0bn).

But a funding gap would still remain. Even if all these efficiency gains could be fully realized, a net funding gap of about US$37 billion per year would remain. This gap can be addressed only by raising additional finance, or alternatively adopting lower cost technologies or less ambitious targets for infrastructure development.

Source: "Africa Infrastructure Country Diagnostic", forthcoming in 2009.

153. ***Despite widespread recognition of the importance of infrastructure for poverty reduction, the infrastructure access gap is large in the developing world***, especially in Africa. Worldwide, an estimated 884 million people live without access to safe water, 1.6 billion without electricity, 2.5 billion without sanitation, and more than 1 billion without access to telephone services.[157] Only one in three rural Africans has access to an all-season road. Only 5 percent of Africa's cropland is irrigated. Only one in four Africans have access to electricity, with 30 countries experiencing regular power outages. Transport costs alone can increase the price of traded goods by 75 percent. Freight moves at less than 10 kilometers an hour due to red tape. Infrastructure services in Africa are twice as expensive as elsewhere reflecting diseconomies of scale in production and high profit margins due to lack of competition. Some 30 percent of Africa's infrastructure is in dire need of rehabilitation.

154. ***These gaps in access as well as in service quality, to a large degree, reflect inadequate investment.*** Infrastructure investment needs in developing countries are estimated at 7 to 9 percent of GDP per annum. Yet, only about half of required amount of over US$400 billion per year was spent on infrastructure investment and maintenance (see Box 13).[158] Effectiveness of infrastructure investment was further limited by poor quality in

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[156] See: World Bank (2009d), *"Africa Infrastructure Country Diagnostic"* (forthcoming).

[157] Data range from 2004 to 2006. See: World Bank (2008e), *"World Bank Group Sustainable Infrastructure Action Plan FY09-11."*

[158] These estimates were partial in that they did not include electricity transmission and distribution, wastewater treatment, urban transport, ports, and airports, nor oil and gas infrastructure. A back-of-the-envelope estimate suggests that, if these infrastructure services were to be included, annual investment needs would exceed US$900 billion, double the original estimates of 2003. See: World Bank (2008e).

service delivery, without the necessary policies and institutions to effectively manage the sector. Resulting infrastructure deficits are eminent in hindering economic growth and sustainable development in many of the poorest countries, especially in Sub-Saharan Africa.

155. ***In addition to the traditional economic and financial sustainability of infrastructure services, there is a growing need to embed environmental and social sustainability—the triple-bottom line.*** Ensuring access to quality, affordable infrastructure requires efficient use of scarce resources in the sector. The design and implementation of infrastructure interventions that achieve environmental outcomes need an active participation of civil society, especially involvement of communities and un-served groups. Improving governance and reducing corruption and mismanagement of resources are central to development effectiveness of sustainable infrastructure.

156. ***Since 2003, WBG assistance to infrastructure in low income countries has been provided under the framework of the two consecutive infrastructure action plans.*** The first WBG Infrastructure Action Plan (IAP), which covered FY04-07, provided direction to the many individual efforts to increase infrastructure support by the different institutions of the WBG through multiple product lines.[159] The successful implementation of the IAP, increased momentum and growing demand for infrastructure support led to the preparation of a follow-up WBG Sustainable Infrastructure Action Plan (SIAP) in 2008.[160] The SIAP, which covers FY09-11, brought together the lessons of the Bank's infrastructure experiences from the past two decades[161] and the more recent achievements during the IAP.[162]

157. ***Within the WBG Strategy, the focus of IDA assistance to low-income countries remained on closing three major infrastructure gaps: access gap, investment gap, and institutional and policy gap.*** The achievement of these objectives was facilitated by six mutually supportive actions: (i) expanding access to infrastructure services; (ii) improving the quality and sustainability of infrastructure services; (iii) facilitating the development of local industries; (iv) promoting sound management of natural resources and environmental sustainability; (v) promoting social sustainability; and (vi) providing reconstruction relief and reducing risks of natural hazards.

158. ***During IDA14, which falls within the IAP implementation period, IDA increased its support to infrastructure to help close the investment gap at the country and regional levels.*** Overall, during IDA14, the infrastructure sector accounted for close to 34 percent (US$10.9 billion) of total commitments (up from 30 percent, or US$7.5 billion, in IDA13). The transport, water supply and sanitation, and energy sectors accounted for the largest share of IDA's assistance for infrastructure. IDA was also active in information, communication and technology (ICT), irrigation, and water resources.

159. ***In parallel with growth in volume, the quality of IDA's infrastructure portfolio remained relatively sound***, including in achieving compliance with safeguards, although there were variations among sectors. For example, during FY03-07, while 85 percent of IDA projects in water sector achieved their development objectives, only 67 percent of IDA projects in energy and mining sector did so; on the positive side, both sectors were among the biggest improvers in outcome ratings during this timeframe.[163] Further, the majority of unsatisfactory projects concentrated in two regions: Africa and South Asia. Overall, however, IDA provided strong and proactive implementation support and supervision. Progress was also steady in addressing priorities

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[159] See: World Bank (2003c), *"World Bank Group Infrastructure Action Plan (IAP)."*

[160] See: World Bank (2008k), "*World Bank Group Sustainable Infrastructure Action Plan (SIAP)."*

[161] See: World Bank (2006b), *"Infrastructure at the Crossroads: Lessons from 20 Years of the World Bank Experience,"* and the accompanying paper (World Bank 2006c): *"Scaling-up Infrastructure: Building on Strengths, Learning from Mistakes."*

[162] In addition, SIAP was prepared concurrently with the WBG Strategic Framework for Climate Change and Development and hence the two strategies are complementary and leverage each other's objectives.

[163] IEG (2008a), "*Annual Review of Development Effectiveness 2008: Shared Global Challenges."*

in result measurement and governance, and in mainstreaming environmental and social objectives and approaches for sustainable infrastructure.

160. ***During IDA14, approaches to supporting infrastructure have broadened. IDA also leveraged its financing by mobilizing additional resources through its convening power***. Investment lending for infrastructure (including SWAPs, horizontal APLs and multi-sectoral lending) has increased significantly and there has been an expansion in other financial instruments supporting infrastructure (such as DPLs and guarantees) to better address various clients' needs.[164] New innovative instruments such as Output-Based Aid (OBA) have also been developed to support infrastructure service delivery in transport and water supply and sanitation projects (as discussed in section 4.4). More operations drew on the collective strengths of IBRD/IDA, IFC, and MIGA With its convening power, IDA has also continued to play an important role in partnering with other development partners through co-financing infrastructure projects.

161. ***To close the institutional and policy gap, IDA's financial assistance has been accompanied by an increased number of analytical and advisory activities***. The volume and scope of AAA in infrastructure increased Bank-wide by more than 30 percent in FY04–FY07 during the implementation of the 2003 IAP. For example, IDA was closely involved in the ICT sector reforms based on its global expertise and knowledge of the sector by assisting in policy reform, drafting new laws, issuing licenses, setting up regulatory authorities, and attracting private investors (such as in Afghanistan). IDA helped governments prepare master plans for reforming the sector to improve its financial and service performance (such as in Lao PDR and Vietnam). Further, the research agenda of analytical work has been addressed increasingly to broader cross-sectoral issues, such as through Recent Economic Developments in Infrastructure (REDIs),[165] strategic environmental assessments, social impact assessments, urban poverty assessments, and investment climate assessments. Most recently, the Bank launched the "African Infrastructure Country Diagnostic", a research series that provides an overview of the status of public expenditure, investment needs, and sector performance in each of the main infrastructure sectors in 24 African countries and the findings of the research was shared with other development partners.

162. ***During FY06-08, achieving the "triple-bottom line" objectives of sustainable infrastructure—economic/financial, environmental, and social sustainability—became an increasingly important dimension of WBG infrastructure assistance***. The WBG GAC Strategy provided an overarching framework on governance and anticorruption in the sector. During IDA14, WBG (including IDA) through its AAA work, policy dialogue and lending operations supported countries in establishing sound policies and institutional arrangements to foster private sector participation and competition, and strengthening local public sector capacities to reduce or manage political and regulatory risks (see Annex 13 for country examples). Progress has been achieved on strengthening the results measuring systems to quantify the access and sustainability outcomes of infrastructure spending. However, more needs to be done going forward. Mainstreaming environmental concerns into infrastructure sectors is an ongoing process and the extent to which they are incorporated differs across various sectors and regions.[166] To accelerate this process further, in FY07 the World Bank merged the former Environmentally Sustainable Development Network and the former Infrastructure Network into the Sustainable Development Network. Finally, many IDA infrastructure projects developed during IDA14 were mindful of poverty due to social exclusion and lack of access to formal labor and product markets. In their design they strive to create opportunities in project activities and benefits for women and indigenous peoples.

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[164] See Annex 13 for country examples that illustrate how IDA uses various instruments to achieve infrastructure results on the ground.

[165] REDIs provide diagnostics of infrastructure sector to identify investment opportunities and policy-based operations for a given country.

[166] According to IEG's evaluation (IEG, 2009b) while overall the degree of mainstreaming environment into the sectors seemed to have declined since 2001, in two infrastructure sectors (e.g., water and urban development) mainstreaming environment has improved. See also section 8.1 on the cross-cutting theme of environmental sustainability during IDA14.

163. ***During IDA14 some tangible results were achieved in closing the access gap in major infrastructure sub-sectors, thanks to IDA's financial support and its ability to work across sectors and link development agendas.*** As depicted in Box 14 important results have been achieved in road transport, water and sanitation, energy and ICT sectors (see also Annex 13 for country-specific examples).[167] Increasingly, assistance to infrastructure sectors was provided through multi-sector operations. For example, much of the assistance to water supply and sanitation has been funded as part of urban and rural development and social protection projects (such as in Yemen).[168] Similarly, rural road projects have addressed such cross-sectoral issues as community development and local government reform (such as in Bhutan).[169]

Box 14: IDA results in the infrastructure sector

- *Transport.* Over the past 10 years, IDA lending for rural roads has averaged about US$1 billion a year, or 14 percent of total IDA lending. During IDA14, IDA-funded projects helped construct close to 9,000 km of roads and rehabilitate or maintain another 60,000 km (see Table 16).
- *Water supply and sanitation.* Annual IDA lending to water supply and sanitation has averaged US$537 million since 1998, shrinking the water and sanitation access gap by at least 25 million people (22 million for water) during 2000–06, and expanding water supply access cost on average by US$55 per capita. During IDA14, almost 100,000 new water connections were built and more than 82,000 new sanitation facilities were constructed in IDA countries with the help of IDA-funded operations (see Table 16).
- *Energy.* IDA investment for energy rose to an annual average of US$ 812 million in FY2003–06, and increased to US$1.1 billion in FY07 and US$1.4 billion in FY08. IDA played a critical role in leveraging other public and private financial resources. In FY08, portfolio of IDA-funded energy projects under implementation was close to US$3 billion. While the household electrification rate has improved in IDA countries (see Table 14), insufficient and unreliable power still remains one of the key constraints to private sector growth and poverty reduction.
- *ICT.* About US$500 million of IDA funds were provided for ICT-related activities in 47 IDA countries between 1997 and 2007. The number of telecom subscribers in IDA countries has risen from around 1 percent to almost 19 percent of the population, or more than 260 million subscribers, within less than a decade.

Source: "IDA at Work (Transport, Sanitation and Water Supply, Energy and ICT)," September 2008.

6.2 Agriculture and Rural Development

164. ***Since 2002, the Bank has been implementing its activities in agriculture and rural development sector under the framework of the "Reaching the Rural Poor" Strategy.***[170] The strategy, which emphasizes the importance of agricultural and rural development in meeting key MDGs,[171] has five pillars: (i) fostering an enabling environment for broad-based growth; (ii) enhancing agricultural productivity and competitiveness; (iii) fostering non-farm economic growth; (iv) improving social well-being, managing risk and reducing vulnerability; and (v) enhancing the sustainability of natural resources. No specific targets were set in view of the client-driven nature of the Bank's lending. In addition, the 2008 World Development Report on Agriculture for Development, helped build consensus for an increasing focus on increasing agricultural productivity and contributed to a broader recognition of the key role agriculture plays in poverty reduction and economic growth.

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[167] Infrastructure services comprise several sub-sectors, of which transport, water supply and sanitation, and energy seem to be especially important in IDA countries. IDA is also active in irrigation, water resources, and information and communication technology (ICT).

[168] Since 1999, 41 percent of IDA lending to water supply and sanitation has been provided through multi-sector operations.

[169] Of all 329 IDA rural road projects approved during 1991–2006, 68 percent (224 projects) were multi-sectoral projects.

[170] See: World Bank (2002d), "*Reaching the Rural Poor;" and* World Bank (2007g), "*Agriculture and Rural Development at the World Bank FY03-FY06 Rural Strategy Implementation Mid-Term Review*." This section draws from the latter document.

[171] The MDGs of particular relevance relate to poverty and hunger reduction (MDG1), sustainability and global market access for agricultural products, environmental management (MDG7), and donor coordination/harmonization (MDG8).

165. ***The strategy outlined detailed pathways for implementation through four thrusts*** including: (i) integrating the needs of the rural poor in national policy dialogues; (ii) scaling up investments and innovative approaches in rural development; (iii) improving the quality and impact of Bank operations; and (iv) implementing global corporate priorities and enhancing partnerships. ***Over the past decade, progress in agriculture development has been slower than anticipated***, particularly in Africa as shown the IEG evaluation of World Bank Assistance to Africa.[172] The recommendations of this review along with the findings of the 2008 WDR, Agriculture for Development, are reflected in the Bank's forthcoming Agriculture Action Plan.

166. ***IDA's comparative advantage lies in its unique capacity to back financial support with multi-sectoral approaches, analysis, monitoring and evaluation, and coordination of investment and policy reform activities in client countries.*** Better productivity in agriculture requires a multi-sectoral approach. For example, in Nicaragua, sector work on Drivers of Rural Growth showed that improved rural roads are essential to link farms to markets—and that education and health services are required not just to improve welfare directly but also to boost agricultural productivity and provide labor mobility. In Bangladesh, research found that certain road improvement projects contributed to a 27 percent increase in agricultural wages and an 11 percent increase in per capita consumption.

167. ***To capture the cross-sectoral synergies in national policy dialogues, IDA helps governments ensure that agriculture and rural development are adequately reflected in development strategies.*** To this end, IDA has supported the preparation of National Rural Development Strategies through analytic and advisory activities. By the end of IDA14, 36 IDA countries had completed National Rural Development Strategies. IDA Development Policy Lending to agriculture almost doubled, from an annual average of US$82 million in FY99–03 to US$187 million a year in FY04–FY08. This increase was aimed at ensuring that important policy interventions are appropriately sequenced to allow farmers to produce more and sell into expanding, yet more demanding, agricultural markets. Also, recently approved IDA agricultural projects tend to provide support to agriculture alongside private sector supply chains in the context of policy and regulatory reforms, infrastructure development, institution-building, and skills development by the public sector.[173] Finally, specific attention has been given by the Bank to increasing women's access to assets particularly land, finance and services. Monitoring has also been stepped up for gender responsiveness in project design including for land policy and administration projects.

168. ***IDA maintained its strong position as one of the largest providers of resources for agricultural development.*** During IDA14, agricultural lending reached US$2.8 billion, up 44 percent over IDA13—with the largest increases in irrigation and drainage, agricultural extension and research, and development policy lending. As evaluated by IEG (2009b), a steady improvement was observed in performance of completed projects in the sector between FY04–FY08 (on average 87 percent were rated satisfactory).

169. ***IDA played an active role in helping countries address new challenges facing the agriculture and rural sector***, including the avian flu, rising volatility of agricultural prices (which culminated in the international food crisis toward the end of IDA14), and greater recognition of the severe impact that climate change exerts on agricultural production and rural livelihoods. At the beginning of IDA14, IDA took a lead role in global efforts to fight avian flu and aid pandemic preparedness. Toward the end of IDA14, it mobilized quickly to help countries deal with unprecedented increases and volatility in food prices, drawing on the World Bank's Global Food Crisis Response Program. It mainstreamed activities to help countries adapt to climate change. And it contributed importantly to global partnerships, including the Global Donor Platform for Rural Development, the Standards and Trade Development Facility, the Global Program on Fisheries, the World Bank/UN Food and Agriculture Organization Cooperative Program, and the Consultative Group on International Agricultural Research.

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172 See: IEG (2007b), "*The World Bank Assistance to Agriculture in Sub-Saharan Africa. An IEG Review*."

173 For example, the Zambia Agricultural Development Support Program and the Burkina Faso Agricultural Diversification and Support Project (both approved in FY06).

170. ***IDA financial and non-financial assistance has generated tangible results at the country level.*** These include: reforms of agricultural institutions to enhance incentives for private producers (for example, reform of the irrigation agency in Mali or establishment of public-private partnerships in Sri Lanka—see Box 15); improved water management and expansion of irrigation that enhance productivity and reduce vulnerability (for example, Mali, Tanzania, and Niger); reforms of agricultural research and extension that facilitated adopting improved varieties and practices (for example, Cameroon); better land tenure systems (Armenia, Kyrgyz Republic, and Honduras); more sustainable use of scarce resources (Mauritania and Senegal); and improved access to rural credit and finance (Cameroon and India).[174]

Box 15: IDA results in agriculture and rural development

In **Mali,** the Office du Niger Consolidation Project assisted the government with reforming the irrigation agency (Office du Niger), rehabilitating and modernizing irrigation structures, and reforming agricultural policy (rice market liberalization and land tenure). As a result, liberalization of the rice trade and markets was achieved and sustained. The Office du Niger was restructured and its financial health restored. Reduction in milling costs saved the government US$1.6 million a year and reduced milling costs to farmers and consumers by US$6 million a year. The water fee collection rate increased from 60 percent to 97 percent, with water fees retained where they were collected and at least half used for maintenance. Yields increased from 1.8 to 5.5 MT/ha and real per capita income increased by US$70 a year in the project area. The success of the project led other donors to finance successive tranches—the IDA investment leveraged 250 percent additional investment from other donors.

In **Sri Lanka**, the Community Development and Livelihood Improvement "Gemi Diriya" Project (approved in 2004) is implemented in 7 districts with 1,000 villages, with phase two expanding to 5,000 villages. Gemi Diriya has developed a strategy and helped establish 50 public and private sector partnerships that allow producers to sell their goods at a fair price.

Source: "IDA at Work," September 2008; www.worldbank.org/rurallivelihoods

6.3 Education

171. ***IDA is the largest source of education assistance for low-income countries—with over US$8.5 billion channeled to 71 countries since 2000, of which almost US$4 billion was committed during IDA14 alone***. Africa and South Asia accounted for 80 percent of this lending. Since 2000 about US$5 billion was devoted to primary education to help countries achieve the universal primary completion and gender parity MDGs by 2015.

172. ***The 1999 WBG Education Sector Strategy and its 2005 Update[175] provided the strategic direction for IDA14 support to the sector.*** The 1999 WBG Education Sector Strategy set out three global priorities for expansion: universal access to primary education in line with the education MDGs; early childhood education; and innovative delivery mechanisms and systemic reforms. To meet these objectives, the 2005 strategy update outlined detailed pathways for implementation through three major thrusts:

(i) Integrating education into a country wide perspective to ensure synergies between a country's education strategy with other sectors within a stable macroeconomic framework.
(ii) Broadening the strategic agenda through a system-wide approach based on a sector analysis that identifies opportunities for countries to improve efficiency and address the identified global priority areas.
(iii) Strengthening results focus through identifying desired outcomes and indicators, engaging in continual efforts to better understand what drives those outcomes, designing interventions accordingly, and systematically evaluating impact, to inform policy reform and project design.

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174 For more country level examples, see Annex 12.

175 See: World Bank (2005b), *"Education Sector Strategy Update: Achieving Education for All, Broadening our Perspective, Maximizing our Effectiveness."*

173. ***While the majority of IDA education projects provided investment lending for inputs, since FY05 there has been an upward trend in development policy lending for education***, which links education to broader country-wide poverty reduction strategies (DPOs amounted to US$308 million in FY05, US$408 million in FY06 and US$499 million in FY07).[176] IDA, through its policy dialogue, has helped many countries develop and adopt comprehensive or sector-wide approaches to scale up their investment in education (for example, Burkina Faso, India, Uganda, Pakistan, and Ghana; some of them described in Annex 13). These have included coordinated investments in sectors other than education but which affect educational outcomes—such as water supply near schools, de-worming (and other health interventions at the school level), and road maintenance to reduce the opportunity costs of travel to school. In 2005, funding for education channeled though non-education sector projects amounted to US$500 million, equal to the volume of directly IDA-financed project lending for education.

174. ***IDA also provides support for educational policy and institutional reforms through extensive analytical work***, including policy notes and strategy papers. For Africa, country status reports and regional studies covered various aspects of education, including primary, secondary, and tertiary education, girls' education, the impact of HIV/AIDS on education outcomes, and the impact of debt relief on education spending.

175. ***Finally, IDA was closely involved in establishing the Education for All Fast Track Initiative (FTI) in 2002***, which aims to accelerate primary education progress.[177] Throughout IDA14, IDA continued to host the FTI secretariat and manage the two funds established by donors to support the initiative.[178] IDA also supports FTI efforts through its own lending, analytical work, technical assistance, capacity building, and sharing of global knowledge and good practice.

Box 16: IDA results in education sector

In **India**, where IDA remains the largest source of external financing for primary education since the mid-1990s, the IDA Elementary Education Project supported the government's nationwide Sarva Shiksha Abhiyan program. Donors provided specified commitments to the sector-wide program that used government implementation rules and procedures. The program reduced the number of out-of-school children from 25 million in 2003 to about 7 million in 2007; improved enrollment of girls from 44 percent to 46 percent; narrowed the social gap by an increase in Scheduled Caste enrollment at primary level from 18.9 in 2002 to 21.3 percent in 2006; and increased the transition rates from the lower to the upper primary from 75 percent in 2003 to 83 percent in 2006. IDA also supported strengthening the feedback system between central, state, and district levels on resource allocation, policies, management, and public expenditure tracking.

In **Burkina Faso**, the IDA-funded Basic Education Sector Project assisted the government in developing its "Basic Education 10-year Program" and a framework for harmonization and coordination of donor support. The program aimed to improve access to primary education in rural areas, strengthen curriculum development, expand teacher training, and strengthen the Ministry of Basic Education's management capacity. An additional 550,000 children were enrolled in primary school (higher than the targeted 384,000 children); 7,000 new classrooms were built in 2006 with 70 percent in rural areas; and public teachers were increased by 8 percent over the same period, resulting in a decrease in double-shift teaching. Learning outcomes have improved due to additional teachers, teacher training, and more teachers being assigned to rural areas.

Source: "IDA at Work (Education: An Impressive Expansion)," September 2008.

176. ***Important results were achieved during the IDA14 period in the education sector***. IDA-funded activities helped construct or rehabilitate almost 800,000 classrooms; train 600,000 teachers; and recruit almost 900,000 teachers (see Table 16). But IDA's role goes beyond sector-specific outputs toward achievement of education outcomes (see Box 16 and Annex 13). As a result of concerted efforts of governments and donors, the pace of primary enrollment and completion progress in IDA countries has accelerated, especially over the past

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[176] DPLs often complement investment lending by financing recurrent teacher costs and allowing countries to eliminate school fees, which have been binding constraints in many IDA countries to scaling up service delivery and schooling access for girls and poor children.

[177] Bilateral donors who established the FTI include Canada, the Netherlands, Norway, and France.

[178] Namely, the FTI Catalytic Fund (US$1.3 billion) and the Education Program Development Fund (US$91 million).

five years (see Table 14). Similarly, progress on getting children into secondary school and improving gender balance has been notable in many countries. While IDA and other donors have directly contributed to these achievements through sustained financial and technical support, the progress is founded on countries' commitment to Education for All goals and better policies.

177. ***Nonetheless, challenges remain as progress in improving the quality of and access to education is uneven***. As of 2007, only 27 of 78 IDA-eligible countries had achieved or were on track to achieve universal primary completion (MDG2) by 2015.[179] Progress is particularly needed in Sub-Saharan Africa where, despite notable improvements, only 60 percent of children attend primary education and about 25 percent attend secondary school. The challenge for IDA and other donors over the next decade will be to bring IDA countries closer to achieving the education MDG and, at the same time, help raise the quality of schooling, including at secondary and tertiary levels. The EFA/FTI partnership will continue to be an important channel of this support. Through its investment and policy lending, policy advice, analytical work, and aid coordination, IDA will continue to assist its client countries.

178. ***The Bank education sector portfolio performance has fallen short of expectations in the last 5 years***. In the FY05-07 IEG performance ratings for projects exiting the portfolio in education compared favorably with the Bank-wide average on the likelihood of achieving development outcomes and quality of supervision; however, the quality of design of the education projects was rated below the Bank-wide average. These findings were broadly consistent with the 2008 QALP, which found close to 70 percent of IDA education sector projects being adequately supervised; just over a half of them likely to achieve their development outcomes; and a third having a satisfactory quality of design (38 percent). Projects tended to be complex in part due to the increase in the number of sector-wide programs which are more challenging to implement. These results have subsequently led to IDA Management increasing its focus on strengthening the education portfolio through improvements in project design and intensified supervision during the IDA15 period.

6.4 Health

179. ***As a result of the establishment of several large global partnerships in the health sector during the last five years,*** [180] ***the role of IDA has changed from a financier to a platform for more efficient aid delivery***. Development assistance for health increased from US$6 billion a year in 2000 to almost US$14 billion in 2006. With annual lending for health and social services of about US$1.2 billion a year during the past five years, IDA provided modest level of financing. Nonetheless, it continues to play a substantial role to play in helping countries deliver results in health.

180. ***In 2007, with the Bank's Strategy for Health, Nutrition, and Population (HNP) Results being updated, the Bank made a strategic shift***. The Strategy outlined a new vision for the World Bank's support for strengthening key areas such as health finance, health insurance, human resources for health, supply chain management, and governance—all critical for improved health outcomes in low-income countries. The strategy, hence, aims to make aid from other sources more effective and sustainable with the goal of providing sustained, long-term support and capacity building; integrating assistance across sectors; and providing high-quality policy advice, grounded in global experience. The strategy also outlined actions for improving the Bank's own capacity to respond to urgent health issues globally.

181. ***During IDA14, a growing share of IDA support for health came through PRSCs*** which encourage better planning of a country's cross-sectoral investments and better sequencing of policy actions required for

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[179] Eighteen countries were considered off-track, 15 were considered seriously off-track, and 18 had inadequate data but were also likely off-track.

[180] The Global Fund for AIDS, Tuberculosis and Malaria (GFATM): The Global Alliance for Vaccines and Immunizations (GAVI); The President's Emergency Plan for AIDS Relief; and, the United States President's Malaria Initiative.

key results. Developing country health systems in an efficient, sustainable, and equitable way requires strong links with the country's macroeconomic framework, particularly because of the importance of recurrent costs in the sector. In addition, improving key health outcomes—such as lower child and maternal mortality and the control of malaria, AIDS, and other communicable diseases—requires progress in other sectors (mainly education and water and sanitation). Examples of this sector-wide approach include such countries as Kyrgyz Republic, Mozambique, Rwanda and Tanzania (see Box 17 and Annex 13 for other examples).[181] IDA has also supported targeted programs that address specific diseases (such as HIV/AIDS) through multi-sectoral approaches involving civil society and communities (for example, in Ethiopia) and those which aim to improve the health of children and women. In post-conflict countries (such as Afghanistan), IDA has helped re-establish health service delivery systems.

Box 17: IDA results in health sector

The **Kyrgyz Republic** Health and Social Protection Project increased use of primary care and hospital services by the poorest populations by reducing out-of-pocket spending on healthcare and improving targeting of fee exemptions for health services. As a result, the number of people who did not seek basic health services due to financial or physical constraints dropped from 14.2 percent in 2001 to 3.6 percent in 2007. Access to pharmaceuticals has also improved. The proportion of respondents able to obtain all items prescribed during a doctor's visit increased from 77 percent in 2001 to 92 percent in 2007. The average hospital stay fell from 15.3 days in 2004 to 12.7 in 2007, indicating more efficient service delivery.

In **Rwanda,** a DPO focused on improving health service delivery and governance, including expansion of health insurance coverage among the poorest populations. Over four years (2004-08) health insurance enrollment rose from 7 percent to more than 70 percent; use of health services by poor children rose more than 50 percent; use of insecticide-treated nets rose from 4 percent to 67 percent; and use of family planning almost tripled (from 10 percent to 27 percent) the fastest observed worldwide. In addition, the incidence of malaria decreased by 62 percent, while child mortality decreased by a third.

Since 1997, IDA has supported the largest TB control program in the world in **India.** By implementing the World Health Organization- recommended Directly Observed Treatment Short-course (DOTS), India achieved full nationwide coverage of the DOTS strategy in March 2006, covering over a billion people. Since 1997, over 9.5 million patients have been placed on DOTS treatment, saving 1.7 million additional lives. Cure rates have tripled from 25 percent to 86 percent, and death rates have been cut 7-fold from 29 percent to 4 percent between 1997 and 2009. At the national level, India has achieved the global targets for case detection (70 percent), while maintaining cure rates above the global target of 85 percent.

Source: "IDA at Work (Health: Supporting a Systemic Change in New Global Context)".

182. IDA country-based analytical work has been instrumental in improving policy dialogue and the design and implementation of HNP programs in countries such as India, Bolivia, and Uganda. And IDA-supported programs in countries as diverse as Afghanistan, Bolivia, Pakistan, Senegal, and Uganda are pioneering alternative ways of contracting providers that would lead to improved coverage, quality, and accountability of health services. Finally, IDA helps governments build stronger systems for monitoring and disclosing how health services most effectively reach clients, particularly the poor—a key conclusion of the 2004 *World Development Report*.

183. ***The HNP portfolio performance has declined over the last five years and greater attention needs to be given to the quality of the HNP portfolio, as recommended in the IEG and QAG reviews.*** According to the IEG review, only 54 percent of Bank HNP projects exiting the portfolio during FY05-07 achieved their development objectives, well below 82 percent for the rest of the Bank. The picture is slightly worse for IDA, where, according to the 2008 ARPP, only 50 percent of IDA HNP projects that exited from FY05-07 had satisfactory outcomes. This trend is not expected to change in the immediate future—according to 2008 QALP only about a half of the ongoing projects are likely to achieve their development objectives. The underlying reasons parallel the factors contributing to unsatisfactory outcomes for FY05-07 exits, e.g., overly complex project design in relation to capacity (40 percent of HNP projects had low quality of design) and inadequate

[181] However, there are also examples where SWAPs have not been as successful, including in Bangladesh and Ghana. The Bangladesh SWAP was rated unsatisfactory; ongoing efforts were rated moderately satisfactory in the CAE. The Ghana SWAP (2002-07) was rated moderately unsatisfactory by both the region and IEG.

supervision (only 60 percent were adequately supervised). Other factors include inadequate risk assessment; limited political and institutional analyses; lack of baseline data to select realistic targets; and inadequate monitoring and evaluation. While management is already addressing QAG and IEG recommendations for improving the performance of the portfolio,[182] these issues will remain on the agenda going forward.

184. ***Finally, while notable progress has been attained in health sector, much remains to be done***. About half of IDA countries are unlikely to meet the health MDGs by 2015, and diseases like HIV/AIDS, malaria, and tuberculosis are still a major problem, especially in Africa. IDA will continue to focus less on input financing and more on creating incentives for key results. It will support country-driven programs that demonstrate results on the ground and concentrate financing on strengthening health systems and governance and on health finance reform—including targeted assistance and insurance mechanisms to protect the poor from health risks and financial shocks. At the country level, IDA will support coherent health sector planning and sustainable medium-term financing, and more harmonized donor support. IDA will continue to collaborate closely with IFC to strengthen public-private partnerships through investment and advisory services.

7. Progress in Major Cross-Cutting Themes

185. ***IDA14 focused on three major themes recognized as central to development: private sector development, public sector governance and gender equality.***[183] Private sector is the engine for growth and poverty reduction. Sound financial management, efficient civil service, and transparent operations free of corruption can improve delivery of public services to the poor. Empowering women—by increasing their participation in economic, social, and political aspects of life—can boost growth, improve the welfare and wellbeing of families, and reduce poverty. Since IDA's support to private sector development was discussed earlier in section 4 and mainstreaming of the Governance and Anticorruption (GAC) agenda into the CAS process was discussed in section 3.2 as part of the key elements of IDA14 policy framework, this section will elaborate on the remaining two topics.

7.1 Public Sector Governance

186. ***During the past three years, IDA continued to support public sector reform through a range of analytical, advisory, and financial support, as well as through an increased focus on the governance and anticorruption agenda.*** In IDA14, financial support for public sector reform reached US$8.4 billion, 44 percent higher than in IDA13.[184] IDA's analytical and advisory activities in this theme mostly focused on better public financial management. The Public Expenditure Review (PER), a standard IDA tool, is now more frequently participatory or government-led and gives more attention to institutions and budget implementation. The Country Procurement Assessment Review (CPAR) has laid the foundations for procurement reforms in many IDA countries. And the Public Expenditure and Financial Accountability (PEFA) indicators have evolved into a broadly used framework for all aspects of public financial management. The approval of the Strategy for Strengthening World Bank Group Strengthening Engagement on GAC by the Executive Directors in 2007 was an important milestone. The GAC laid out a comprehensive approach for consolidating and scaling up IDA's GAC work at the country, sector, and project levels.

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182 Among the actions implemented are reducing project complexity, strengthening risk assessment and its mitigation, enhancing institutional analysis and matching projects to country capacity, and incorporating more evaluation to promote evidence-based decisions.

183 The complete list of themes supported by the WBG includes: economic management; public sector governance; rule of law; financial and private sector development; trade and integration; social protection and risk management; social development, gender, and inclusion; human development; urban development; rural development; and environment and natural resources management. See: World Bank (2007f), *"Report on the Long Term Strategic Exercise."*

184 DPOs accounted for over 42 percent of the total lending to law, justice and public administration theme during IDA14, which was similar to IDA13.

187. The overall results are reasonably encouraging as reported by the recent IEG evaluation (see Box 18 and Annex 13 for more country examples).[185] The majority of countries that implemented a comprehensive public sector reform experienced better performance in public financial management and tax administration. However, IEG findings show that with regard to anti-corruption and governance, IDA countries that borrowed for public sector reform did little better than those that did not. Indirect measures to reduce corruption, including measures to reduce opportunities for corruption and enhance transparency, have seen some success. But direct measures to reduce corruption—such as anticorruption laws and commissions—rarely succeeded. There is a need for strong ownership and commitment to continue government reforms as well as better overall donor coordination.

Box 18: IDA results in supporting public sector reforms

In **Ghana**, IDA support helped to significantly improve the efficiency and governance in the customs service, reducing delays and opportunities for corruption through computerizing its administration. The average clearance time at Tema Port fell from several weeks to between one and five days.

In **Timor-Leste**, the multi-donor Planning and Capacity Building Program includes an innovative approach to capacity building, which integrates skills and knowledge, systems and processes, and a staff performance framework built around transparency, accountability, leadership, ethics, teamwork, and communications, and assistance from expatriate advisors.

In **Macedonia**, a series of administrative and civil service reforms over the period 2001-2008 strengthened the efficiency and quality of the civil service. Merit-based competitive recruitment of civil servants rose from 37 percent of civil service recruitments in 2004 to 64 percent in 2007, and the number of qualified applicants per advertised position rose from 4.5 in 2004 to 33.1 by 2006.

Sierra Leone's Institutional Reform and Capacity Building Project has improved local public resource management through a decentralization and empowerment program that has established an inter-governmental transfer system, including block grants to finance local government development projects. Using a Rapid Results Approach, local councils have developed project management, procurement and accounting capacity, accelerated service delivery, and improved inclusiveness, transparency and accountability.

7.2 Empowering Women—Mainstreaming Gender Issues into IDA's Work

188. ***IDA14 saw a renewal of interest and intensification of efforts to integrate gender issues into all aspects of IDA's work*** with the launch in 2007 of the WBG Action Plan "Gender Equality as Smart Economics." The Plan, which is implemented as part of the Bank's overall Gender Strategy,[186] was an important landmark and helped strengthen gender aspects of Bank and IFC operations in the economically productive sectors (land, agriculture, infrastructure, labor markets, and finance), where the track record has been mixed. In addition to its operational support, the plan aims to improve knowledge and statistics on women's economic participation and the relationship between gender equality, growth, and poverty reduction. It has also helped mobilize resources to implement innovative projects that empower women economically, such as the Adolescent Girls Initiative launched in October 2008 to facilitate the transition of girls from school to work. Finally, through its high-level Advisory Council and its Private Sector Leaders Forum, the gender action plan has helped establish an important policy coordination mechanism on women's economic empowerment for governments, multilateral organizations, the private sector, and civil society.

189. ***The efforts to mainstream gender into IDA's activities have yielded some results, but they need to be accelerated across the board during IDA15 and beyond***. During FY05–FY07, 29 of 33 IDA country CASs, or 88 percent, gave some consideration to gender issues. More importantly, 25 of them (76 percent) not only analyzed gender issues but also proposed one or more actions. The picture is more mixed in lending operations and in country diagnostic and analytical work. The share of IDA lending operations that integrate gender issues in design has remained stable at around 67 percent since FY04, but the extent varies by sector. Traditionally, IDA projects in health and education sectors have a strong focus on equal access to health and education services. Increasingly, infrastructure projects support social inclusion for women—in FY08, 39 percent of IDA commitments in infrastructure were allocated to projects with actions to reduce disparity and increase economic

[185] IEG (2008c), "*Evaluation of World Bank Support for Public Sector Reform.*"
[186] See World Bank (2002e).

opportunities of women, compared to 17 percent in FY07 (for an example see Box 19). Finally, while the agriculture sector strengthened gender coverage, there are still challenges in improving quality standards, with special emphasis on supervision, and monitoring and evaluation. Meanwhile, gender coverage in core ESW dropped from 74 percent in FY03 to 48 percent in FY07, with attention to gender issues consistently lower in work covering the economically productive sectors. Since then, the Gender Action Plan has helped strengthen integration of gender in the economic sectors by launching activities in 41 IDA countries, but efforts to mainstream gender need to be accelerated across the board during IDA15. An update of the Gender Action Plan will be provided during the IDA15 MTR.

Box 19: Mainstreaming gender in infrastructure

The Bangladesh Second Rural Roads and Markets Improvement and Maintenance Project ensured participation of women in road construction and maintenance and enabled them to access markets. As a result they diversified their employment opportunities into non-agricultural activities, such as transport, trade, and services. Approximately, 78,000 person-years of employment were created (25 percent for women); women's labor contracting services were established; 13,000 poor women were engaged in tree plantation and maintenance; women's corners were established in rural markets and over 500 women established shops. This project helped women work in the formal labor market and become successful entrepreneurs.

Source: Gender and Agriculture Sourcebook. World Bank, FAO and IFAD; World Bank: Bangladesh RRMP-II: Implementation and Completion Report. World Bank: Gender Review of Infrastructure Portfolio 1995-2008 (Forthcoming).

8. IDA's Contribution to Addressing Regional and Global Challenges

190. ***While IDA's main modus operandi is the country-based development model, it also plays a pivotal role in addressing development challenges that cross national boundaries—at a regional and global level***. Examples of such challenges include the prevention and control of communicable diseases, environmental preservation, regional and global trade integration, and knowledge sharing. Addressing these challenges often requires regional and global collective action by multiple countries and development partners. By leveraging its country-focused assistance and policy dialogue, IDA integrates regional and global priorities into country strategies. Further, by working with multiple countries and actors on the ground, it builds constituencies that address regional and global priorities.

8.1 Climate Change and Environmental Sustainability

191. ***IDA has stepped up support to improve long-term environmental sustainability across its portfolio, undergirding its sectoral investments with increased capacities for environmental governance***. IDA has continued to invest in environmental protection and sustainability during IDA14, with 121 environmental projects, and 12 IDA/GEF "blended" projects. These projects have helped to mitigate air pollution in urban and industrial areas; provided cleaner and more reliable supplies of water; made land management more sustainable; supported extractive industry fiscal management systems; and protected biodiversity. While IDA's involvement in climate change was at a relatively early stage during IDA14, actions included: expanding analytical work; mainstreaming climate change actions in CASs; integrating adaptation and mitigation actions in IDA investments; scaling up disaster preparedness; developing innovative insurance products; and leveraging carbon finance to increase access to new technology.

192. ***Going forward IDA's role on both~~,~~ environment and climate change~~,~~ will continue to complement IDA's core poverty reduction mandate***. IDA will continue to focus on the integration of environmental considerations into non-environment sectors, through strengthened measurement of environmental outcomes. Some key climate change actions (such as ecosystem-based adaptation, carbon-funded adaptation projects, and natural disaster planning) will not only enhance environmental goals, but will also contribute to IDA's mandate of poverty reduction. With respect to climate mitigation, while IDA countries by and large continue to be low emitters, there is scope to continue to focus on mitigation actions. This includes expanding access to clean energy (including through regional projects) and financing improved land and forest management programs that

offer true win-win opportunities in IDA countries for supporting good development and reducing global Green House Gas emissions.

8.2 Prevention and Control of Communicable Diseases

193. ***IDA's role in fighting major global communicable diseases (including malaria, tuberculosis (TB), HIV/AIDS, and, more recently, avian flu) has changed from being the key financier to being a platform for more effective aid delivery***. One-third of the world's population lives in malaria endemic areas and malaria is responsible for over a million deaths and 500 million clinical cases each year, most of them in Africa. The Bank, a cofounder of the global Rollback Malaria Initiative, has supported malaria control through policy-based lending, health SWAPs, as well as country and regional projects under the Bank's Booster Program for Malaria Control. During the IDA14 period, over US$430 million was committed for malaria control. Going forward, the Bank will emphasize a focus on outcomes and flexible approaches and lending instruments in supporting malaria control priorities.

194. AIDS still poses a major threat to the health status of millions of people and the development pace in many IDA countries, especially in Sub-Saharan Africa.[187] IDA was the first source of substantial funding for HIV/AIDS, especially through the Multi-Country AIDS Program (MAP) started in IDA13 and continued during IDA14. But with the introduction of new grants for AIDS,[188] IDA's US$675 million of commitments during the IDA14 period means that it is no longer a major financier of AIDS. However, efforts need to be intensified to improve the performance of HIV/AIDs projects, which have been performing poorly, particularly in Africa (less than 20 percent were rated satisfactory compared to 89 percent rating for non-HIV/AIDs communicable disease control projects). IDA remains a critical source of support for strengthening countries' capacity to use donor funds effectively through improved planning, managing, and monitoring. IDA also plays a global leadership role: it is a founding co-sponsor of UNAIDS and helped establish the Global Fund, serving on its board and as trustee. IDA's analytical work has helped develop evidence-based national strategies and global awareness, and it has played a strong role in promoting donor harmonization, coordination, and alignment.

195. The Bank is a member of the global "Stop TB Partnership" focused on coordination of efforts to respond to the worsening global tuberculosis epidemic. Every year TB kills two million people and has become the leading cause of death among people who are HIV-positive, especially with the spread of drug-resistant strains. During IDA14, over US$141 million was committed to fight TB through analytical work, policy dialogue, country-specific lending for health system strengthening and disease control.

196. ***In the last five years IDA's convening power has helped to coordinate global efforts to control the spread of avian flu***. IDA has been working to strengthen countries institutional capacities to coordinate, monitor, and implement appropriate measures to contain present threats from livestock-borne diseases and to foster pandemic readiness and response. During IDA14, an estimated US$229 million was committed to address avian flu (40–60 percent of project funds covered animal health, with the rest devoted to human health). Further, IDA countries, particularly in Africa, were assisted in strengthening their response capacity to outbreaks of avian flu. Avian and Human Influenza (AHI) Rapid Assessments were conducted and Integrated National Actions Programs developed in 26 countries. A standard methodology to assess the adequacy of action plans was developed jointly with FAO.[189] The Global Program for Avian Influenza and the AHI TF Facility Financing

[187] According to UNAIDS, more than 33 million people were living with HIV in 2007, including more than 22 million in SSA. In 2007 alone, an estimated 2.1 million people died of HIV-related illnesses and 2.5 million became newly infected. The high prevalence of HIV/AIDS directly contributes to the rapidly increasing incidence of tuberculosis in low-income countries, a trend particularly evident in southern African countries (GMR, 2007).

[188] The Global Fund for AIDS, Tuberculosis, and Malaria (GFATM) and the President's Emergency Plan for AIDS Relief (PEPFAR). As a result, funding for AIDS in developing countries has increased from US$300 million in 1996 to US$10 billion in 2008.

[189] It was partially financed by the ALive (African Livestock) trust fund.

financed early actions under the response programs. In addition, Nigeria and Uganda sought IDA financing for larger programs. The African continent is now better able to respond to avian flu in its endemic form in livestock populations, and can be alerted to appropriate public health measures in the event of influenza of any origin.

8.3 Strengthening Regional and Global Trade Integration

197. ***During the IDA14 period the Bank, in close collaboration with other development agencies, continued strengthening its support to regional and global integration through its extensive research and analytical work, coupled with its advisory services and non-lending technical assistance***.[190] Examples of such analytical work include: (i) 16 Integrated Framework diagnostic trade integration studies (DTISs) prepared at the request of LDCs;[191] (ii) the report on “Implications of Higher Global Food Prices for Poverty in Low Income Countries,” (Ivanic and Martin, April 2008) prepared as part of the Bank’s continuing work on agro-food trade, which contributed to developing urgent responses to the global food crisis in these economies; (iii) a study on “Why Trade Facilitation Matters to Africa,” (Development Research Group, Word Bank 2008) which identified the main constraints to trade (such as infrastructure bottlenecks and regulation and tariffs barriers) and approaches to mitigating them; (iv) analytical and advisory work on sanitary and phyto-sanitary standards (SPS) in Armenia, Bangladesh, Bosnia, Ethiopia, India, Kenya, Lao PDR, Moldova, Niger, Pakistan, Rwanda, Tanzania, and Uganda, which contributed to national action plans—and were translated into components of new IDA operations in Bosnia, Lao PDR and Vietnam—that are helping agro-food exporters meet SPS regulations in importing countries; and (v) Regional Integration Assistance Strategy for Sub-Saharan Africa (World Bank, 2008h), which identified areas that are better tackled on a collective platform than on a country-by-country basis. These reports are valuable for developing consensus and a harmonized approach to policy design and assistance.

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[190] This section discusses only the non-financial aspect of regional and global IDA activities. Section 4.5 discusses the results of the lending activities under the framework of the Africa Regional Pilot Program.

[191] During the IDA 14 period, DTISs included Angola, Benin, Burkina Faso, Central African Republic, Chad, The Gambia, Lao PDR, Liberia, Niger, Rwanda, Sao Tomé & Principe, Sierra Leone, Sudan, Tanzania, Uganda, and Zambia.

IV. BEYOND IDA14—LESSONS AND OPPORTUNITIES

Highlights of Chapter IV:

- Many challenges identified during IDA14 were addressed as part of the IDA15 discussions, but new challenges are emerging. As the global financial crisis continues to unfold, IDA will need to adjust the level of resources it makes available for crisis responses and the speed and terms on which they are delivered.
- Efforts will need to focus on managing crisis response without endangering debt sustainability achieved under HIPC and MDRI initiatives. As short-term needs rise, the challenge will be in ensuring that adequate resources are provided as grants or on highly concessional terms. In this context, the MDRI netting-out mechanism may need to be reconsidered so that it does not result in significant reductions in new IDA allocations to an increasing number of countries.
- Similarly, consideration may need to be given to mechanisms that complement the IDA resource allocation framework, allowing IDA to respond effectively to countries hit disproportionately by exogenous shocks. In this context, establishment of a *Crisis Response Widow* will be proposed at the IDA15 MTR.
- Finally, while responding to the crisis, IDA must maintain its focus on strengthening the country-based development model and deepening the results agenda.

198. ***Overall, while good progress has been made in implementing the IDA14 policy framework, challenges were encountered in all policy areas, particularly in sharpening the focus on results***. Several issues identified during IDA14 were addressed through enhancements in the policy framework either at the IDA14 Mid-Term Review or in the context of the IDA15 replenishment.[192] Remaining challenges—which have been exacerbated as a result of the ongoing global financial crisis—will need to be considered either during the IDA15 Mid-Term Review in November 2009 or through the IDA16 replenishment process. Section 9 below identifies actions that have already been initiated in the context of the IDA14 MTR and the IDA15 replenishment. Section 10 identifies likely pressure points in the policy framework and remaining areas for discussion with IDA participants.

9. Policy Changes Already Introduced

9.1 Strengthening the Performance-Based Allocation System

199. ***While the Performance Based Allocation system worked well during the IDA14 period, some modifications to the formula increased its complexity***. Modifications introduced to the PBA formula over the last few replenishments directed more concessional resources to countries where results are being achieved. However, these modifications also made the formula more complex and made it more difficult to isolate and explain the impact of each variable in the formula. The complexity arose from four sources: the double counting of governance; the structure of the formula, which included a combination of additive and multiplicative/geometric elements; grants-related discounts; and the MDRI netting-out mechanism. Improvements to the formula at the outset of IDA15 addressed the first two sources of complexity by introducing a simplified linear formula. This enhanced transparency and made it easier for countries to understand what drives changes in their allocations.[193]

200. ***The implementation experience gained during IDA14 with exceptional allocations for post-conflict and re-engaging countries resulted in lengthening the period of IDA assistance***. IDA provides exceptional allocations to countries emerging from severe conflict and to countries re-engaging with IDA after a prolonged period of inactivity. During IDA14, post-conflict allocations were available for 7 years (4 years exceptional allocations and 3 years of progressive phase-down to PBA allocations). The experience with implementation

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192 For changes introduced at IDA14 MTR see IDA (2006g), *"IDA14 Mid-Term Review Implementation Report."* For changes introduced for the IDA15 period see: IDA (2008a), *"Additions to IDA Resources: Fifteenth Replenishment. IDA: The Platform for Achieving Results at the Country Level"*.

193 The two guiding principles for simplification were first, that simplified options retain a similar weight for governance, and second, that new options track closely the allocations from the previous formula. See: IDA (2008a), Annex 1.

during IDA14 and emerging research[194] revealed that exceptional allocations were still being phased out too abruptly. In light of this, changes were made during the IDA15 replenishment discussions to provide exceptional allocations for a longer 10-year period and phase them down to PBA allocations more gradually.[195] The experience with the new longer phase-out period will be reviewed at the IDA15 MTR.

201. ***In line with IDA's strong support to regional integration, a new measure was introduced during IDA15 to assist countries with small IDA allocations to participate and benefit from the regional IDA-funded programs***. Given the externalities associated with regional projects and the need to demonstrate ownership by participating countries, one-third of the cost of an eligible regional project is funded from the country envelope with two-thirds being provided from the regional envelope. While this split worked well during IDA14, implementation experience showed that there were instances where country participation in regional projects was constrained by a small IDA allocation. Based on the results of the analysis conducted during IDA14 and the implementation experience, a cumulative ceiling was introduced on an individual country's contribution to regional projects at 20 percent of its annual allocation, with the regional project envelope financing the country's costs beyond this ceiling. While this provision applies to all countries—limiting the costs borne by an individual country as a share of its IDA allocation—countries with small IDA allocations will likely be the biggest beneficiaries because, for them, this ceiling is more likely to be binding. Experience with the cumulative ceiling will be reviewed at the IDA15 MTR.

9.2 Supporting the Country-Based Development Model

202. ***During IDA14, progress continued with the country-based development model, and the IDA15 replenishment discussions built on this with three special themes addressing related aspects***. During IDA14 good progress has been achieved in strengthening country ownership of PRSs, improved alignment between IDA programs and country strategies and forging closer collaboration between the development partners. In September 2008, the Accra Agenda for Action, emerging from the Third High Level Forum on Aid Effectiveness, provided further impetus by focusing on (i) ownership, emphasizing the importance of strengthening the capacity of developing countries to lead and manage their development using their own country systems where feasible; (ii) inclusive partnerships and broadening country level policy dialogue; and (iii) management for development results. The Bank-related Action Plan on Aid Effectiveness[196] also emphasizes these key priorities for the Bank, and IDA in particular. This Action Plan emphasizes strengthening country ownership, with a particular focus on capacity development; increasing the use of country systems; further strengthening alignment and results-focus of country CASs; effectively engaging in Fragile/Post-Conflict Situations; and improving transparency, governance, and accountability through key corporate initiatives such as the Governance and Anti-Corruption agenda and improving. Progress in these areas will be reviewed during the IDA15 period.

9.3 Improving Management for Development Results

203. ***Having been the first International Financial Institution to introduce a results measurement system during IDA13, IDA continued to implement the Results Measurement System during IDA14 particularly through strengthening the focus on results at the country level and in IDA programs and projects***. Given that IDA was leading the way, there was limited comparable experience to draw upon. Consequently, areas for further improvements were identified based on implementation, and several challenges are being addressed during IDA15, including strengthening the Tier 1 and Tier 2 indicators; strengthening the results orientation of analytic and advisory activities; improving the quality of results frameworks in CASs and the ratings of program

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194 See: Collier, P., and A. Hoeffler (2003), "*Aid, Policy and Growth in Post-Conflict Countries.*"

195 Duration of exceptional allocations was extended to up to ten years by doubling the phase-out period from three years to six. See: IDA (2007d), "*Operational Approaches and Financing in Fragile States.*"

196 See: World Bank (2009b), "*Following Up on Accra: A World Bank Action Plan on Aid Effectiveness.*"

performance in CAS Completion Reports; and strengthening, in collaboration with other donors, the focus on statistical capacity.

10. Remaining Challenges

204. The global financial crisis raises challenges for IDA countries as it spreads to the real economy through three key channels (i.e. trade, FDI, and remittances). In addition to the need for protecting core spending in the short-term, financing needs of IDA countries over the medium-term will also remain important. The crisis is also likely to have a differential impact on countries (such as fragile and conflict-affected states), and IDA will continue to refine its approach and support to this group of countries. Finally, even during the crisis, it will be important to maintain a focus on long-term development outcomes and the results agenda.

10.1 Resource Allocation

205. ***While no country would lose from the MDRI overall (that is, the sum of annual debt relief plus new IDA allocation is positive), the MDRI netting-out mechanism results in significant reductions in new IDA allocations to an increasing number of countries***. Projections show that while 29 IDA-eligible countries are, overall, adversely impacted by the MDRI netting out, 15 countries will be particularly hard-hit. Most of these countries are in Africa and Latin America. For these countries, new IDA allocations (after MDRI netting-out) are projected to become negligible starting from IDA17. Unless addressed, the significant declines in new IDA allocations will have adverse operational implications for IDA, including possible disengagement, reduced donor coordination, and even reversals of the modest development gains achieved in these countries over the past several decades. A paper on options for addressing this issue will be presented at the IDA15 Mid-Term Review.

206. ***As the global financial crisis continues to unfold, IDA will also need to consider supplementing the mechanism through which it provides resources to allow affected countries to better respond to crises.*** Through its focus on long-term development needs, IDA helps countries reduce economic vulnerabilities. Nevertheless, short-run financing (particularly to protect core spending on health, education, social safety nets, infrastructure and agriculture) are critical in ensuring that long-term gains are not undermined. However, the IDA resource allocation framework is not geared toward providing resources based on the asymmetric nature of crises and exogenous shocks in IDA countries. Countries currently use existing country allocations or restructure their portfolio to deal with crises (whether these are natural disasters or terms of trade shocks).[197] At the IDA14 Mid-Term Review, a paper was presented on options for enhancing the IDA resource allocation framework to enable IDA to respond to exogenous shocks. At the time, IDA deputies did not support a new window in IDA to address exogenous shocks, concluding that there were existing instruments and that the need for the window was reduced because of the MDRI and the IMF's Exogenous Shocks Facility. In light of recent experience with the global economic crisis, the Development Committee have asked the World Bank to "explore the benefits of a new crisis response facility in IDA to protect core spending on health, education, social safety nets, infrastructure, and agriculture in LICs, while maintaining debt sustainability." In response to this, IDA will be presenting a proposal for establishing a *Crisis Response Window* at the IDA15 Mid-Term Review.

10.2 Ensuring Debt Sustainability

207. ***Given the global financial crisis, it will be necessary to address increased demand for additional external financial resources in a manner that assists countries in meeting core spending needs in the short-term without losing focus on debt sustainability and long-term development***. IDA's use of the Debt

[197] Exceptional allocations can be made as per the IDA14 report, which states that "in cases where the existing allocation would not allow for a sufficient response, additional allocations may be provided to IDA countries in the aftermath of major natural disasters." However, there is no set-aside for these additional allocations, which come from the general pool.

Sustainability Framework as the primary basis for determining the terms of IDA's assistance and debt relief provided under the HIPC and MDRI initiatives have both allowed countries to enter the crisis with lower debt levels. However, as short-term financing needs rise, the challenge will be in ensuring that additional resources are provided on grant or highly concessional terms. If, as a consequence of diminishing bilateral aid and limited availability of concessional multilateral assistance, access becomes available only on non-concessional terms, then efforts to address the impact of the global financial crisis could well be sowing the seeds of future problems with debt sustainability.

208. ***As needs continue to increase, it will be crucial for the development community, including IDA, to ensure that additional resources are provided on highly concessional terms*** should non-concessional assistance become a key modality to address the financial crisis. This will complicate IDA's implementation of the two complementary approaches contained within its Non-Concessional Borrowing Policy—moral suasion and a disincentive mechanism:

(i) As the WBG explores non-concessional assistance to IDA countries, at the urging of the Group of Twenty,[198] it will need to ensure that such assistance is consistent with the DSF. Otherwise, IDA's credibility to lead by moral suasion—urging greater creditor collaboration around the DSF as the basis for lending decisions—will be hampered.

(ii) If IDA countries—which currently benefit from grants or have benefited from the MDRI—borrow non-concessionally to address the impacts of the financial crisis, IDA will either determine that such non-concessional borrowing is appropriate (given country or project circumstances), or respond by reducing either levels of assistance or hardening the terms of IDA's assistance. In a financial crisis, where access to finance is increasingly limited, neither option will be optimal.

209. The IMF and World Bank worked jointly on evaluating and enhancing the flexibility contained within the DSF. Going forward, IDA will update its Non-Concessional Borrowing Policy to ensure consistency with this work.

10.3 Strengthening IDA's Assistance to Fragile and Post-Conflict States

210. ***Development challenges facing the fragile and post-conflict countries will remain important over the long-term***. Both the financial and non-financial aspects of strengthening IDA's assistance to this group of countries will remain at the center of future IDA replenishment discussions. There are three key challenges. First, given the fixed amount of total resources available for IDA, there are inherent trade-offs and it will be important to document the resulting improvements in fragile states. Work in this area will include: the external panel review of the Post-Conflict Performance Indicators; the development of state and peace building indicators to complement more traditional (MDG type) indicators; and measurement of the economic and social benefits to neighboring countries from avoiding negative spillovers. Second, the experience with lengthening the assistance under and the eligibility criteria for accessing IDA's exceptional assistance to post-conflict countries and re-engaging countries will need to be reviewed. Third, further refinements will be needed to increase the impact of IDA's operational approaches in fragile states including through increased collaboration with other development partners (particularly the UN).

10.4 Sharpening the Results Focus

211. ***Finally, having been the first International Financial Institution to introduce a results measurement system, IDA will continue to forge ahead with the results agenda***. Several areas will continue to be emphasized. First, statistical capacity building will remain a priority given that very few countries have achieved

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[198] See: *"Declaration on Delivering Resources through the International Financial Institutions,"* G20. London, April 2, 2009.

the Paris targets for monitoring and evaluation systems and the vast majority, particularly in African fragile states, lack adequate statistical infrastructure and the capacity to analyze data and translate the findings into policy recommendations. Second, given that over the past 10 years only about half of IDA country programs in low-income countries have met all their development objectives, greater attention will be needed in ensuring that the increased results focus is accompanied by better implementation. Third, with the growing Bank portfolio in Africa and African fragile states, maintaining the historically high levels of satisfactory development outcomes will remain a challenge. Fourth, the implementation of the IDA controls assessment will be important and an action plan prepared by Management is already under way. An Implementation Oversight Panel has been established to ensure effective monitoring and accountability for implementation of these actions. Finally, going forward, the measurement of IDA's impact will remain challenging. Some actions are already underway (e.g., introducing more standardized core indicators in key sectors and assessing the impact of analytical and advisory services). Further work is needed to better capture the entirety of IDA's impact on country outcomes through its financial assistance and its platform role.

Annex 1
Basic IDA Definitions

Table 3: Basic IDA definitions

	DEFINITION	SOURCE
IDA ELIGIBILITY		
GNI per capita	Per capita GNI computed per the World Bank Atlas methodology is IDA's basic indicator or proxy for poverty.	"IDA Eligibility, Terms, and Graduation Policy" (IDA, January 2001)
Historical ceiling	The ceiling for IDA eligibility (currently called the "historical ceiling"), initially set at $250 per capita in 1964, has been revised to account for inflation, reaching $1,735 in FY2008.	
Operational cutoff	"Operational cutoff" was formally recognized by IDA donors and participants in IDA8 (FY1989) as a second and lower income criteria for IDA eligibility. The operational per capita income cut-off has been reaffirmed by the donors in each subsequent replenishment and stands at $1,065 in FY2008.	
Creditworthiness	In general, creditworthiness has been defined as "the ability to service new external debt at market interest rates over the long term." Creditworthiness considerations have always guided IDA lending policies, since the Articles of Agreement limit IDA from providing assistance if financing is "available from private sources on terms which are reasonable for the recipients or could be provided by a loan of the type made by Bank."	
Gap countries	IDA extends temporary eligibility to countries, called "gap countries," that are above operational cutoff (for more than two years) and are taking major adjustment efforts but are not creditworthy for IBRD lending.	OP 3.10 Annex D, "IDA's Performance Allocation System: Simplification of the Formula and Other Outstanding Issues" (IDA September 2007).
Blend countries	"Blend countries" are countries eligible to borrow from IDA on the basis of per capita income and also eligible to borrow from IBRD on the basis of limited creditworthiness.	"IDA Eligibility, Terms, and Graduation Policy" (IDA, January 2001).
Capped blend countries	"Capped blend countries" - India and Pakistan - with access to IBRD lending receive less than their PBA allocations because they have broader financing options. Indonesia, which was capped until FY08, graduated from IDA at the end of IDA14 period.	
Small island economies (small states)	Small island economies with incomes above operational cutoff have exceptional access to IDA resources on the basis of their vulnerability.	
IDA graduates	The process of graduation from IDA is normally triggered when a country exceeds the operational per capita income cutoff for several years. Some countries have graduated from IDA on an accelerated basis, which may occur when improved information becomes available showing that a country's income is substantially higher than previously expected. Graduation can also occur when a country achieves creditworthiness for adequate amounts of IBRD lending and other commercial sources of funds, even though its per capita income remains below the operational cutoff. To date, 27 countries that once received IDA resources have graduated (excluding reverse graduates, see next definition).	"IDA Eligibility, Terms, and Graduation Policy" (IDA, January 2001)
Reverse graduate	Because of adverse developments, some IDA graduates have been granted renewed access to IDA subsequent to their graduation. Eight (8) countries are now receiving IDA resources as reverse graduates.	
IDA CREDITS		
Regular IDA credit	For IDA-only countries, credits are repayable over 40 years, with principal repayment at the rate of 2 percent of the credit amount per year from the eleventh to twentieth year, and 4 percent per year thereafter.	"Compendium of IDA Financial Policies" (FRM,

	DEFINITION	SOURCE
Blend terms	For other IDA eligible countries (blend countries), credits are repayable over 35 years, with principal repayment at the rate of 2.5 percent of the credit amount per year from the eleventh to twentieth year, and 5 percent per year thereafter.	November 2008)
Hardened term credit	If a borrower's GNI per capita has been above the operational cutoff for more than two consecutive years, IDA credits are extended on hardened terms (maturity of 20 years including 10 years of grace, with principal repayment at the rate of 10 percent of the credit amount per year from eleventh to twentieth year). The hardened terms were approved starting with IDA13 period and have been effective since July 1, 2002. The accelerated repayment provision does not apply to IDA borrowers subject to hardened terms.	"Compendium of IDA Financial Policies" (FRM, November 2008), OP 3.10 Annex D
Hard-term credit	A blend country is eligible for an additional window of IDA lending at hard-term, if its GNI per capita is below the operational cutoff and if it has an active IBRD lending program. Hard-term credits have blend repayment terms (a maturity of 35 years including 10 years of grace) and standard IDA service and commitment charges. In addition, there is a fixed interest charge on the principal amount disbursed and outstanding. The interest rate is set annually (200 basis points below the equivalent IBRD lending rate in fixed-rate terms) and will apply for all hard-term IDA credits approved during a fiscal year. The hard-term lending window was defined starting with the IDA14 and has been effective since July 1, 2006.	
Acceleration clause	Development Credit Agreements provide that IDA may accelerate repayment should the borrower's GNI per capita exceed the operational cutoff for three consecutive years and the borrower is considered creditworthy for IBRD lending. The accelerated repayment provision doubles the amount due on each semi-annual repayment date, with credit repayment commencing the year after the country reaches the operational cutoff, provided that a 5-year grace period will be assured in all cases.	"Compendium of IDA Financial Policies" (FRM, November 2008)
Service charge	With the exception of the hard-term lending window, no interest is charged on IDA credits, but a service charge is levied at the rate of 0.75 percent per annum on the principal amount disbursed and outstanding. The rate of service charge has been fixed at 0.75 percent per annum since fiscal year 1965-66.	
Commitment charge	In 1982, the Executive Directors approved the introduction of a commitment charge, payable on the undisbursed amount of the credit and beginning to accrue 60 days after the Development Credit Agreement is signed. From 1982 through 1988, the commitment charge was set at 0.50 percent per annum. Beginning in 1989, a variable commitment charge was introduced. Each year, the Executive Directors approve the level of commitment charge that will apply for that fiscal year, not to exceed 0.50 percent. Commitment charges during IDA14 were 0.30 percent (FY06), 0.20 percent (FY07) and 0.10 percent (FY08).	
IDA RESOURCE ALLOCATION		
Performance-based allocation (PBA)	IDA allocates resources to client countries based on its performance-based allocation (PBA) system. The PBA system has evolved over the last two decades and was the basis for the distribution of IDA resources during IDA14. Under the PBA system, IDA resources are allocated on the basis of Country Performance Rating (CPR), population, and GNI per capita.	"Additions to IDA Resources: Fourteenth Replenishment, Working Together to Achieve the Millennium Development Goals" (IDA, March 2005)
Country Performance Rating (CPR)	The Country Performance Rating (CPR) is computed annually using the Country Policy and Institutional Assessment (CPIA) and the portfolio performance rating.	
Country Policy and Institutional Assessment (CPIA)	The performance of IDA countries is assessed annually using the Country Policy and Institutional Assessment (CPIA). The CPIA assesses each IDA country's policy and institutional framework for fostering poverty reduction, sustainable growth, and ability to use development assistance. The system has evolved over time and now comprises 16 criteria grouped into four equally weighted clusters: (A) economic management; (B) structural policies; (C) policies for social inclusion and equity; and (D) public sector management and institutions.	
Annual Report on Portfolio Performance (ARPP)	To capture the quality of Bank-financed project and program management, the Bank's Annual Report on Portfolio Performance (ARPP) is used to determine a portfolio performance rating which captures each country's implementation performance.	
Governance rating	The governance rating is calculated using cluster D of the CPIA.	

	DEFINITION	SOURCE
IDA14 GRANT ALLOCATION FRAMEWORK		
IDA14 Grant Allocation Framework	Unlike IDA13 where the overall grant percentage was negotiated and then allocated according to multiple criteria for grant eligibility, IDA14 computes grant percentage using only one grant eligibility criterion: countries' risk of debt distress. This risk is assessed on the basis of the methodology proposed in the joint IMF-World Bank debt sustainability framework (DSF) for low-income countries. The risk ratings ("traffic lights") are then translated into grant allocations: high risk ("red") is associated with 100 percent grants, medium ("yellow") with 50 percent grants, and low ("green") with zero grants.	"Assessing Implementation of the IDA14 Grant Framework" (IDA, October 2005)
SPECIAL ALLOCATIONS IN IDA14		
Post-conflict allocation	Countries emerging from severe conflicts can be provided with additional resources in support of their recovery and in recognition of a period of exceptional needs. The special post-conflict allocations may be provided for up to four years, plus three years of phase-out period to performance-based norm. If such countries have large and protracted arrears to multilateral creditors, they may be eligible for grant support in the pre-arrears clearance period.	"Additions to IDA Resources: Fourteenth Replenishment, Working Together to Achieve the Millennium Development Goals" (IDA, March 2005)
Regional projects	There was a special provision for selected regional integration projects during IDA14 period. As a continuation of the regional pilot program which started in IDA13, IDA14 envisaged up to SDR200 million per annum of such projects, increased to SDR 250 at IDA14 MTR. The additional financing is used to 'top up' IDA resources provided to countries through the PBA system in order to encourage and facilitate participation in regional projects. Eligibility criteria include that the project must: involve three or more countries; have benefits that spill over country boundaries; be part of a regional strategy; provide a platform for policy harmonization between countries; have ownership and commitment of the majority of participating countries; avoid funding primarily national-level investments; and be considered for IDA funding only once other options have been ruled out. For guidelines, see http://intresources.worldbank.org/INTCFP/Resources/GuidelinesAccessingIDARegionalFunding.pdf.	"Additions to IDA Resources: Fourteenth Replenishment, Working Together to Achieve the Millennium Development Goals" (IDA, March 2005), "IDA-14 Mid-Term Review: of the IDA Pilot Program for Regional Projects" (IDA, November 2006)
IDA RESOURCES		
Replenishment	Replenishment is the process of periodic review with the objective of ensuring adequacy of IDA resources and authorization of additional subscriptions for a future period (normally 3 years). Under IDA's Articles, replenishments are required to be approved by IDA's Board of Governors by a two-thirds majority of the total voting power.	"Compendium of IDA Financial Policies" (FRM, November 2008)
Commitment authority	Commitment authority is the total value of resources available during a particular replenishment, including donor contributions, internal resources, WBG net income transfers, and other resources. The commitment authority level is monitored periodically to ensure that funding is available to meet commitments and to provide early warning signs of any problems in terms of resource availability.	
Special Drawing Rights (SDR)	The value of the SDR in U.S. dollar terms is calculated daily as the sum of the values in U.S. dollars of specific amounts of four currencies—the Euro, Japanese Yen, Pound Sterling, and U.S. dollar—based on exchange rates quoted at noon at the London market. The value of the SDR is posted daily on the IMF website.	

Table 4: Countries Eligible to Receive IDA Financing during IDA14 [e]

Africa

Angola
Benin
Burkina Faso
Burundi
Cape Verde [a]
Cameroon
Central African Republic
Chad
Comoros
Congo, Democratic Republic of
Congo, Republic of
Côte d'Ivoire
Ethiopia
Eritrea
Gambia, The
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Nigeria
Rwanda
Sao Tome and Principe
Senegal
Sierra Leone
Somalia
Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe [b]

East Asia and the Pacific

Cambodia
Indonesia [b], [d]
Kiribati [a]
Laos, People's Democratic Republic
Mongolia
Myanmar
Papua New Guinea [b]
Samoa [a]
Solomon Islands
Timor-Leste
Tonga [a]
Vanuatu [a]
Vietnam

South Asia

Afghanistan
Bangladesh
Bhutan
India [b]
Maldives [a]
Nepal
Pakistan [b]
Sri Lanka

Europe and Central Asia

Albania [b], [d]
Armenia [b]
Azerbaijan [b]
Bosnia-Herzegovina [b]
Georgia
Kyrgyz Republic
Moldova
Tajikistan
Uzbekistan [b]
Serbia [b], [c]
Montenegro [b], [d]

Middle East and North Africa

Djibouti
Yemen, Republic of

Latin America and the Caribbean

Bolivia [b]
Dominica [a], [b]
Grenada [a], [b]
Guyana
Haiti
Honduras
Nicaragua
St Lucia [a], [b]
St Vincent and the Grenadines [a], [b]

Total countries - 82 countries.
[a] Small island economy exception countries.
[b] "Blend Countries," which qualified for both IBRD and IDA.
[c] Serbia graduated from IDA in FY07.
[d] Montenegro, Albania and Indonesia graduated from IDA in FY08.
[e] This list does not include the special cases of Kosovo and Iraq. Kosovo, as a territory within a member country under United Nations interim administration (United Nations mission in Kosovo - UNMIIK), was eligible to receive grants in IDA14. Iraq received IDA assistance in FY06 for the first time in over thirty years.

Annex 2
IDA14 Financing

1. Discussions concerning IDA14, including the size and the relative burden sharing among donors, were subject to negotiations that took place over a series of five meetings between February 2004 and February 2005.[199] As a result of these discussions, for the IDA14 period (FY06-08 or July 1, 2005 to June 30, 2008), SDR 21.9 billion (equivalent to USD 32.1 billion) was made available to the world's poorest countries.[200] Of this amount, new contributions provided by 39 members (including Slovenia as a new donor) were SDR 12.1 billion (see Table 5), or 55 percent of the total IDA14 financing envelope, which was higher than the SDR 9.7 billion provided during IDA13. Another SDR 8.7 billion (US$12.7 billion) was due to reflows and SDR 1.4 billion (US$2.1 billion) was provided from IBRD and IFC. This represents an approximately 25 percent increase in overall resources over the previous replenishment, and was, at the time, the largest expansion of IDA resources in two decades. Several countries increased their basic shares from those in IDA13. These included: Austria, France, Ireland, Luxembourg, Netherlands, Norway, Russia, Spain, Sweden, and the United Kingdom.

2. Alongside their regular IDA replenishment contributions and due to the substantial increase of IDA's debt relief costs under the Enhanced HIPC framework, donors provided additional resources (SDR 1.2 billion) for financing IDA's HIPC-related debt relief costs.[201] This was to maintain the long-term financial capacity of IDA and to ensure that IDA's loss of credit reflows due to HIPC debt relief did not come at the expense of future IDA allocations to poor countries.

3. Donors also provided an additional SDR 0.5 billion for IDA13 grant compensation, financing up-front the present value of IDA's charge income forgone due to making grants in IDA13.[202] The provision of grants in IDA13 had a direct impact on IDA finances resulting in lost credit reflows to IDA from forgone principal repayments and charge income. Donors' commitment to compensate for the charge income during IDA14 depended on future market interest rates and IDA's ability to productively invest the upfront liquidity provided by donors. During IDA14, participants agreed to finance the charge income lost due to IDA14 grants through a 9 percent volume discount.[203] IDA remains dependent on donors' promise to finance the lost principal reflows from grants on a pay-as-you go basis.

4. Transfers from IBRD's net income were initially expected to amount to US$1.5 billion (around SDR 1.1 billion). These were later supplemented by the transfer of an additional US$300 million (around SDR 205 million) from IBRD's surplus account and US$150 million (around SDR 102 million) from IFC's retained

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199 These discussions were encapsulated in the IDA14 Deputies Report, which was approved by IDA's Executive Directors on March 10, 2005. Subsequently, the report, together with a draft Resolution authorizing the increase in IDA resources, was forwarded to the Board of Governors for adoption. The Board of Governors adopted the IDA14 Resolution on April 13, 2005.

200 Conversion of IDA financing amounts from SDRs to other currencies is typically based on the official exchange rate agreed for each replenishment (SDR 1 = USD 1.46365 for IDA14). This amount may differ from the prevailing exchange rates, which can vary daily during replenishment. As a result, total financing (reported at the official rate) may not be directly comparable to total commitments (reported at the prevailing rate) in US$ terms. For definitions of IDA terminology, see Annex 1.

201 Under the original HIPC framework, IDA's initial costs of providing HIPC debt relief were financed primarily by IBRD net income transfers to the HIPC Trust Fund, complemented by selected contributions from bilateral donors.

202 This financing arrangement was agreed by donors subsequent to the IDA13 discussions to safeguard IDA's financial strength.

203 The 9 percent volume discount represents the NPV of foregone service charges (fixed 0.75 percent per year) and commitment charges (varies between 0 and 0.50 percent per year) on a regular IDA credit and is applicable for the IDA14 period.

earnings for grant financing, resulting in total World Bank transfers of US$1.95 billion (around SDR 1.4 billion).

5. Reflows—representing the repayments by IDA borrowers for past credits and income from investments—amounted to SDR 8.7 billion. But the approval and implementation of the Multilateral Debt Relief Initiative (MDRI) on July 1, 2006[204] resulted in lost credit reflows during the IDA14 period of SDR 2.6 billion.[205] These were fully compensated by donors, leaving intact the overall reflows envelope available for financing in IDA14.[206] As a result of these changes, the revised IDA14 framework provided SDR 22.2 billion of concessional financing to the world's poorest countries (see Table 6).

6. Of the revised total IDA14 envelope of SDR 22.2 billion, SDR 21.8 billion was released for commitment under IDA14. The balance of SDR 0.4 billion[207] was carried-over into IDA15 and will be applied to fund IDA15 operations when paid and released. During the 3-year period of IDA14 (FY06-FY08), commitments for new credits and grants totaling SDR 21.6 billion were approved—SDR 6.5 billion (equivalent to USD 9.5 billion) in FY06, SDR 7.6 billion[208] (equivalent to USD 11.4 billion) in FY07, and SDR 7.5 billion[209] (equivalent to USD 11.9 billion) in FY08. This leaves funds of SDR 0.2 billion to be carried over to IDA15, for a total carryover of SDR 0.6 billion.

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204 IDA (2006a), "*Additions to IDA Resources: Financing the Multilateral Debt Relief Initiative*."

205 This amount was reduced from the original MDRI cost estimate of SDR 2.8 billion for the IDA14 disbursement period (FY07–16).

206 Donors have established a separate MDRI replenishment spanning four decades (FY07–44).[206] Thirty-four donor countries have pledged to contribute to the MDRI replenishment of IDA and as of June 30, 2008, 33 of these donors have provided their Instruments of Commitment (IoCs), for a total commitment volume of USD 31.4 billion.

207 The balance of SDR 0.4 billion consists primarily of unpaid contributions from the United States for IDA12, IDA13, and IDA14 plus a share of contributions withheld by Austria, France, and Germany in relation to the payment shortfall from the United States. It also includes a portion of Italy's contribution to IDA14 for which parliamentary approval was delayed.

208 FY07 commitments exclude SDR 0.2 billion for an India project that was funded by IDA13 commitment authority.

209 FY08 commitments include SDR 0.5 billion, approved in July 2008 as described in IDA (2008d). The approval of these projects was postponed to July 2008 given the limited number of Board slots available in the fourth quarter of FY08, the last year of IDA14. They also exclude recommitments for Bangladesh, Nicaragua, and Uganda (total of SDR 0.1 billion).

Table 5: Donor contributions to IDA14

Contributing Members	Basic Contributions Share (1)	Basic Contributions SDR Million (2)	Supplemental SDR Million (3)	Incentive SDR Million (4)	IDA13 Grants SDR Million (5)	IDA13 Grants Share (6)	Sub-total Contributions SDR Million (7)	Sub-total Contributions NC million (8)	HIPC Costs SDR Million (9)	HIPC Costs Share (10)	HIPC Costs NC Million (11)	**Total Donor Contributions SDR Million (12)**	**Total Donor Contributions Share (13)**	**Total Donor Contributions NC Million (14)**	FX Rates (NC/SDR) (15)	Currency of Denomination (16)
Australia	1.46%	182.50			6.86	1.46%	189.36	389.16	16.94	1.46%	34.80	**206.30**	**1.46%**	**423.96**	2.05508	AUD
Austria	1.56%	195.00			3.67	0.78%	198.67	239.71	9.05	0.78%	10.92	**207.71**	**1.47%**	**250.63**	1.20662	EUR
Barbados	0.002%	0.25			0.01	0.002%	0.26	0.76	0.02	0.002%	0.07	**0.28**	**0.002%**	**0.82**	2.91294	BBD
Belgium	1.55%	193.75			7.29	1.55%	201.04	242.57	17.98	1.55%	21.70	**219.02**	**1.55%**	**264.27**	1.20662	EUR
Brazil	0.61%	76.24			2.87	0.61%	79.11	348.71	7.08	0.61%	31.19	**86.19**	**0.61%**	**379.90**	4.40788	BRL
Canada	3.75%	468.75			17.63	3.75%	486.38	949.50	48.02	**4.14%**	93.75	**534.40**	**3.78%**	**1,043.25**	1.95219	CAD
Czech Rep.	0.05%	6.25			0.24	0.05%	6.49	249.17	0.58	0.05%	22.29	**7.07**	**0.05%**	**271.46**	38.42273	CZK
Denmark	1.21%	151.70			7.43	1.58%	159.12	1,428.09	18.33	1.58%	164.49	**177.45**	**1.26%**	**1,592.58**	8.97486	DKK
Finland	0.60%	75.00			2.82	0.60%	77.82	93.90	6.96	0.60%	8.40	**84.78**	**0.60%**	**102.30**	1.20662	EUR
France	7.20%	900.00			28.20	6.00%	928.20	1,358.56	76.79	**6.62%**	112.40	**1,004.99**	**7.11%**	**1,470.96**	1.46365	USD
Germany	7.96%	995.34			48.41	10.30%	1,043.75	1,043.75	119.48	10.30%	119.48	**1,163.23**	**8.23%**	**1,163.23**	1.00000	SDR
Greece	0.12%	15.00			0.56	0.12%	15.56	18.78	1.51	**0.13%**	1.82	**17.07**	**0.12%**	**20.60**	1.20662	EUR
Hungary	0.06%	7.50			0.28	0.06%	7.78	2,350.29	0.81	**0.07%**	245.33	**8.59**	**0.06%**	**2,595.61**	302.12551	HUF
Iceland	0.04%	5.00	0.72		0.19	0.04%	5.91	624.66	0.46	0.04%	49.06	**6.37**	**0.05%**	**673.72**	105.73084	ISK
Ireland	0.37%	46.79	8.29		0.85	0.18%	55.93	67.48	2.09	0.18%	2.52	**58.01**	**0.41%**	**70.00**	1.20662	EUR
Israel	0.07%	8.93			0.47	0.10%	9.40	62.31	1.16	0.10%	7.69	**10.56**	**0.07%**	**70.00**	6.62946	ILS
Italy	3.80%	475.00			17.86	3.80%	492.86	594.69	44.08	3.80%	53.19	**536.94**	**3.80%**	**647.88**	1.20662	EUR
Japan	11.75%	1,468.71			75.20	16.00%	1,543.92	247,796	185.60	16.00%	29,789	**1,729.52**	**12.24%**	**277,585**	160.49845	JPY
Korea	0.91%	113.75			4.28	0.91%	118.03	200,044.69	10.56	0.91%	17,891.43	**128.58**	**0.91%**	**217,936.12**	1694.90614	KRW
Kuwait	0.14%	17.50			0.66	0.14%	18.16	7.83	1.62	0.14%	0.70	**19.78**	**0.14%**	**8.54**	0.43148	KWD
Luxembourg	0.18%	22.15			0.47	0.10%	22.62	27.29	1.28	**0.11%**	1.54	**23.89**	**0.17%**	**28.83**	1.20662	EUR
Mexico	0.05%	6.25			0.24	0.05%	6.49	108.32	0.58	0.05%	9.69	**7.07**	**0.05%**	**118.00**	16.7026	MXN
Netherlands	2.80%	350.00			12.22	2.60%	362.22	437.06	30.16	2.60%	36.39	**392.38**	**2.78%**	**473.45**	1.20662	EUR
New Zealand	0.12%	15.00			0.56	0.12%	15.56	35.56	1.51	**0.13%**	3.45	**17.07**	**0.12%**	**39.01**	2.28505	NZD
Norway	1.68%	210.09			7.14	1.52%	217.23	2,184.07	19.49	**1.68%**	195.93	**236.72**	**1.68%**	**2,380.00**	10.05411	NOK
Poland	0.03%	3.75			0.14	0.03%	3.89	3.89	0.38	**0.03%**	0.38	**4.28**	**0.03%**	**4.28**	1.00000	SDR
Portugal	0.20%	25.00			0.94	0.20%	25.94	31.30	2.55	**0.22%**	3.08	**28.49**	**0.20%**	**34.38**	1.20662	EUR
Russian Federation 1/	0.14%	17.00	21.70		0.38	0.08%	39.07	39.07	0.93	0.08%	0.93	**40.00**	**0.28%**	**40.00**	1.00000	SDR
Saudi Arabia 9/	0.22%	27.80			1.83	0.39%	29.64	43.38	4.52	0.39%	6.62	**34.16**	**0.24%**	**50.00**	1.46365	USD
Singapore	0.08%	10.02			0.66	0.14%	10.68	15.63	1.62	0.14%	2.37	**12.30**	**0.09%**	**18.00**	1.46365	USD
Slovak Republic	0.01%	1.72			0.05	0.01%	1.76	2.13	0.12	0.01%	0.14	**1.88**	**0.01%**	**2.27**	1.20662	EUR
Slovenia	0.03%	3.75			2/		3.75	4.52	0.35	0.03%	0.42	**4.10**	**0.03%**	**4.94**	1.20662	EUR
South Africa	0.08%	10.00			0.38	0.08%	10.38	98.37	0.93	0.08%	8.80	**11.30**	**0.08%**	**107.17**	9.48079	ZAR
Spain	2.20%	275.00			8.46	1.80%	283.46	342.03	23.08	**1.99%**	27.85	**306.54**	**2.17%**	**369.88**	1.20662	EUR
Sweden	2.96%	370.49	140.29	22.63	12.31	2.62%	545.72	6,029.60	33.52	**2.89%**	370.40	**579.24**	**4.10%**	**6,400.00**	11.04887	SEK
Switzerland	2.26%	282.79			11.42	2.43%	294.21	430.63	28.19	2.43%	41.26	**322.40**	**2.28%**	**471.88**	1.46365	USD
Turkey 1/	0.06%	7.54			0.42	0.09%	7.96	7.96	1.04	0.09%	1.04	**9.00**	**0.06%**	**9.00**	1.00000	SDR
United Kingdom 5/	12.14%	1,517.03		123.82	*47.66* 3/	10.14%	1,732.53	1,325.17	129.80	**11.19%**	104.83	**1,862.34**	**13.18%**	**1,430.00**	0.80761	GBP
United States	12.95%	1,619.23			94.56	20.12%	1,713.79	2,508.40	233.39	20.12%	341.60	**1,947.19**	**13.78%**	**2,850.00**	1.46365	USD
Venezuela 1/ 6/	0.03%	3.75			0.14	0.03%	3.89	3.89	0.35	0.03%	0.35	**4.24**	**0.03%**	**4.24**	1.00000	SDR
Sub-total	81.45%	10,181.33	170.99	146.45	425.74	90.58%	10,968.52		1,082.92	93.36%		**12,051.44**	**85.29%**			
Funds from accelerated encashment	1.42%	177.28					177.28					**177.28**	**1.25%**			
Structural financing gap	17.13%	2,141.39			*44.02* 3/	9.37%	1,823.95		77.08	6.64%		**1,901.04**	**13.46%**			
Total	100.00%	12,500.00	170.99	146.45	469.76	99.95% 4/	12,969.76		1,160.00	100.00%		**14,129.76**	**100.00%**			

1/ Contributions of countries with an average inflation rate exceeding 10% over the 2001-2003 period would be denominated in SDRs.
2/ New donor in IDA14.
3/ The United Kingdom financing of IDA13 foregone charges plus the structural gap (total of SDR 91.68 million) is part of its IDA13 contribution.
4/ Based on IDA13 burden shares; total is less than 100 percent due to Argentina not contributing to IDA13.
5/ The United Kingdom will also provide the World Bank with a further SDR 309.56 million (equivalent to GBP 250 million) during the IDA14 period to be used in responding to the challenge of scaling up development assistance to meet the MDGs. The modalities of this contribution will be defined in consultation with Bank Management.
6/ Venezuela did not contribute to IDA14.
NOTE: Amounts may not add up due to rounding.

Table 6: IDA14 financing framework

	Sources of Funds (in SDR billions)	Revised Framework	Status of Commitment Authority as of June 30, 2008: Resources – Available	Resources – Difference	Uses[d/] – Used	Balance – Remaining
1	Donor contributions					
2	Regular contributions (net of structural gap)	10.2	10.0	(0.2)		
3	Accelerated, supplemental, incentive contributions	0.5	0.5	-		
4	HIPC contributions - IDA14 period (FY06-08)	1.2	1.2	-		
5	Carryover from IDA13 (from donors) [a]	0.3	0.0	(0.3)		
6	**Total donors**	**12.1**	**11.7**	**(0.4)**	**11.5**	**0.2**
7	Reflows					
8	Internal resources	6.1	6.1			
9	Firm financing received from donors for MDRI (FY07-16)[b]	2.6	2.6			
10	**Equals: Total reflows available**	**8.7**	**8.7**	**-**	**8.7**	**0.0**
11	Transfers					
12	IBRD transfers [c]	1.1	1.1	-	1.1	0.0
13	**Original IDA14 commitment authority**	**21.9**	**21.5**	**(0.4)**	**21.3**	**0.2**
14	Additional IBRD transfer from FY06 net income	0.2	0.2	-	0.2	0.0
15	IFC grant in FY07	0.1	0.1	-	0.1	0.0
16	**Revised IDA14 commitment authority**	**22.2**	**21.8**	**(0.4)**	**21.6**	**0.2**
17	Donor contributions to cover forgone charges on IDA13 grants	0.5				
18	**Total IDA14 resources**	**22.7**				

Total carryover into IDA15 [e]: 0.6

Note: Details may not add up due to rounding.
Source for MDRI: " *Multilateral Debt Relief Initiative (MDRI): Second Update on Debt Relief Costs and Donor Financing as of September 30, 2007",* dated October, 2007.

a. Represents unpaid contributions from the US of USD 328 million and the corresponding pro-rata from Austria, France, and Germany.
b. Revised from SDR 2.8 billion to reflect lower MDRI cost estimates as of September 30, 2007 for that period.
c. IBRD transfers of USD 500 million p.a., drawn-down up-front and generating total commitment capacity equivalent to USD 1.6 billion.
d. Commitments consist of SDR 16.8 bn of credits (SDR 5.2 bn in FY06, SDR 6.1 bn in FY07 and SDR 5.5 bn in FY08), SDR 4.8 bn of grants (SDR 1.3 bn in FY06, SDR 1.5 bn in FY07 and SDR 2.0 bn in FY08) and SDR 0.11 bn of guarantees (SDR 0.04 bn in FY06 and SDR 0.07 bn in FY07). For guarantees, only one-fourth of the approved commitment is applied against uses of commitment authority.
e. Consists of the sum of remaining balance and difference between revised framework and resources available.

Annex 3
Trends in IDA14 Commitments and Disbursements

Table 7: IDA14 Commitments by Country [(a)]

Region	Country	2006 Population (million)	Number Of Operations	FY06-08 Commitments (US$ million)		
				Dev. Pol. Lend.	Investment	Total
Africa						
	Africa	NA	14	-	1,704	1,704
	Angola	16	1	0	102	102
	Benin	9	7	70	173	243
	Burkina Faso	14	11	150	294	444
	Burundi	8	7	60	171	231
	Cameroon	17	7	57	205	261
	Cape Verde	0.5	3	20	13	33
	Central African Republic	4.1	3	90	18	108
	Chad	10	2	0	25	25
	Comoros	1	1	0	5	5
	Congo, DR	59	8	90	827	917
	Congo, Republic of	4	2	0	75	75
	Cote d'Ivoire	18	5	308	247	555
	Eritrea	5	1	0	30	30
	Ethiopia	73	17	0	1,846	1,846
	Gambia, The	2	3	0	23	23
	Ghana	23	16	520	347	867
	Guinea	9	4	0	46	46
	Guinea-Bissau	2	2	0	25	25
	Kenya	35	8	0	570	570
	Lesotho	2	4	16	38	54
	Liberia	3	7	430	108	538
	Madagascar	19	15	210	351	561
	Malawi	13	9	20	262	282
	Mali	14	9	112	266	378
	Mauritania	3	4	0	33	33
	Mozambique	20	10	250	241	491
	Niger	14	7	100	120	220
	Nigeria	145	11	0	1,562	1,562
	Rwanda	9	9	175	92	267
	Sao Tome and Pr	0.2	1	6	0	6
	Senegal	12	9	130	230	360
	Sierra Leone	6	3	10	93	103
	Tanzania	39	17	540	1,142	1,682
	Togo	6	2	175	17	192
	Uganda	30	10	460	511	971
	Zambia	12	7	10	168	178
	Subtotal		**256**	**4,008**	**11,979**	**15,988**
East Asia and the Pacific						
	Cambodia	14	8	15	146	161
	Indonesia	223	4	70	900	970
	Lao PDR	6	10	28	62	90
	Mongolia	3	8	0	78	78
	Papua New Guinea	6	3	0	82	82

Region	Country	2006 Population (million)	Number Of Operations	FY06-08 Commitments (US$ million) Dev. Pol. Lend.	Investment	Total
	Samoa	0.2	1	0	11	11
	Solomon Islands	0.5	2	0	5	5
	Timor-Leste	1	5	1	17	17
	Vietnam	84	25	475	2,197	2,672
	Subtotal		**66**	**589**	**3,498**	**4,086**
South Asia						
	Afghanistan	31	19	160	642	802
	Bangladesh	144	18	1,135	459	1,594
	Bhutan	1	5	27	21	48
	India	1110	14	290	3,298	3,588
	Maldives	0.3	2	0	28	28
	Nepal	28	8	0	483	483
	Pakistan	159	17	1,170	1,269	2,439
	Sri Lanka	20	8	0	373	373
	Subtotal		**91**	**2,782**	**6,573**	**9,355**
Europe and Central Asia						
	Albania	3	6	10	121	131
	Armenia	3	11	67	121	187
	Azerbaijan	8	8	0	229	229
	Bosnia-Herzegovina	4	6	0	115	115
	Georgia	4	10	83	84	167
	Kosovo	2	6	0	36	36
	Kyrgyz Republic	5	9	0	105	105
	Moldova	4	9	20	96	116
	Montenegro	NA	3	0	28	28
	Serbia	NA	2	55	45	100
	Tajikistan	7	11	20	76	96
	Uzbekistan	27	2	0	83	83
	Subtotal		**83**	**254**	**1,137**	**1,392**
Middle East and North Africa						
	Djibouti	1	3	0	22	22
	Iraq	29	5	0	509	509
	Yemen, Republic of	22	10	51	269	320
	Subtotal		**18**	**51**	**799**	**850**
Latin America and the Caribbean						
	Bolivia	9	9	0	147	147
	Dominica	0.1	1	0	1	1
	Grenada	0.1	2	0	5	5
	Guyana	1	2	10	11	21
	Haiti	9	11	23	130	153
	Honduras	7	9	0	230	230
	Nicaragua	5	8	25	153	178
	OECS Countries	NA	2	0	21	21
	St. Lucia	0.2	1	0	5	5
	Subtotal		**45**	**58**	**705**	**763**
Total			**559**	**7,742**	**24,691**	**32,433**

Note: Supplements are included in the amounts, but not counted as separate lending operations.
Joint IBRD/IDA operations are counted only once as IBRD operations.

(a) Excludes IDA Guarantees

Table 8: Sectoral Distribution of IDA13 and IDA14 Commitments [a]

	IDA13		IDA14	
	US$m	**Share of Total**	**US$m**	**Share of Total**
Development Policy Operations				
Agricultural, Fishing, and Forestry	309	5%	549	7%
Education	781	13%	1,000	13%
Energy and Mining	229	4%	728	9%
Finance	511	9%	372	5%
Health and Other Social Services	793	14%	625	8%
Industry and Trade	514	9%	638	8%
Information and Communications	96	2%	63	1%
Law and Justice and Public Administration	2,404	41%	3,510	45%
Transportation	53	1%	150	2%
Water, Sanitation, and Flood Protection	140	2%	107	1%
Total	**5,830**	**100%**	**7,742**	**100%**
Investment Operations				
Agricultural, Fishing, and Forestry	1,587	8%	2,202	9%
Education	2,288	12%	2,788	11%
Energy and Mining	1,714	9%	2,763	11%
Finance	807	4%	849	3%
Health and Other Social Services	3,144	17%	3,178	13%
Industry and Trade	785	4%	984	4%
Information and Communications	173	1%	168	1%
Law and Justice and Public Administration	3,400	18%	4,862	20%
Transportation	3,284	17%	4,145	17%
Water, Sanitation, and Flood Protection	1,864	10%	2,753	11%
Total	**19,046**	**100%**	**24,691**	**100%**
Total Commitments				
Agricultural, Fishing, and Forestry	1,897	8%	2,751	8%
Education	3,069	12%	3,787	12%
Energy and Mining	1,942	8%	3,491	11%
Finance	1,318	5%	1,221	4%
Health and Other Social Services	3,937	16%	3,802	12%
Industry and Trade	1,300	5%	1,622	5%
Information and Communications	269	1%	230	1%
Law and Justice and Public Administration	5,804	23%	8,372	26%
Transportation	3,336	13%	4,295	13%
Water, Sanitation, and Flood Protection	2,004	8%	2,861	9%
Total	**24,876**	**100%**	**32,433**	**100%**

[a] Excludes IDA Guarantees.

Table 9: Detailed Sector Breakdown of IDA14 Commitments by Fiscal Year (US$ million) [a]

	IDA13	FY06	FY07	FY08	IDA14	% Change IDA13 to IDA14
Agricultural, Fishing, and Forestry	1,897	977	794	980	2,751	45%
Social Sector	**7,006**	**1,968**	**3,466**	**2,156**	**7,590**	**8%**
Education	3,069	941	1,601	1,246	3,787	23%
Health and Other Social Services	3,937	1,026	1,866	910	3,802	-3%
Infrastructure	**7,552**	**2,712**	**3,839**	**4,326**	**10,877**	**44%**
Energy and Mining	1,942	955	1,117	1,420	3,491	80%
Information and Communications	269	67	147	17	230	-14%
Transportation	3,336	1,034	1,412	1,849	4,295	29%
Water, Sanitation, and Flood Protection	2,004	656	1,164	1,041	2,861	43%
Industry	**8,422**	**3,790**	**3,652**	**3,773**	**11,215**	**33%**
Finance	1,318	281	476	464	1,221	-7%
Industry and Trade	1,300	751	437	433	1,622	25%
Law and Justice and Public Administration	5,804	2,757	2,738	2,876	8,372	44%
Total	**24,876**	**9,446**	**11,752**	**11,235**	**32,433**	**30%**

[a] Excludes IDA Guarantees.

Table 10: IDA13 and IDA14 Commitments by Theme (US$ million) [a]

Major Theme	IDA13	IDA14	% Change IDA13 to IDA14
Economic Management	445	432	-3%
Public Sector Governance	3,990	5,917	48%
Rule of Law	287	419	46%
Financial and Private Sector Development	3,865	4,932	28%
Trade and Integration	924	1,696	84%
Social Protection and Risk Management	2,060	2,191	6%
Social Development, Gender, and Inclusion	2,491	2,505	1%
Human Development	4,656	5,564	19%
Urban Development	1,417	2,420	71%
Rural Development	3,328	4,710	42%
Environment and Nature Resources Management	1,413	1,646	17%
Total	**24,876**	**32,433**	**30%**

[a] Excludes IDA Guarantees.

Table 11: IDA Disbursements by Region and Lending Instrument [a]

		IDA13 [b]		IDA14		% Change IDA13 to IDA14
		US$m	Share of Total	US$m	Share of Total	
AFR		**10,529**	**46%**	**12,703**	**48%**	**21%**
	Development Policy Operations	3,784	36%	3,970	31%	
	Investment Operations	6,745	64%	8,733	69%	
EAP		**2,316**	**10%**	**2,718**	**10%**	**17%**
	Development Policy Operations	437	19%	546	20%	
	Investment Operations	1,879	81%	2,173	80%	
SAR		**6,823**	**30%**	**8,640**	**32%**	**27%**
	Development Policy Operations	1,843	27%	2,691	31%	
	Investment Operations	4,980	73%	5,949	69%	
ECA		**1,654**	**7%**	**1,463**	**5%**	**-12%**
	Development Policy Operations	700	42%	302	21%	
	Investment Operations	954	58%	1,161	79%	
MNA		**514**	**2%**	**546**	**2%**	**6%**
	Development Policy Operations	6	1%	0	0%	
	Investment Operations	509	99%	546	100%	
LCR		**1,085**	**5%**	**578**	**2%**	**-47%**
	Development Policy Operations	392	36%	129	22%	
	Investment Operations	693	64%	449	78%	
Total		**22,922**	**100%**	**26,649**	**100%**	**16%**
	Development Policy Operations	7,162	31%	7,638	29%	
	Investment Operations	15,760	69%	19,012	71%	

[a] Excludes IDA guarantees.
[b] Adjusted for IDA HIPCs developmental grant, HIPCs debt Services, and Bosnia Trust Fund disbursements in the earlier fiscal years.

Table 12: IDA Disbursements by Sector [a]

Major Sector	IDA13		IDA14		% Change IDA13 to IDA14
	US$m	Share of Total	US$m	Share of Total	
Agriculture, Fishing and Forestry	1,864	8%	2,286	9%	23%
Social Sectors	**6,894**	**30%**	**7,643**	**29%**	**11%**
Education	2,649	12%	3,464	13%	31%
Health and Social Services	4,245	19%	4,178	16%	-2%
Infrastructure Sectors	**5,803**	**25%**	**7,452**	**28%**	**28%**
Energy and Mining	1,608	7%	2,105	8%	31%
Information and Communication	182	1%	175	1%	-4%
Transportation	2,686	12%	3,210	12%	20%
Water, Sanitation and Flood Protection	1,327	6%	1,962	7%	48%
Finance	1,646	7%	1,081	4%	-34%
Industry and Trade	1,172	5%	1,266	5%	8%
Law and Public Administration	5,527	24%	6,931	26%	25%
Others [b]	15	0%	0	0%	NA
Total	**22,922**	**100%**	**26,659**	**100%**	**16%**

[a] Excludes IDA guarantees.

[b] Includes Unassigned activities.

Annex 4
Monitorable Actions for IDA14 (FY06-08)

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
A. INCREASE IDA EFFECTIVENESS			
A.1. Allocating IDA Resources			
• Allocate IDA resources in accordance with PBA system, as set out in Annex 1.	• CPIA Exercise	Ongoing	IDA14 allocations were made in accordance with the agreed rules of the PBA system, and were completed in 2005, 2006, and 2007 respectively.
• Maintain the present strength of the governance factor in the PBA. Reduce governance factor volatility by using a three year moving average for the procurement flag component. Prepare paper on experience with the governance factor for Mid-Term Review.	• Review of experience with the governance factor	Mid-Term Review	The strength of the governance factor was maintained throughout IDA14, with some modifications to reduce volatility. The volatility of the governance factor was mitigated for the 2005 and 2006 annual allocations by using the 3-year moving average for the procurement rating in the governance factor. In early 2007, the procurement factor was dropped from the calculation of the governance rating to further reduce volatility of governance ratings.
• Direct half of IDA's assistance to Africa, if warranted by performance, and support the efforts of these countries to use these resources effectively.	• IDA Lending Report	Annual	Africa continued to receive the largest share of commitments during the IDA14 period amounting to 49 percent on average. Africa's share of disbursements during IDA14 was 47 percent, similar to the 46 percent average share during IDA13.
• Implement the system for exceptional allocations to eligible post-conflict countries, as modified at the IDA13 Mid-Term Review.	• CPIA Exercise	Ongoing	During IDA14, eligible post-conflict countries received exceptional allocations according to the modifications agreed upon at the IDA13 MTR. Post-conflict countries received up to four years of exceptional allocation, plus three years of phase down to the performance-based norm; the re-engaging countries received exceptional allocations for two years, with one year of phasing down to the performance based allocation.
• Fully disclose the numerical CPIA and IDA Country Performance Ratings.	• CPIA Exercise	Annual starting with FY06 ratings exercise	The CPIA and IDA country performance ratings were disclosed for the first time in June 2006 and annually thereafter. The ratings are now available on IDA's external website.
• Encourage other partners to align their resources with performance, and work with RMDBs toward greater harmonization of PBA systems.	• Consultations ongoing with RMDBs	Ongoing	IDA outreach has resulted in increasing harmonization of the IDA PBA system, in particular with AfDB and AsDB. Consultation meetings were held in: Tunis, March 2006; Washington, DC, January 2007; and Rome, March 2008. Harmonization steps are also under consideration at other MDBs and facilities such as IADB, IFAD, and GEF.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
<u>A.2. Strengthening Transparency And Accountability</u> • **Financial flows**: Predicate IDA financial assistance to a project with a significant impact on revenues on governments ensuring a functioning system for accounting for revenues and their use, and for the independent auditing of such accounts and the public dissemination of the results. Closely monitor the implementation of these systems and take appropriate (and timely) corrective actions as needed.	• Project documentation • Report on Status of Projects in Execution	Ongoing Annual	Systems for accounting for revenues and their use are included in all relevant projects receiving IDA assistance. Regular reporting on experience with these systems takes place in a range of fora, including in the context of the Extractive Industries Transparency Initiative (additional information on fiduciary safeguards is provided under "Financial Assistance" under Section A: Growth in IDA Countries in IDA14 MTR Report).
• **Disclosure:** Demonstrate leadership among the multilateral development institutions on transparency in its own deliberations and the accountability of its operations and explore the scope for further enhancing public access to information on Board proceedings, including the disclosure of Board minutes.	• World Bank Disclosure Policy: Additional Issues, Follow-up Consolidated Report • Progress Report on Implementation of Disclosure Policy	Early 2005 June 2006	In March 2005, the Executive Directors approved several important changes to the Bank's disclosure policy, including the disclosure of the minutes of Board meetings. Consistent with this policy, from April 2005, the Bank has been disclosing the minutes of Board meetings (except those of Executive Sessions of the Board) on the Bank's external website. Progress in the implementation of each project and program receiving financial support from IDA is published in the annual report entitled *Status of Projects in Execution* (SOPE report). Since 2002, the SOPE report has been made available to the public on the Bank's external website. SOPE for FY06 provides information on all projects that were active as of June 30, 2006.
• Carry out an independent comprehensive assessment of IDA's control framework including internal controls over IDA operations and compliance with its charter and policies, and make such assessment publicly available after disclosure has been approved by IDA's Executive Directors.	• OED Assessment	CY05	The assessment of IDA's control framework has been completed by IEG and was publicly disclosed in April, 2009. IEG concluded that "with some important qualifications, IDA's internal controls framework operates to a high standard overall, giving reasonable assurance that the controls operate effectively." Furthermore, IEG stated that subject to identified exceptions, the evidence presented provide Senior Management and the Executive Directors with reasonable assurance regarding the achievement of the three key COSO objectives of reliable financial reporting, compliance with policies and procedures, and the efficiency and effectiveness of operations. Bank management is implementing a robust plan of remedial actions to address the deficiencies identified and both IAD and IEG have endorsed management's actions as appropriate. To ensure effective monitoring and accountability for implementation of these actions, an Implementation Oversight Panel (IOP) has been established and management has requested IAD and IEG to review remedial efforts. The IOP has an external co-chair and will report periodically to the President and the Audit Committee on implementation progress.
• **Safeguards:** Establish procedures and mechanisms that ensure that new approaches to safeguards provide equivalent protection to the environment and vulnerable social groups in project design and implementation.			The World Bank's 11 Safeguard Policies promote environmentally and socially sustainable development by requiring that potentially adverse environmental impacts and selected social impacts of our investment projects be identified, avoided, or minimized where feasible and be mitigated, compensated, and monitored. The Quality Assurance and Compliance Unit (QACU) provides oversight on consistent implementation of the Safeguard Policies across all regions by screening projects early in the project cycle to identify potential environmental and social risks and to determine the type and extent of the instruments, e.g., Environmental Assessment, Resettlement Policy Framework, or Indigenous Peoples Plan. QACU also provides training to staff on these safeguards.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
			As highlighted in the Development Policy Lending Retrospective (World Bank, 2006a and 2009e) the Bank also systematically reviews DPOs to ensure compliance with OP 8.60 in terms of their likely significant effects on the environment and likely and significant social aspects. Efforts are also made to reinforce positive environmental and social outcomes. Further emphasis is currently being placed on upstream analytic work (such as Country Environmental Analysis, Strategic Environmental Assessment, Country Social Analysis, and Poverty and Social Impact Assessment) and capacity building to support DPOs. The Multilateral Financial Institutions Working Group on Environment, which supports harmonization efforts, issued, "A Common Framework for Environmental Assessment: A Good Practice Note" at the High Level Forum on Development Effectiveness (March 2005) that provides guidance on addressing safeguard issues in project design and implementation. An evaluation of the initial phase of the pilot program for use of country systems for environmental and social safeguards (that was approved by the Executive Directors in March 2005) was prepared in 2008. Based on this review the Executive Directors approved an incremental scaling up of the initiative from the project to the country level. The objectives of this new approach are to engage a greater range of borrowers and other development partners to achieve economies of scale, apply a greater range of safeguards and build borrower capacity on a more sustainable basis than is feasible at the project level.
• Strengthen documentation of stakeholder feedback from consultations required under the Bank's safeguard policies.	• Project documentation	Ongoing	Bank safeguard policies mandate use of consultations to obtain stakeholder feedback, especially for environmental assessment, involuntary resettlement and Indigenous Peoples. Planning and conduct of consultations and documentation and use of stakeholder feedback has also been a key element of Bank-supported safeguards training. Bank safeguard specialists have worked with Task Teams and Borrowers to improve documentation and make more effective use of stakeholder feedback. The revised Indigenous Peoples Policy (May 2005) provides for use of "free, prior and informed consultation" with affected groups which is to be documented.
B. PROMOTE GROWTH IN IDA COUNTRIES			
B.1. Improve Bank Instruments For Growth Promotion • Increase efforts to identify remaining constraints to growth in specific country contexts, including work on growth, equity, poverty, and governance.	• World Development Report 2006: Equity and Development	Annual	World Development Report (WDR) on Equity and Development (2006) stressed that equity, giving everyone the same chance in life, is vital to achieving economic growth and prosperity. The WDR on "Development and the Next Generation" (2007) emphasized the growth and poverty reduction benefits of improving education, health care and job training for the young. The WDR on "Agriculture for Development" (2008) stressed a need for greater investment in agriculture as a key element of strategies for growth and poverty reduction.
• Ensure that IDA support to countries preparing PRSs and CASs places appropriate weight on the importance of economic growth for poverty reduction in IDA countries, and on PSD as a critical means for promoting stronger growth.	• CEMs, other country-focused ESW • PRSs, CASs • Review of CASs	Ongoing Completed	The CAS retrospective (OPCS, 2009) indicates that in 81 percent of CASs prepared for IDA countries during FY06-FY08Q2, economic growth is explicitly set out as a key objective or pillar in the CAS results framework. In addition, growth analysis underpins most CASs, including a greater focus on binding constraints and on inclusive growth.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Strengthen CASs, and review results-based CAS pilots launched in seven countries in FY03, to inform the design and mainstreaming of the results-based CAS in all IDA countries during IDA14.	• Results-based CAS mainstreaming • Stock Taking Report of RBCAS Pilot	Ongoing FY05	All IDA14 CASs are results-based. The 2009 CAS retrospective reviewed IDA's experience with RB CASs and provides guidance for further improvements of the approach. Completed July 2005.
B.2. Strengthening IDA's Analytical Work • Increase efforts to provide high-quality ESW which is timely and directly usable by policy-makers. ➢ Increase emphasis on reports that stress integrating macroeconomic, sector and structural reform issues for growth. ➢ Increase client participation in ESW preparation to help build capacity, ownership and consensus for reform efforts, and monitor and report on progress. ➢ Assess coverage of existing ESW gaps, and overall progress made in improving ESW quality (including collaboration with partners), implementing the ESW results framework, and disclosing ESW.	• ESW • ESW Progress Report • Sector Strategy Implementation Update	Ongoing Mid-Term Review Annual	*Quality of Country AAA: A QAG Assessment was* completed in 2008. Assessment finds the Bank has maintained ESW quality while expanding coverage. Of 105 tasks reviewed in a sample of 16 IDA-eligible countries, 90 percent were rated satisfactory or better. Based on country preferences, the approach to AAA during IDA14 shifted from mandatory programming to programming of AAA products based on the scope of country engagement, priorities and circumstances, and diagnostic works already available. Thus, during IDA14, total AAA products fell from 830 to 690; core diagnostic ESW products declined by 40 percent to 199 while non-lending technical assistance products increased from 993 to 1,240. The coverage of countries with up-to-date fiduciary products increased to 91 percent up from 84 percent in FY06 and 46 percent in FY03. IEG and QAG Reviews assessed the quality of AAA in the following reports: "Public Sector Reform: What works and Why" 2008; "Using Knowledge to improve Development Effectiveness. An Evaluation of World Bank Economic & Sector Work and Technical Assistance" 2008; "Annual Review of Portfolio Performance" 2006, 2007, 2008 and 2009; "Quality of Country AAA Phase I and Phase II: A QAG Assessment," 2008. Ninety-five percent of country stakeholders in the IEG data rate technical quality above average or higher. The QAG report based on assessments of 485 Country AAA (C-AAA) tasks in 53 countries in FY05 and FY07 affirmed IEG findings on quality. Eighty eight percent of C-AAA tasks – weighted by expenditures – rated moderately satisfactory or better (MS+). Ninety one percent of programs in the QAG assessment rated MS+ on internal quality for all regions; and 87 percent rated MS+ on strategic relevance and scope. Preparation of SSIUs has been stopped and is to be folded into a new product, the results report. The First Concept Note of the new product was presented to the Executive Directors in July 2008 and work is currently under way on the first report expected in the second quarter of FY2010.
• For countries that do not have large lending programs – e.g., small, vulnerable and non-post-conflict LICUS with prolonged political crisis or deteriorating governance: ➢ carefully tailor IDA's ESW to address issues of particularly high priority in the country context ➢ increase donor collaboration to cover ESW gaps ➢ develop alternative, innovative and more effective means of engagement	• CASCR for small states • World Bank Group Progress Report on Small States Work Program for the Small States Forum • LICUS Implement. Progress Report	Ongoing September 2008 Annual	On-going. This depends on CAS cycle of the specific small state. For example, the following CASCR were prepared as part of a new CASs: Bhutan (FY06), Cape Verde (FY09), Djibouti (FY09) Gambia FY08, (FY06), Lesotho (FY06), Maldives (FY08), Sao Tome and Principe (FY06), Organization of Eastern Caribbean States (Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent & Grenadines) FY06. Report "*Small States Forum: Towards an Outward-Oriented Development Strategy for Small States: Issues, Opportunities and Resilience Building"* was completed August 2006. Small State Forum meetings were held in 2007 and 2008. The 2007 meeting agreed on establishing A Network for Economic Development to promote sustainable development and increased integration of the concerns of small states Completed in December 2005.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Monitor and report on the Bank's support to fragile states through the LICUS Initiative, including country level strategies and results, institutional reform and partnerships.	• OED evaluation of World Bank support to LICUS	June 2006	*Engaging with Fragile States: World Bank Support to Low-Income Countries Under Stress* 2003-2005. *An IEG Review* was completed June 2006.
B.3. Financial Assistance • Assure adequate fiduciary safeguards underpinning DPOs.	• Individual operations/project documentation	Annual	As mentioned in the 2006 Development Policy Lending Retrospective, all countries receiving DPOs have benefited from at least one prior fiduciary assessment by the Bank. All but two IDA countries could draw on a completed CFAA or integrated fiduciary work; the other two rely on other fiduciary assessments in a post-conflict environment. 68 percent of IDA/IBRD program documents also reference the CPAR, and more than 20 percent of operations were underpinned by integrated studies such as the country integrated fiduciary assessment, which combines public expenditure management, financial management, and procurement aspects in a single report. CFAAs and CPARs also include a review of PFM systems for indications of lack of transparency and accountability, such as failure to respect internal controls or lack of procedures for reporting bribes and other measures to curb corruption. More than 50 percent of IDA/IBRD operations were informed by findings of at least 3 PFM-related analytic underpinnings, indicating that operations are benefiting from multiple sources on country PFM systems, not only from the Bank but also other partners. More recent review of 121 DPOs (World Bank, 2009e) approved between April 2006 and June 2008 indicates that more than 80 percent supported PFM reforms; 87 percent of DPOs were underpinned by a core PFM diagnostic and 50 percent by a PFM core diagnostic that is less than three years old; three-quarters of DPOs were underpinned by a core procurement diagnostic and one-third by a PFM core diagnostic that is less than three years old. Such analysis is important for the Bank to assess the benefits of providing DPO support (while public expenditure and budget systems are being strengthened), against fiduciary and reputational risks. In some cases where risks are deemed to be very high, some degree of ring fencing is involved, with funds disbursed into a separate account. The Bank supports the strengthening of budget systems in client countries directly through financial and technical assistance. Since FY07, public financial management reform and improvements in financial accountability and budget processes have accounted for half of all conditions in Bank DPOs, up from an average of 24 percent in the 1980s.
• Monitor annually the share of DPOs. If it is projected that the share could exceed 30 percent, report that projection to the Executive Directors for review and guidance. • Prepare proposal for a framework assessing the readiness of recipient countries to make productive use of DPOs, based on a systematic review of experience, for consideration and endorsement by Deputies at the Mid-Term Review.	• IDA Lending Report/Board paper as necessary • IDA Paper	Annual Mid-Term Review	On a three-year rolling average basis, IDA's DPO share was 24 percent of total IDA commitments during FY06-08, the same as IDA's historical average over the past two decades. Initially, reporting on the outlook for the share of DPOs in Bank operations was done through stand alone reports. Since 2007, reporting takes place through the Medium-term Strategy and Finance paper. A report assessing readiness of recipient countries to make productive use of DPOs was submitted to and discussed at the IDA14 MTR.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Maintain IDA's strong performance as a lender to the social sectors.			Social sectors, on average, accounted for 23 percent of total IDA14 commitments and close to 24 percent for IDA14 investment operations, with growing attention to education.
• Submit to Deputies a report on the implementation of the recommendations contained in the 2005 Review of World Bank Conditionality. • Substantially increase commitments in infrastructure based on country strategies, while maintaining strong environmental and social safeguards.	• Progress Report on implementation of conditionality review recommendations • Individual operations • IDA Lending Report	Mid-Term Review Ongoing Annual	The use of the good practice principles were reviewed by the Bank's Executive Directors in July 2006 in the Development Policy Lending Retrospective. In response to requests for additional information, and to come to a definitive conclusion on the implementation of the recommendations of the 2005 Review of World Bank Conditionality, a second paper "Good Practice Principles for the Application of Conditionality: A Progress Report (R2006-0201, IDA/R2006-210)" was discussed by the Bank's Executive Directors of Executive Directors in December 2006. During 2007, the World Bank reviewed its latest experience with conditionality in development policy lending based on a comprehensive review of all operations approved during FY07 complimented by a series of consultations in eight IDA-eligible countries during July-September 2007. The resulting report "Conditionality in Development Policy Lending" SecM2007-0490 was discussed by the Executive Directors in December 2007. An update on the implementation of the Good Practice Principles on the Application of Conditionality will be provided in the forthcoming DPL Retrospective in 2009. The 2007 report (as well as the initial results from the 2009 DPL retrospective) confirm that Bank support remains broadly consistent with the good practice principles on conditionality. In particular, the paper gives evidence for government ownership of Bank-supported programs, including where they support sensitive reforms, and for the use of analytic work to address poverty and social impacts of policies. Progress has also been made in other areas: (a) sensitive reforms are rarely used in fragile environments and only when there is sufficiently strong evidence of ownership; (b) use of process conditions is rare; (c) matrix sizes have been sharply reduced, and a further reduction may not be possible without harming harmonization efforts; (d) in many countries the Bank is working closely with financial partners in harmonizing support around government budget cycles; (e) the Bank maintains a strong record of predictability of its budget support; and (f) results frameworks have been strengthened through the more systematic use of baseline indicators. During IDA14, the average sectoral share of infrastructure in the total commitments for investment operations increased to 39 percent, up from annual average share of 37 percent during IDA13.
B.4. Governance and Public Institutions • Mainstream governance reforms in operational activities by focusing diagnostic work directly on public resource management, particularly, budgeting, expenditure reporting; auditing and enforcing financial accountability rules; and ensuring procurement processes that are timely and transparent.	• PERs, CFAAs, CPARs, and integrative fiduciary assessments	Ongoing	During IDA14, coverage for fiduciary reports (PER, CPARs, CFAAs) has increased significantly reaching 85 percent in 2006 (13 percent at the end of FY03). The fiduciary work has seen significant change, through two important initiatives, namely the roll-out of the adoption of the Public Expenditure and Fiduciary Assessment (PEFA), Public Financial Management (PFM) Performance Measurement framework in 2005 and the implementation of the Governance and Anticorruption (GAC) Strategy approved by the Bank's Executive Directors in March 2007. During IDA14, PFM assessments have been prepared for more than 30 IDA eligible countries, often in collaboration with other development partners. The GAC strategy introduced the Country Governance and Anticorruption approach as a central tool for the mainstreaming of governance reforms at the country level, and has been rolled out in 27 countries. At the project level, a more balanced approach to risk management has begun to emerge. Four elements are key to this balanced approach: (i) upstream diagnostics to identify governance and corruption constraints to the development effectiveness of projects; (ii) proactive "smart

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
			project design" to address these constraints – including via expanded use of transparency mechanisms, participation, and third party monitoring; (iii) strengthening fiduciary controls in project design and smart project monitoring and supervision during implementation; and (iv) informed risk-taking for initiatives where the potential for development impact is large, even though the risks remain high.
B.5. Trade, Growth and Poverty Reduction			
• Continue analytical and policy work on the relationship between the trading environment and development, provide advisory services to help countries expand and diversify exports, and help borrowers improve trade negotiation capacity.	• Trade Progress Report	Semi-Annual	The following reports were completed during IDA14: *Doha Development Agenda and Aid for Trade,* (August 2006); The Doha Development Agenda and Aid for Trade: Hong Kong and Beyond (April 2006); Aid For Trade: Harnessing The Global Economy For Economic Development (October 2007); Multi-Donor Trust Fund for Trade and Development Progress Report (April 2008); Coping with New Strains in the Global Trading System: Doha Round, Food Prices, and joint WB/IMF Aid for Trade (September 2008).
• Continue work of the Integrated Framework program to identify constraints to trade and the potential to expand and diversify the exports of IDA countries.	• Trade Progress Report	Semi-Annual	During IDA14 the Integrated Framework study was prepared for several IDA countries, including Angola, Burkina Faso, Central Africa Republic, Gambia, Kenya, Lao, Pakistan, Sao Tome and Principe, Sierra Leone and Uganda. In preparation of DTISs, the Bank closely collaborated with other development agencies, including the IMF, International Trade Center, UN Conference on Trade and Development, UN Development Program and World Trade Organization.
• Support countries integrating with the global economy, including through cost and impact analysis, and development of mitigation policies where necessary.	• Trade Progress Report	Semi-Annual	IDA at Work: Integrating IDA Countries into the Global Economy (July 2008)
C. SUPPORT PRIVATE SECTOR DEVELOPMENT			
• Strengthen IDA's PSD-related analytic/diagnostic work, non-lending technical assistance, knowledge management, and training activities. • Increase coverage of investment climate surveys and diagnostics.	• ESW/AAA • 5-10 IC surveys per year • 5-10 IC country diagnostics per year • DB Project	Ongoing Annual Annual Annual	Standardized Enterprise Surveys (ES) - 33 ES delivered in IDA/Blend countries. Investment Climate Assessments (ICAs) - 31 ICAs delivered in IDA/Blend countries. Doing Business – in 2007 twenty new countries were added, 11 of which are IDA/Blend countries.
• Reflect findings of diagnostic studies in CASs and IDA projects and programs, and shift toward monitoring key indicators, in partnership with other stakeholders, as better baselines of information on countries' investment climate are established. • Adapt accumulated investment climate knowledge to local environments, and shift diagnostic efforts toward monitoring key indicators over time in partnership with other stakeholders.	• CASs, Individual operations	Ongoing	There is increasing use of ES/DB indicators in results-based CASs and in IDA supported projects and programs. The DB indicators have become an important instrument for cross country benchmarking and for monitoring on an annual basis regulations for starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Increasingly, standardized ESs are complemented by ESs that focus on specific sectors or issues in response to country priorities. This includes ESs focusing on rural, micro and informal enterprises, employees, tourism, IT, hotels, or manufacturing.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Support MSMEs through market-based approaches, document successes and lessons for adoption by other countries, and report on IDA-IFC collaboration on MSMEs in Africa at the Mid-Term Review.	• IDA-IFC Africa MSME Review	Mid-Term Review	A paper entitled "A review of the Joint IDA-IFC Micro, Small and Medium Enterprise Pilot Program for Africa" assessing the Program was presented at the IDA14 MTR. The discussions concluded that IDA and IFC collaboration has the potential to add value by bundling financial products, technical assistance and business environment reforms. The program continued to be implemented during IDA14 and its results are encouraging (see section 4.3 and Annex 14 for details). The implementation of the MSME program will be monitored during IDA15.
• Review Output-Based Aid (OBA) pilot projects to draw lessons learned from pilot experiences in IDA countries.	• OBA project review	Mid-Term Review	A paper entitled "A Review evaluating projects using OBA approaches" was presented at the IDA14 MTR. The review indicated that OBA projects have the potential to deliver infrastructure and social services to the poor in an innovative manner. As recommended by the Deputies, the program continued to be implemented during IDA14 and its results are encouraging (see section 4.4 and Annex 14 for details). The results will be reviewed at IDA15 MTR.
• Increase joint IFC/IDA CASs.	• 5-10 joint CASs per year	Ongoing	For full CASs prepared during FY06-FY08Q2, 18 out of 26 IDA and blend CASs were prepared jointly.
D. STRENGTHENING DEBT SUSTAINABILITY FRAMEWORK			
• Implement grant allocation framework using countries' risk of debt distress as primary grant eligibility criterion.			Grant allocations in FY06, FY07, and FY08 are based on countries' risk of debt distress, except for Kosovo and Timor-Leste, as per IDA14 agreement.
• Present proposal to address the "free rider" issue to IDA's Executive Directors.	• Board paper	June FY05	Board paper "IDA Countries and Non- Concessional Debt: Dealing with the "Free-Rider" Problem in IDA14 Grant-Recipient and Post-MDRI Countries" (IDA R/2006-0137) was approved by the Executive Directors on July 11, 2006. Specific cases addressed in IDA14 included Angola (terms hardened), Ghana (terms hardened), Mali (waiver), Mauritania (renegotiated on more favorable terms), Rwanda (waiver). Outreach to wide range of creditors undertaken. Update paper was prepared in 2008: "IDA's Non-Concessional Borrowing Policy: Review and Update." (IDA/SecM2008-0473).
• Provide detailed guidelines for implementation of the IDA14 grant allocation framework for Executive Directors' review.			Guidelines for implementation of the IDA14 grant allocation framework were submitted to Executive Directors for information on October 18, 2005.
• Establish a hard term window for creditworthy blends.			In FY06, IDA14 resources totaling SDR 165 million were allocated for the new hard-term lending window. The interest rate for hard-term credits was set at 3.0 percent, equivalent to a discount of 200 basis points below the 40-year fixed-rate equivalent of the IBRD lending rate. Eligible countries for hard term credits and their FY06 allocations included: Azerbaijan (SDR 6 million); India (SDR 97 million) and Pakistan (SDR 62 million). For FY07, resources for the hard term lending window amount to SDR 118 million, allocated to India (SDR 72 million) and Pakistan (SDR 46 million). For FY08 resources for the hard term window were SDR 131.7 million, allocated to India (SDR 80.5 million) and Pakistan (SDR 51.2 million). Actual usage of the hard term window over IDA 14 was as follows: Azerbaijan (SDR 6.0 million), India (SDR 97.0 million), and Pakistan (SDR 159.2 million). The interest rate on hard term credits for FY07 and FY08 was set at 4.0 and 4.2 percent respectively.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Make rapid progress in the design and implementation of the forward-looking aspects of the joint Bank-Fund DSF. • Assess implementation of grant allocation framework, closely monitor the grant level and devise action plan as necessary. • Prepare paper on the feasibility of strengthening countries' response to shocks.	• IDA Paper	Mid-Term Review	MTR paper entitled "Debt Dynamics and Financing Terms: A Forward-Looking Approach to IDA Grant Eligibility" was prepared in November 2006. MTR paper entitled "Assessing Implementation of the IDA14 Grants Framework" was prepared in October 2006. Paper entitled "IDA Countries and Exogenous Shocks" was prepared in October 2006 for IDA Deputies for discussion at MTR.
E. STRENGTHEN RESULT FOCUS			
E.1. Monitor Country Outcomes (Tier 1) • Monitor and report on aggregate progress on 14 key country outcome indicators. • Report on IDA's contribution to country outcomes, including strengthened country capacity to ensure adequate monitoring of key sector outcomes for all new health, education, water supply, rural road transport operations. • Report on progress in implementing IDA's results-related mandates. • Design IDA-funded projects to support country monitoring of core outcomes.	• IDA14 Results Measurement Progress Report • Report for Mid-Term Review • Individual operations • Project documents	Mid-Term Review Mid-Term Review Ongoing Ongoing	IDA14 RMS website was launched in September 2005, to facilitate continuous monitoring of outcome indicators; Indicators also reported to the Deputies in the IDA14 RMS Progress Report of November 2006 (IDA, 2006d). Reported to the Deputies in IDA14 RMS Progress Report of November 2006 (IDA, 2006d). Reported to the Deputies in IDA14 RMS Progress Report of November 2006 (IDA, 2006d). As noted in this report, progress in this area has been slower than anticipated; however, actions were undertaken during IDA14 to ensure full compliance going forward (see Annex 9).
E.2. Monitor IDA's Contribution to Country Outcomes (Tier 2) • Ensure that all CASs initiated after January 2005 are results-based (RB CAS). Monitor cumulative introduction of RB CASs. • Following full implementation of the new results-based CASs, add an additional indicator based on reporting on results-based CAS outcomes.	• RB CASs: a total of 16 completed by end FY05; 30 completed by FY06; 45 completed by FY07	Ongoing	All IDA14 CASs are results-based. The 2009 CAS retrospective reviewed IDA's experience with RB CASs and provided guidance for further improvements of the approach (see OPCS 2009). The RMS will draw on recent innovations in the CAS process to improve the quality of results frameworks in CASs and rate program performance in CAS Completion Reports (CASCRs) by proposing monitoring of self-ratings in CASCRs and their independent validation by IEG.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Monitor and target quality-at-entry of IDA operations, and track and target share of IDA operations that successfully achieve their development outcomes. Improve quality-at-entry of IDA projects beyond the current level of 85 percent. • Monitor the extent to which results frameworks are incorporated into the design of IDA-financed projects by explicitly assessing the results framework underpinning project design in quality-at-entry assessments. • Implement results framework for IDA projects and programs that includes indicators connected to a timeline with baseline data and periodic assessments of project and program performance against defined expectations. Work to ensure that 100 percent of IDA investment projects initiated after July 1, 2004, and DPOs for which Concept Review takes place on or after September 1, 2004, include such frameworks.	• QAG Quality At Entry Assessment	Annual	The quality of IDA operations remained almost unchanged during the IDA13 and 14 implementation periods - 91 and 89 percent of IDA operations were rated as satisfactory during FY04/05 and FY06/07 accordingly. A recent review of the quality of results frameworks in a sample of IDA operations found improvements in the quality of project development objectives, in the percentage of projects with information on baselines at entry, and in the percentage of investment lending project documents that included institutional arrangements for project monitoring and evaluation (M&E). Results frameworks are included in all IDA investment and development policy operations, and a review of results frameworks and baseline at entry are part of the overall review of quality-at-entry made by QAG. During IDA14, due to intensive review and actions by Management and staff, an increasing number of projects had adequate baseline data: 76 percent in FY06, 82 percent in FY07 and 85 percent in FY08. There was also an improvement in projects with institutional arrangements for project monitoring and evaluation. However, improvements are needed in linking CAS outcome monitoring and projects M&E systems with the borrowers' M&E systems.
• Monitor and target the quality at entry of IDA operations and the share of IDA operations that successfully achieve their development outcomes; work to improve the share of project ICRs with average satisfactory outcome ratings and satisfactory data on project outcomes; work to decrease the number of multi-year problem projects; foster a 'culture of results' at both the country-level and among IDA management and staff; and monitor progress on selected aggregate project outputs in four sectors: health, education, transport and water.	• ICRs • OED reviews of ICRs • Up front specification of Results Agreements in staff performance review system	Ongoing Ongoing Ongoing	According to the IEG ratings the overall quality of reporting of IDA operations at exit increased from 85 percent in FY06 to 91 percent in FY07 as well as FY08. Performance of IDA projects in terms of achieving development objectives has been virtually unchanged during the past five years - a positive trend given increasing lending commitments by IDA during IDA14 period. According to the IEG ratings, the number of IDA projects with satisfactory outcome ratings slightly decreased from 77 percent of IDA projects rated satisfactory in FY06, to 72 percent in FY07 and went up again to 80 percent in FY08. These results are broadly consistent with the findings of QALP, which reported about three-quarters of IDA projects, measured by three-year moving averages, rated satisfactory during the past five years. There is, however, a wide variation across regions and sectors, with improvements needed most in the Africa region (especially fragile states) and in Health, Nutrition and Population (HNP). Implementation of the RMS during IDA14 has contributed to positive shifts in the World Bank's internal "results culture", which needs to be sustained and further mainstreamed. A Results Steering Group was formed to foster greater attention to managing for results throughout the World Bank. In collaboration with OPCS and the Knowledge and Learning Board, Regions and Networks use a wide variety of knowledge and learning activities. The Results Secretariat developed and disseminated the IDA Fact Sheet to inform staff about the Bank's commitments under IDA14 and about the RMS. Finally several guidance notes have been prepared to provide staff with key results guidance for each stage of the project cycle.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Complement these data with summary data on disbursement lags by sector and themes, and distinguish between IDA grants and loans in all reports on these indicators.	• Organizational Effectiveness and Internal Budget Process Reform Reviews	Ongoing	In 2004, the Bank introduced changes in its business planning and budgeting process to provide a framework for results at the Vice-Presidential Unit level. Originally designed to address concerns about the budgeting systems, these reforms have evolved into a broader goal of improving the Bank's development effectiveness through achieving results and demonstrating accountability. "Strategy and Performance Management – Budget Committee Update" was presented to the Executive Directors' Budget Committee on October 31, 2006 which reaffirmed its support for the Strategy and Performance Management process. Data on disbursement lags in available in the SOPE report. Additional work is required to report some indicators separately for loans and grants.
• Play a leadership role in the global partnership for statistical capacity-building. Continue support for the PARIS21 consortium, intensify support within CASs and projects for national statistical capacity-building, and work in partnership to implement the global action plan to strengthen statistical systems, including household surveys.	• PARIS21 • CASs • International Household Survey Network forum • Board report	Ongoing Annual	IDA, through the Development Economics Data Group, has played a leading role in assessing statistical capacity in IDA countries, and supporting PARIS21. The Marrakech Action Plan for Statistics is being implemented with support from the Development Grant Facility. Through this partnership, PARIS21 has improved guidance material for countries, and the UN is supporting countries to participate in the 2010 population census round. The International Household Survey Network has been formed and is helping countries provide better access to data by policy makers. By the end of September 2008, 60 IDA countries were either designing, awaiting adoption of, or were implementing National Strategy for the Development of Statistics (NSDS), including 38 of the 40 IDA countries in Sub-Saharan Africa, of which 13 are fragile states. IDA has been supporting the preparation of NSDSs through three vehicles: (i) the Trust Fund for Statistical Capacity Building; (ii) the Statistics for Results Facility; and (iii) support through a larger public sector reform credit. Finally, the Accelerated Data Program (ADP) was launched in 2006 with the aim to improve national household survey programs and improve the accessibility and use of survey data. By the end of FY08, about 20 IDA countries were participating in the ADP. As per May 2006 Board report *"Statistical Capacity Improvement in IDA countries"*, and the two papers on the RMS prepared for the IDA14 MTR and IDA15 replenishment discussions, there is still a need to raise the profile of statistical capacity building efforts in CASs for IDA countries, and in IDA-financed projects.
• Strengthen the results focus of CASs and IDA operations to increase support to countries for building capacity to manage for results and to help ensure that core development outcomes are regularly monitored.	• International Household Survey Network forum	Ongoing	All IDA14 CASs are results based. In the Bank, coordinated budget support, sector-wide approaches, and other collaborative projects are increasingly incorporating performance assessment frameworks that use national monitoring and evaluation systems to assess progress toward expected results identified in poverty reduction strategies.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Work together with other development partners to continue to harmonize results reporting requirements around national monitoring and evaluation systems for implementation of poverty reduction strategies.	• TF for STATCAP • PARIS21 • 2nd High Level Forum on Harmonization and Alignment of Aid Effectiveness (co-sponsored and organized by WB)	March 2005	The Bank co-sponsored the 2nd High Level Forum on Harmonization and Alignment, which resulted in the adoption of the Paris Declaration on Aid Effectiveness as well as quantitative indicators to measures progress. Subsequently, the Bank co-sponsored the 3rd High level Forum, which re-emphasis the central role of delivering and accounting for development results. The Multilateral Development Banks (MDBs) have developed a Common Performance Assessment System (COMPAS) that provides a common source of information on the results orientation of MDBs.
F. WORKING TOGETHER AT THE COUNTRY LEVEL			
F.1. Align and Harmonize Donor Assistance • Work with OECD-DAC and non-DAC donors and development partners to build a better harmonized development assistance system with lower transaction costs, based on a common framework of results, alignment of donor efforts, and stronger and more transparent financial management and capacity in IDA countries.	• 2nd High Level Forum on H&A of Aid Effectiveness (co-sponsored and organized by World Bank) • Coherence, Coordination and Cooperation Report Update	March 2005 March 2005	The Bank co-sponsored the High-Level Forums in Paris in March of 2005 and in Accra in September of 2008 at which the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action were adopted. Several Board papers on the implementation of the aid effectiveness agenda have since been prepared; the latest on "IDA's *Role in Enhancing Country-Level Effectiveness: Strengthening Harmonization and Alignment*" was discussed during IDA15 replenishment discussions. This paper builds on previous work showing that the World Bank and IDA are making substantive contributions to progress in enhancing aid effectiveness at the country level. It also highlights areas in which the Bank and IDA could further improve their aid effectiveness and actions to address them. The paper analyzes new developments; assesses their implications at the country, institutional, and global levels; and identifies additional actions IDA is taking to strengthen its role in and contribution to aid effectiveness. In addition, Memoranda of Understanding between IDA and each Regional Development Banks (RDB), combined with regular VP and Director level consultations, encourage a coherent approach to operational partnerships. Joint or coordinated CASs and the corresponding RDB strategy are on the increase as discussed in section 3.2. The MDBs play a leading role in taking forward several operational aspects of the aid effectiveness agenda, including managing for results and approaches to governance and corruption. RDBs are important co-financing partners to IDA and there is also increased cooperation on analytical work (sometimes in a broader partnership), such as CFAAs in Benin and Chad, joint CEM in Tanzania, business environment studies and joint participation in budget support groups in several countries, joint portfolio reviews in Bangladesh and Nepal, and poverty assessments in Guyana. Coherence, Coordination and Cooperation Report Update delivered in May 2009.
• Submit to the Executive Directors of the Association (i) a monitoring framework for harmonization, including a series of key indicators drawing on the DAC High Level Forum and (ii) baselines established by the Association for such indicators.	• Board report	Mid-Term Review	Implementation progress on three actions was reported in the 2006 paper for the Executive Directors: "*Harmonization and Alignment for Greater Aid Effectiveness: An Update on Global Implementation and the Bank's Commitments.*" The paper was discussed on November 14th, 2006. For the purposes of actions required for additional contingent contributions to IDA, the Executive Directors of IDA determined that satisfactory progress had been made.
• Submit to Executive Directors and Deputies a status report on the implementation of the	• Board report	Mid-Term Review	Following the 3rd High Level Forum in Accra, the Bank revised its Aid Effectiveness Plan in March 2009 "*Following Up on Accra: A World Bank Action Plan on Aid Effectiveness*," which defines actions and

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
above framework in monitoring the appropriate indicators, based on the baselines established by the Association for these indicators.	• Harmonization Indicators Report for IDA countries	July 2006	monitors progress in IDA's implementation of the Paris Declaration and the Accra Agenda for Action.
• Adopt CAS guidelines providing that the CAS should include: ➢ a discussion of the role of development partners, donor coordination mechanisms, and enabling measures to improve country-level harmonization of donor procedures ➢ information on the role of each donor and the sectors or thematic areas in which each is active ➢ indicators for progress on harmonization during the CAS period	• CAS Guidelines document	July 2005	CAS Guidelines were updated as required. The updated guidelines can be found on OPCS's website: http://opcs.worldbank.org/. See in particular the bullet on "Partners' Role and Participatory Process" on page 6, and the "Donor Harmonization Annex". For the purposes of contingent contributions to IDA, see Board paper entitled "Additional Contributions to IDA14: Achievement of Required Actions" (IDA/R2006-0026), March 2, 2006.
• Work with donors to strengthen the PRS, and increase countries' ability to take charge of the implementation and evaluation of these strategies, by strengthening public financial management systems and promoting a stronger link of the PRS to national decision-making and budgetary processes. ➢ Strengthen the realism and country ownership of PRSPs by linking them more closely to countries' budget processes, and encouraging consideration of PRSPs by national legislative bodies. ➢ Undertake more upstream analytical work and follow-up advice, particularly in the area of public finance. ➢ Encourage the consideration of PRSPs by national legislative bodies to further strengthen country ownership. ➢ Carry out more work jointly with the recipient government and other donors; share the results of this work as widely as possible, increase use of analysis produced by other agencies, and report on progress.	• PRSPs • JSAs of PRSPs • ESW, ARPP, CAS • ESW Progress Report	Ongoing Ongoing Mid-Term Review	This work is proceeding on several tracks. The 2007 Review of Results-Based National Development Strategies identifies priorities for strengthening PRSs. This was complemented by in depth studies in priority areas such as building institutions for M&E ("Beyond the Numbers" published in 2006) as well as PRS/budget links ("Minding the Gaps," 2008). During the IDA14 period, IDA continued to provide significant analytical and financial support for the strengthening of budgetary and financial management systems. For example by the end of 2008, about 100 PEFA assessments had been carried out, most of them for IDA countries. Financial support for public administration reform increased from US$5.4 billion during IDA13 to US$8.3 billion during IDA14. The Bank has also provided leadership to the Multilateral Development Bank's Financial Management Harmonization Working Group, which has made good progress in harmonizing financial management practices at the inter-institutional level, the global and regional levels, and the country level. Most PRSs require Parliament approval or discussion, in line with traditional or constitutional mandates for the national development strategy. The report *"The Role of Legislature in Poverty Reduction: Experience and Future Directions"* (World Bank Institute Working Paper, 2006) demonstrates that (i) one third of PRSs highlight the role which parliament is expected to play in PRS oversight; (ii) parliament, civil society, and community-based organizations are beginning to build coalitions with one another to bolster opportunities for influencing policy decisions; and (iii) there is some evidence that parliaments' involvement in PRS oversight is beginning to reinforce the integrity of the PRS process and create a bridge between constituency needs and policy imperatives. The 2007 Paris Declaration monitoring indicators suggest that about 60 percent of IDA's country analytic work is undertaken jointly with clients or other development partners, compared to 51 percent in 2005.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• When the reforms supported by development policy operations provided by IDA are expected to have significant distributional impacts, assess these impacts through poverty and social impact analysis (PSIA) or other analytical studies. Base these assessments on analysis undertaken by the borrowing country, other development agencies, civil society organizations, or the Bank's own work. Where the Bank undertakes these assessments, invite the borrower and other donors active in the country to participate as fully engaged partners.	• Joint PSIAs, CEAs, CFAAs, CPARs, PERs • ESW Progress Report • Review of incentives for collaboration Analytical studies including poverty and social impact analyses	Ongoing Mid-Term Review Ongoing	PSIAs are being used increasingly in all Regions to assess the distributional impact of reforms on different groups in the national economy. Operational Policy (OP) 8.60 requires that all development policy operations identify likely and significant poverty and social impacts. Drawing on the experience with PSIAs during IDA14, a revised Good Practice Note on Using Poverty and Social Impact Analysis in Development Policy Operations was issued in August 2008. ESW Progress Report was prepared for the IDA14 Mid-Term Review.
• Adopt regional Key Performance Indicators (KPIs) measuring progress on harmonization: ➢ Number and percentage of country analytical work undertaken jointly with one or more donors ➢ Percentage of annual SWAPs and development policy operations using a policy framework coordinated with other donors	• New KPI Scheme	July 2005	The KPIs have been adopted for each region. For the purposes of contingent contributions to IDA, this was certified in a Board paper entitled "*Additional Contributions to IDA14: Achievement of Required Actions*" (IDA/R2006-0026), March 2, 2006.
• Modify these indicators over time, following recommendations from the High Level Forum			In process. The Bank is making internal systems modifications to strengthen data collection and align with definitions used for the international monitoring framework.
F.2. LICUS, Small and Vulnerable States • Develop creative approaches to, and increase provision of analytical support to small and fragile states, which generally do not have a PRSP or a substantial lending program.	• ESW	Ongoing	The strategic approach to assisting fragile states involved sustained emphasis on non-lending. Thus, AAA products for fragile states increased from 270 during IDA13 to 329 during IDA14 with a strong emphasis on weak areas, such as governance and public expenditure management. The increase was on top of the fact that at the start of IDA14, more than 85 percent of fragile states had up-to-date PERs and CFAAs, and approximately 80 percent had CPARs (World Bank. 2008c). The emphasis on AAA products enhanced readiness of fragile states for full re-engagement with IDA. The increased diagnostic products reflected a need to inform Interim Strategy Notes (ISN) and rising IDA financial assistance to the fragile states as well as leverage other donor financial assistance to fragile states for which IDA financing may not be appropriate

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
• Provide analytical support to respond to the needs of small or fragile countries that do not have full or formal PRSPs.	• Senior Level Forum: Development Effectiveness In Fragile States • LICUS Implement. Progress Report	January 13-14 2005 Annual	A Good Practice Note on the preparation of CASs in Fragile States was prepared in December 2005. The Bank also engaged in the drafting and piloting of a set of DAC Principles for Good International Engagement in Fragile States and Situations which were adopted in 2007. *"Low Income Countries Under Stress. An update"* was completed December 2005. *"Post-Conflict Fund and LICUS Trust Fund Annual Report"* was prepared in October 2007.
• Modify IDA allocation formula to increase base amount available to all IDA countries to SDR3.3 million • Discuss with UNDP on strengthening collaboration in post-conflict countries.	 • Report on status of discussions	 Mid-Term Review	IDA14 allocations were made in accordance with the PBA exercise and completed in early 2005 and 2006, and 2007, including base amount of SDR1.1 million per annum for each IDA country. The report was issued in October 2006 "*Progress on Strengthening Collaboration with United Nations Partners in Fragile and Conflict-Affected States.*" Subsequently, in October 2008 the UN and the World Bank agreed to further strengthen their cooperation in crisis and post-crisis situations. The UN Secretary-General and World Bank President signed a partnership framework which affirmed their commitment to work together more effectively in countries affected by conflict and or natural disasters.
<u>F.3. Regional Programs</u> • Continue to provide analytical and financial support to regional programs, in particular regional infrastructure, with due regard for country ownership.	• PRSP, ESW, individual operations	Ongoing	Analytical and financial support to regional integration has been considerably strengthened during IDA14 through the regional analytical program in Africa and the implementation of the Regional Projects Pilot (see MTR paper on the Pilot Program for Regional Projects and discussion in section 4.5). Under the framework of the Regional Pilot, 18 projects have been approved in IDA 14 up from 7 during IDA 13. About 81percent of total commitments supported regional infrastructure while 96 percent of the funding has been allocated to the Africa region. The future pipeline for IDA15 and beyond is strong.
• Support initiatives aimed at facilitating deeper regional economic integration, such as the NEPAD initiative.	• MDB Progress Report	March '05; Annual	The Africa Regional Projects Portfolio Review found that the projects financed to date under the IDA Pilot Program for Regional Projects have been well-aligned with, and supportive of, the Africa Action Plan and strategies of the regional economic commissions charged with implementing NEPAD.
• Consult with the RMDBs to enhance cooperation, to avoid overlap and to ensure that each institution's programs are based on its comparative advantage. • Support programs at the national and regional levels that increase harmonization and donor coordination, and help build implementation capacity.	• MDB Working Groups • RMDB Consultations (VP-level)	Ongoing Annual	"*Harmonization and Alignment for Greater Aid Effectiveness: An Update on Global Implementation and the Bank's Commitments"* responds to these required actions and was discussed by the Executive Directors on November, 14 2006.
• Review experience under the pilot program of regional integration projects.	• Review of regional projects	Mid-Term Review	Reported in "*IDA14 Mid-Term Review of the IDA Pilot Program for Regional Projects*" paper in November 2006. In addition, a partial review of the Africa Regional Integration Portfolio of 31 IDA and GEF projects was conducted in February 2008 as part of the preparation of the Regional Integration Assistance Strategy for Sub-Saharan Africa presented to the Executive Directors in mid-March 2008.

Policy Objectives and Recommandations	Product	Target Date	ACTIONS TAKEN/STATUS AT THE END OF IDA14.
G. HIPC INITIATIVE			
• Closely link HIPC debt relief with countries' poverty reduction efforts. • Report periodically to donors on the status of their contributions to the HIPC Trust Fund.	• PRSP and CAS processes	Ongoing	Poverty-reducing expenditures at end-2007 (preliminary) amounted to US$21.2 billion up from US$5.8 billion in 2000 and US$14.1 billion in 2005. As percentage of GDP, poverty-reducing expenses have risen in the post-MDRI countries from 6.8 percent of GDP in 2000 to 8.8 percent of GDP in 2007, although the links between debt reduction and poverty expenses are not clear (see IDA and IMF, 2008). The authorities of most post- MDRI countries have indicated that they plan to expand poverty-reducing expenditure by about the equivalent of MDRI debt service savings in 2006, which amounts to around half a percentage point of GDP, on average. In these countries, the resources made available by debt relief are intended to support sectors that are largely consistent with the priority areas highlighted in PRSs. In IDA14, most donors have elected to contribute their HIPC financing contributions directly to IDA, rather than through the HIPC Trust Fund. With the start of IDA's implementation of the MDRI on July 1, 2006, donor contributions for IDA's debt relief costs under both the HIPC Initiative and the MDRI are being reported as part of IDA's financial statements. In addition, management publishes annual updates on IDA's debt relief costs and donor financing under the HIPC Initiative and the MDRI. The last such update was issued as of June 30, 2008.

Annex 5
Millennium Development Goals and Their Indicators

Table 13: Millennium Development Goals and their indicators

MDG 1: Eradicate Extreme Poverty and Hunger	**MDG 5: Improve Maternal Health**
Employment to population ratio, 15+, total (%)	Adolescent fertility rate (births per 1,000 women ages 15–19)
Employment to population ratio, ages 15–24, total (%)	Births attended by skilled health staff (% of total)
Labor force, total	Contraceptive prevalence (% of women ages 15–19)
Total employment, total (ages 15+)	Maternal mortality ratio (modeled estimate, per 100,000 live births)
Unemployment, total (% of total labor force)	Pregnant women receiving prenatal care (%)
Vulnerable employment, total (% of total employment)	Unmet need for contraception (% of married women ages 15–49)
Income share held by lowest 20%	
Poverty headcount ratio at national poverty line (% of population)	
Malnutrition prevalence, weight for age (% of children under 5)	
Prevalence of undernourishment (% of population)	
MDG 2: Achieve Universal Primary Education	**MDG 6: Combat HIV/AI9DS, malaria and other diseases**
Literacy rate, youth female (% of females ages 15–24)	Children with fever receiving anti-malarial drugs (% of children under age 5 with fever)
Literacy rate, youth male (% of males ages 15–24)	Condom use, population ages 15-24, female (% of females ages 15–24)
Persistence to last grade of primary, total (% of cohort)	Condom use, population ages 15-24, male (% of males ages 15–24)
Primary completion rate, total (% of relevant age group)	Incidence of tuberculosis (per 100,000 people)
Total enrollment, primary (% net)	Prevalence of HIV, female (% ages 15–24)
	Prevalence of HIV, total (% of population ages 15–49)
	Tuberculosis cases detected under DOTS (%)
MDG 3: Promote Gender Equality and Empower Women	**MDG 7: Ensure Environmental Sustainability**
Proportion of seats held by women in national parliament (%)	Annual freshwater withdrawals, total (% of internal resources)
Ratio of female to male enrollments in tertiary education	CO_2 emissions (kg per PPP $ of GDP)
Ratio of female to male secondary enrollment	CO_2 emissions (metric tons per capita)
Ratio of female to male primary enrollment	Forest area (% of land area)
Ratio of young literate females to males (% ages 15–24)	Improved sanitation facilities (% of population with access)
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	Improved water source (% of population with access)
	Marine protected areas, (% of surface area)
	Nationally protected areas (% of total land area)
MDG 4: Reduce Child Mortality	**MDG 8: Develop a global partnership for development**
Immunization, measles (% of children ages 12–23 months)	Aid per capita (current US$)
Mortality rate, infant (per 1,000 live births)	Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)
Mortality rate, under-5 (per 1,000)	Internet users (per 100 people)
	Mobile phone subscribers (per 100 people)
	Telephone mainlines (per 100 people)

Annex 6
IDA14 Grants Allocation Framework

1. IDA14 grants framework is comprised of two parts: grant eligibility and grant allocation. Grant eligibility is based on countries' risk of debt distress and is determined in accordance with the DSF methodology. For countries rated at low risk of debt distress IDA would provide its financing on standard and already highly concessional IDA credit terms. For countries at moderate risk of debt distress IDA would provide its financing 50 percent on regular credit terms and 50 percent on grant terms. Countries at high risk of debt distress or countries "in distress" would receive all of their assistance on grant terms. A "traffic light" is assigned to countries according to the risk of debt distress, with a "green light" indicating a low risk of debt distress, a "yellow light" a medium risk, and a "red light" a high risk. The eligibility system further specifies that IBRD/IDA blend countries and hardened-term (or "gap") countries are a priori excluded from access to grants, irrespective of their external debt situation.

2. A grant allocation system determines accordingly countries' terms of assistance but also affects the total amounts they receive through the so-called Modified Volume Approach (MVA). The IDA14 grant allocation system has a direct relationship with the Performance-Based Allocation (PBA) system that was not present in IDA13. This relationship works through the following mechanisms:[210]

- An upfront volume discount on grants at a 20 percent rate of countries' overall grant allocations, divided into two components: (i) an "incentives-related" discount, which claims to preserve the integrity of the incentive system embedded in the PBA (equivalent to an 11 percent "grants tax"); and (ii) a "charges-related" volume discount, which aims to recoup forgone charge income on grants (equivalent to a 9 percent "grants tax").
- An incentive to subsets of IDA countries, in two forms: (i) resources generated by the incentives-related discount are allocated to IDA-only countries (excluding post-conflict and "gap" countries) according to performance; and (ii) resources generated by the charges-related discount are earmarked for a "hard-term" window that can be accessed by creditworthy blend countries with income below the IDA operational cutoff.

[210] See: IDA (2007h), *"Guidance note on the application of the joint debt sustainability framework for low-income countries."*

Annex 7
Sharpening the Result Focus of PRSs

1. During the IDA14 period, IDA continued to play an important role in assisting its client countries improving the quality of their poverty reduction strategies along four key dimensions, as presented in Figure 8 in section 3.1):

i) *Unified strategic framework*. The majority of PRS II countries managed the difficult task of fully integrating their medium-term strategy, sector strategies, and the long-term vision and made headway in aligning local planning with national strategic planning. As countries have transitioned from first to second PRSs, they have typically paid more attention to integrating sector strategies into the PRS, thereby creating a more comprehensive and operational framework. For example, in Tanzania, pre-existing sector development programs were adjusted to ensure consistency with the PRS, and preparation of subsequent development strategies in such sectors as water and transportation were explicitly guided by the PRS.

ii) *Priorities and sequencing*. PRS II countries have also demonstrated the most progress in setting clear, sequenced, and balanced priorities. While the vast majority (92 percent) of PRS I countries have established a basis for prioritization and sequencing, more than two-thirds (71 percent) of the PRS II countries now have a well-sequenced and prioritized strategy largely in place.[211] IDA assisted the countries in formulating better prioritized and sequenced development strategies (see Box 20). IDA's analytical work has been "increasingly feeding into the design of programs, policy actions, and operations."[212] Further, alongside the UNDP, the Bank has contributed to the costing of priority interventions. Finally, the Bank's Maquette for MDG Simulations (MAMS) has helped inform strategic priorities in eight African countries by demonstrating the economy-wide impact of interventions and indicating the most effective use of funds within a given resource constraint.

Box 20: IDA's role in prioritizing and sequencing PRS

In **Mozambique**, Bank analytical products prepared with the government helped define the policy priorities and institutional systems that underpin the country's Action Plan for the Reduction of Absolute Poverty (PARPA)**.** The Poverty Assessment was the analytical basis for the overall identification of PARPA's priorities and endorsement of its strategy to date. The Country Economic Memorandum helped to focus PARPA on the links between key sectors and the overall growth strategy, analyzing how Mozambique's natural resources—land, forestry, fisheries, mining, and water—could be better managed to contribute more to overall growth. The financial sector, investment climate, and legal and judicial sector reviews contributed to improving the country's institutional foundations for shared growth and helped form the basis for PARPA's structural reforms. Finally, reviews and assessments of public expenditures, financial accountability, and procurement helped form the basis for improving public financial management and the links between the strategy and national systems.

In **Rwanda**, during the preparation of the Economic Development and Poverty Reduction Strategy (EDPRS), a permanent team of four costing experts assisted and trained sector costing representatives in developing models and methods, tailor-made to Rwanda's circumstances; the use of both "high" and "low" costing scenarios has helped illustrate the resources required to meet the MDGs and enable the prioritization of expenditures to achieve best possible outcomes with more limited resources. Sector working groups for the EDPRS undertook a sector mapping exercise to identify interlinkages between the various sectors that have fed into the development of log frames.

iii) *Strengthening PRS-budget links.* A number of countries have made impressive progress in improving public financial management and strengthening the links between the PRS and budget. As shown in Figure 8 in section 3.1, close to a quarter of PRS II countries – specifically, Rwanda, Tanzania, Uganda, and Zambia – have largely developed links between the PRS and key domestic systems, including the

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[211] Wilhelm, Vera and Phillip Krause (2008), "*Minding the Gaps—Integrating Poverty Reduction Strategies and Budgets for Domestic Accountability.*"

[212] See: IDA (2006b), "*Economic and Sector Work Progress Report.*"

budget and Medium-Term Expenditure Framework (MTEF). While MTEFs are indeed important instruments for linking the budget and PRS, their effective implementation depends on a high level of government ownership and strong institutional links between ministries of finance and planning—conditions which are rarely entirely fulfilled in PRS countries.[213] Additional shortcomings are also due in part to weaknesses in the budget itself, particularly in the areas of execution and reporting. Systems for tracking poverty-reducing expenditures and assessing the potential leakage of funds are likewise weak in many countries. Finally, poor predictability of aid often adds to the challenge of forging reliable budgets and MTEFs.

IDA has contributed to strengthening PRS-budget links mainly by providing multi-year support to country-led public financial management reform programs. According to an IEG review, from 1999 to 2006, IDA provided support to 80 countries for public sector reform.[214] More than 60 percent of IDA countries that implemented financial management reform were able to increase the quality of their public financial management as measured by the CPIA rating for public financial management.

iv) *Improving monitoring and evaluation for better results.* Data suggest that countries find it challenging to develop fully articulated results-oriented frameworks. For countries with second generation PRSs in place, 16 percent have fully developed results frameworks in place and 79 percent of countries are making progress toward establishing such a framework. For countries with a first generation PRS, none has a fully developed results-oriented framework, though 67 percent of these countries are making progress in establishing such a framework. However, while some second generation PRSs have prompted a more targeted results focus, in other cases the PRS framework remains very broad in scope.[215]

Box 21: Examples of measures to strengthen country-based monitoring and evaluation systems

Azerbaijan has made important progress by enhancing stakeholder access to information. This includes the setting up of publicity stands on the medium-term strategy in various regions and widely disseminated posters on poverty reduction. Information on the State Oil Company's annual budget and its auditor's reports were made public.

Mozambique has complemented the routine data provided by sectoral agencies and line ministries with a Questionnaire of Indicators of Well-Being, administered annually.

Nepal has consolidated poverty monitoring into a unified M&E system with links to existing M&E systems in line ministries. The system produces progress reports, including MDG progress reports, which serve both government and external partners.

Tanzania is making strong efforts to deepen its country-wide Poverty Monitoring System to extend to a country-level M&E system that monitors the implementation of its PRS with links to sectoral systems.

Uganda has integrated a policy and results matrix into its revised medium-term strategy. The policy and results matrix provides benchmarks for assessing annual progress and informs the government status reports that are submitted to Parliament during budget preparation.

Source: The World Bank. 2007. Results-Based National Development Strategies—Assessment and Challenges Ahead. December 2007.

Good quality of data, strong institutions for monitoring and tracking results, and measures for impact evaluation are essential for efficient public spending and for generating additional aid flows. While most country-based monitoring and evaluation systems are in their infancy, a foundation for tracking PRS implementation and its impact on poverty is being built in some countries (see Box 21). These countries demonstrate that demand for evidence-based decision-making and strong political leadership are crucial for making progress. Further, dissemination of information among key stakeholders, including policymakers, can create a virtuous cycle, whereby development information feeds into policymaking and generates further demands for data and analysis, creating incentives for improved monitoring and evaluation.

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213 See: Wilhelm and Krause (2008).

214 See: IEG (2008b).

215 For example, Ethiopia's PRS II is built around eight pillars, but contains about 500 indicators. See: World Bank (2007b), "*Ethiopia—Poverty Reduction Strategy Paper and Joint IDA-IMF Staff Advisory Note*."

Annex 8
PRSs and CAS Products in Fragile and Conflict-Affected States

1. A recent World Bank study[216] explored how the PRS approach can be adopted to the specific circumstances of fragile and conflict-affected states (FCS). The review notes that a PRS may not be appropriate for all countries, especially:

- In environments where the government's commitment, legitimacy, and functionality are in serious question, and when the government appears motivated mainly by access to international assistance rather than development, conflict resolution, or poverty reduction.
- In countries engaged or emerging from conflict, where international engagement may legitimize one of several warring parties or groups of elites and "freeze" rather than facilitate resolution of conflict.
- Where the security situation is so volatile that basic data collection and consultation are not feasible and where planning horizons are very short.
- Where there is an interim government likely to be replaced by a government unwilling to accept the PRSP.
- Where it is likely that donor financing will allow a country to divert funds to maintain military conflicts with neighbors.

2. The study draws a few important lessons on how to approach this issue from a practical standpoint, including:

- In conflict-affected countries, preparation for the PRS must include a careful analysis of the drivers and triggers of conflict.
- The extent and form of participation needs to be carefully considered in order to avoid exacerbating social tensions and sidelining nascent political institutions such as parliaments and political parties.
- Focus on basic functions of state, such as security and a stable economic environment. Security issues and related expenditures and activities often need to be given priority over conventional poverty reduction measures. Macro-economic reforms should balance attention to macro-stability with a stronger focus on increasing employment.
- Make public financial management reforms a priority, since severe shortcomings in accounting and financial management systems restrict a government's capacity to allocate and use resources effectively.
- Emphasize the role of the state as a coordinator of services rather than the provider of services.

3. By the same token, for the fragile and conflict-affected states, where the preparation of a full CAS may not be feasible, an Interim Strategy Note (ISN) is prepared.[217] During the IDA14 period, the number of IDA countries covered by ISNs increased slightly from 14 to 16. Of the 16 IDA ISNs in place in FY08, 11 covered fragile states, 9 of which were emerging from conflict. For five IDA countries, ISNs were prepared because of a high degree of uncertainty, and for three IDA countries, ISNs were used to achieve appropriate alignment in timing with country processes or other development partners.

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[216] See: Dudwick, Nora, and Adam Nelson (2008), "*Poverty Reduction Strategies in Fragile States: A Stocktaking of what we know.*"

[217] In particular, ISNs are the appropriate instrument for countries where: (a) a high degree of uncertainty prevents clarity concerning the nature of longer-term engagement; (b) a medium-term development/poverty reduction program to frame the Bank's support is missing; and/or (c) the Bank has insufficient country knowledge. In June 2005, with the issuance of revised BP2.11, ISNs replaced strategies for countries in transition from conflict or political crisis and for Bank re-engagement in a country after a prolonged hiatus.

4. According to the recent review of the ISNs prepared during FY06-08Q2,[218] most of them provided a sufficient level of detail on political and security issues that fall outside the Bank's mandate but can have great impact on the success of Bank interventions. That "context-setting" exercise demonstrated a nuanced understanding of the spectrum of fragility and conflict that underpins the "four-quadrant" business model presented in the Good Practice Note[219] (GPN). Governance and corruption are critical elements in almost all ISNs and fiduciary risks are covered explicitly in most strategies. Most strategies included a comprehensive diagnosis of the governance situation in the country, often grounded in analytic and advisory work. The majority of strategies supporting governance reforms focus on the Bank's traditional areas of core competence (such as public expenditure, public financial management, and procurement), although several seek to increase the demand side of governance through working with and training of civil society (Zimbabwe) or deepen the accountability work of normal operations through engagement with community-based groups (Nepal).

5. Engagement in FCSs presents a higher reputational risk to IDA, higher risk to developmental effectiveness of interventions, and higher political/security risk. CASs/ISNs for FCSs use two different approaches to deal with the high risks and uncertainty: strategies that assert that their approach can and should mitigate the political and security risks[220] versus those where the political and security risks are entirely exogenous to the Bank's sphere of influence. Experience suggests that Bank teams have difficulties identifying and describing the perceived risks in ISNs. Even when the risks were well articulated and comprehensive, it was difficult to distinguish how the instruments and interventions would help mitigate them.

6. Monitoring and evaluation of results-based CASs or ISNs for fragile states is more challenging due to lower capacity and more limited information. During FY06-08Q2 most FCS strategies included explicit results frameworks and specific indicators, albeit they varied considerably in approach, formulation, and detail.[221] Only a small number of CASs/ISNs (Angola, Timor-Leste, and CAR) include results or indicators that address specific "peace-building" outcomes.[222] Three strategies in the FCS sample (including Iraq, Lebanon, and Nepal) described anticipated results (either at output or outcome levels) in the narrative text but did not present a formal results framework with indicators or benchmarks. While there were no striking differences in type of outcomes and outputs or indicators between fragile and non-fragile states, FCS strategies tend to be more selective.

7. FCS strategies reflect significant efforts for closer IDA collaboration with IFC and other development partners. In FY06, only two out of five FCS strategies were prepared jointly with IFC; in FY07 three out of nine were joint documents with IFC, and of the eight strategies submitted in the first half of FY08, four were joint with IFC or MIGA. While all FCS strategies discuss coordination with other donors, only two were prepared jointly.[223]

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218 See: OPCS (2009), *"CAS: Retrospective and Future Directions."*

219 See: OPCS (2005b), "*Fragile States - Good Practice in Country Assistance Strategies*."

220 Specifically: Timor in FY06; Angola, Comoros, Haiti, Nepal, Uzbekistan, Zimbabwe in FY07; and PNG in FY08.

221 Some were similar in level of detail and approach to those found in non-FCS country strategies (Timor-Leste 2005 CAS), some were both detailed and over-optimistic given the level of Bank resources and the challenges faced (2007 Somalia ISN), and some were more streamlined and modest with deliberate links to the differentiated approach being taken to the challenges in the country (2007 Zimbabwe ISN).

222 The Liberia ISN, although not specifically offering peace-building results, recognizes the security context and the need to include former rebels and militia in its CDD schemes to ensure success of the program.

223 The CAR ISN was prepared through a collaborative process with key partners and was a fully joint strategy with the African Development Bank. The CAS for the Democratic Republic of Congo was prepared within the "frame" of DRC's Common Assistance Framework derived from the country's PRSP and agreed by the Bank, the IMF, the AfDB, the UN peacekeeping mission (MONUC), all UN specialized agencies, the European Commission, and 12 bilateral partners (expected to cover 95 percent of ODA over the three-year period of the strategy).

8. Going forward, the challenge will be to learn from recent FCS strategies to improve country-specific "tailoring" of the strategic approaches in a dynamic environment. Experience over the last two years has shown that more detailed guidance is needed to adequately treat the range of situations currently grouped under the "post-conflict transition" period (such as the substantial differences between large reconstruction portfolios, countries that have recently cleared arrears, and small programs constrained by arrears or "aid orphaning"). More examples of good practice and innovative approaches to deteriorating situations are also needed. Finally, the specific challenges of fragile and conflict-affected situations often present a "collaboration paradox" for Bank country teams. On one hand, collaboration with other key partners is even more important than in non-fragile countries, given the opportunity costs of duplication and the challenge of security-development linkages. On the other hand, the transaction costs of developing and negotiating joint or collaborative strategies can be much higher.

Annex 9
IDA Results Measurement System

1. Over the past few years, IDA management and staff made significant efforts to increase the effectiveness of aid by mainstreaming the results-focus into IDA's functioning at the country level as well as an institution. Strengthening results orientation requires concurrent actions at many levels. First, it requires sharpening the results focus of implementation frameworks of country development strategies as well as IDA's assistance strategies, programs, and projects. Second, it requires strengthening the monitoring capacity to track progress and results achieved based on reliable and timely information. Third, it requires the capacity to assess and evaluate the impacts of the interventions, to draw lessons of experience and to formulate recommendations on the way forward. Finally, it also requires the capacity to operationalize these recommendations and to implement the necessary changes. So, managing for results is not a single, one-off endeavor but a cross-cutting theme spanning through IDA's activities at the country and organizational levels. This annex summarizes the actions implemented during IDA14 by management to improve IDA's results orientation.

Managing for results at the country level

2. During the past three years, IDA assisted its client countries in strengthening the results focus of their national development strategies (PRSs) in three key areas: (i) integrating sector strategies and cross-sectoral themes into their development strategies; (ii) setting clear, sequenced, and balanced priorities; and (iii) strengthening links between the strategy and the national budgets. This was facilitated through IDA's involvement, alongside other development partners, in policy dialogue with the countries' key stakeholders, supported by solid analytical work and multi-year support to country-led public financial management reform programs. As discussed in section 3.1, stronger improvements seemed to have been achieved in the second-generation PRS countries, which shows that time is needed to gain experience in forming strategies and to build capacity of institutions involved in their preparation and implementation. Simultaneously, IDA focused on improving the results orientation of its own assistance strategies by implementing the result-based CASs approach and strengthening the quality and relevance of diagnostic work (see section 3.2 for a detailed discussion).

3. To better monitor IDA's overall development effectiveness, the IDA Results Measurement System (RMS) was established during IDA13 and became an integral part of the World Bank's agenda on managing for results during IDA14.[224] RMS is a two-tiered system (see Box 8 in section 3.4). Tier 1 is tracking progress of 14 broad development outcome indicators for client countries (some of which coincide with the MDG indicators) grouped into four categories: growth and poverty reduction, public financial management and investment climate, infrastructure, and human development (see Table 14 and Table 15).

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[224] See: the report from the Executive Directors of the International Development Association to the Board of Governors/IDA (2005). "*Additions to IDA Resources: Fourteenth Replenishment, Working Together to Achieve the Millennium Development Goals*;" IDA (2006d), "*IDA14 Results Measurement System: Mid-Term Review Report*;" IDA (2007a), "*Focus on Results: The IDA14 Results Measurement System and Directions for IDA15*."

Table 14: Progress in Tier 1 outcome indicators (as of July 2009)

	Year of baseline value	*Year of most recent value*	*Aggregate outcomes*		*Country-level outcomes*	
			Baseline value	*Most recent value*	*% of countries making progress*	*% of countries making substantial progress* [a]
Growth and poverty reduction						
GDP per capita (constant 2000 US$)	2005	2008	511	607	89	31
Population living on less than $1.25 a day (%)[b]	2002	2005	46.4	42.4	83	20
Governance and investment climate						
Public financial management (number of HIPC benchmarks met)	2001/02	2004	6	6.5	41	—
Cost required for business start-up (% of GNI per capita)	2005	2008	89	75	91	29
Time required for business start-up (days)	2005	2008	61	37	48	25
Infrastructure for development						
Access to an improved water source (% of population)	2000	2006	73.1	78.4	75	38
Fixed line and mobile phone subscribers (per 100 population)	2004	2007	8.0	25.4	97	42
Access to an all-season road (% of rural population)	2000	—	61	—	—	—
Household electrification rate (% of households)	2002	2007	55.2	61.9	85	—
Human development						
Under 5 mortality rate (per 1,000 live births)	2005	2007	17	103	92	17
Prevalence of HIV/AIDS (% adult population aged 15-49)	2004	2007	1.5	1.38	34	34
Births attended by skilled health staff (% of total births)	2003	2006	42.7	44.4	62	31
Primary completion rate, total (% of relevant age group)	2004	2007	73.7	77.8	70	38
Ratio of girls to boys in primary and secondary education (%)	2004	2007	88.6	89.8	72	35

Source: WDI 2009 and World Bank staff estimates.
a. Substantial progress is defined as the 75th percentile of progress observed in all developing countries.
b. The $1.25 a day poverty line (measured in 2005 prices) replaces the previous $1.08 a day poverty line (measured in 1993 prices). Due to this change and using the 2005 purchasing power parity data, poverty estimates are revised.
— Data not available.

Table 15: Data availability for IDA RMS Tier 1 indicators (as of July 2009)

Indicator	*Beginning of IDA14* [a]		*Mid-Term Review* [a]			*July 2009* [b]		
	# of IDA countries with data in 2000-02	*# of IDA countries included in calculation of aggregate performance*	*# of IDA countries with data in 2000-02*	*# of IDA countries with data in 2002-04*	*# of IDA countries included in calculation of aggregate performance*	*# of IDA countries with data in 2000-02*	*# of IDA countries with data in 2005-07*	*# of IDA countries included in calculation of aggregate performance*
GDP per capita (constant 2000 US$)	77	77	77	77	78	74	74	74
Population below $1 a day (%)	15	48	25	21	48	31	23	62
Public financial management	24	24	23	29	22	23	29	22
Cost required for business start-up (% of GNI per capita)	55	38	0 [d]	66	65	0 [d]	76	65
Time required for business start-up (days)	55	39	0 [d]	66	65	0 [d]	76	65
Access to an improved water source (% of population) [e]	75	34	80	79	61	77	73	55
Fixed line and mobile phone subscribers (per 1,000 people)	80	79	80	79	80	77	75	76
Access to an all-season road (% of rural population)	11	..	10	8	..	10	8	..
Household electrification rate (% of households)	18	..	21	2	..	43	39	47
Under 5 mortality rate (per 1,000) [e]	80	79	80	80	80	78	78	78
Prevalence of HIV/AIDS, (% adult population aged 15-49) [e]	53 [c]	44 [c]	0 [d]	63	63	54	60	53
Births attended by skilled health staff (% of total)	53	52	61	40	64	61	55	72
Primary completion rate, total (% of relevant age group)	62	55	62	63	62	59	63	61
Ratio of girls to boys in primary and secondary education (%)	52	52	63	64	54	63	62	51

Source: WDI 2005, 2007, 2009 and staff estimates.
a. 80 IDA eligible countries in total, including Serbia and Montenegro but excluding Timor-Leste.
b. 78 IDA eligible countries in total.
c. The availability was based on prevalence of HIV/AIDS among women aged 15–24.
d. Previous estimates were removed as either the methodology changed or the methodology only provides estimates for benchmark years.
e. Availability is based on the official estimates reported by WHO, UNICEF, and UNAIDS, and may under-represent the availability of underlying primary data.

Managing for Results at the Institutional Level

4. Tier 2 of the IDA RMS monitors IDA's contribution to country outcomes across three levels of the Bank's work – country, project, and aggregate outputs – while acknowledging that outcomes at the country level cannot be attributed to IDA alone. This tier contains six indicators. The first indicator aims to assess the results-orientation of country programs by tracking the number of results-based CASs prepared during IDA14. The next four indicators aim to assess quality of IDA's projects at entry, during supervision, and at exit. The sixth indicator reports on aggregate progress on selected outputs in four sectors – health, education, transport, and water – in which IDA is most active across a range of countries. This annex reports on the actions management has taken during IDA14 to deepen the process of building results into every aspect of IDA's work, while the impact of these actions is discussed in Annex 10 for project level results and portfolio quality.

5. *Country-level monitoring.* During IDA14, following up on the commitments agreed at the outset of IDA14, results-based Country Assistance Strategies (RBCASs) have been mainstreamed across all client groups, which helped strengthen links between IDA programs and projects to country priorities and systems (see discussion in section 3.2). Moving the frontier further from monitoring the number of RBCASs to monitoring and evaluating their quality will remain the challenge. This next step is important as improving the quality of CASs, including well-defined Results Frameworks and institutional arrangements for project monitoring and evaluation, would enable better monitoring of IDA's contribution to country outcomes.

6. *Project-level monitoring.* To monitor project-level performance, IDA draws on a range of data, including data from the Quality Assurance Group (QAG) and project evaluations prepared by Independent Evaluation Group (IEG). IDA performance is monitored and assessed at three stages during the project life cycle. The first point of assessment is when project preparation has just been completed. QAG assesses Quality at Entry (QEA) shortly after Executive Directors approval, with respect to three questions: (i) Are the project objectives worthwhile and the risks commensurate with potential rewards? (ii) Is the project likely to achieve its objectives? and (iii) Is the underlying logic clearly articulated? Accordingly, each operation is measured on a six-point scale from highly satisfactory to highly unsatisfactory.

7. The second assessment is conducted during implementation, which is a continuous process involving the borrower, key stakeholders, and the Bank over the life of a project and plays a significant role in its ultimate success or failure. QAG reviews the Bank's involvement through a Quality of Supervision Assessment (QSA) along four principal dimensions: attention to development objectives, attention to fiduciary responsibilities, appropriateness of supervision inputs and processes, and realism of project ratings. QSA uses a 6-point scale ranging from highly satisfactory to highly unsatisfactory. In addition, IDA monitors the percentage of first Implementation Supervision Reports (ISRs) with satisfactory baseline data to ensure that projects have a good reference point for future monitoring and evaluation of progress in each aspect of the project development objective. Finally, the third assessment is conducted for completed investment and development policy operations. IEG undertakes an evaluation based on the Implementation Completion Reports (ICRs) to determine the extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently.[225]

8. Following the commitments made at the outset of IDA14 as well as at the Mid-Term Review, IDA implemented several changes to enhance monitoring of IDA's performance at the project level:

i) To increase the percentage of projects with baselines in their first ISRs, IDA took three measures to raise task teams' awareness about the need for baselines in the first ISR. These measures were (a) preparing a Guidance Note on Adequate Baseline Data in ISRs; (b) updating the Bank's core course,

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[225] IEG also analyses three other performance criteria - risk to Development Outcome and Bank and Borrower performance - and rates the overall ICR quality.

"Supervision of Bank Financed Projects"; and (c) preparing an e-learning module on preparing ISRs, including adequate baselines, to reach staff particularly in the field.

ii) A revised OP 13.60, *Monitoring and Evaluation*, was issued that extended the traditional function of monitoring and evaluation to focus explicitly on results. It signaled to staff that outcomes and outputs are the starting point in conceptualizing the design of operational activities and M&E.

iii) Revised ICR guidelines were issued to help with more specific measurement of project achievements and to facilitate dissemination of experience from project design and implementation.

iv) IDA issued guidelines on designing investment lending using an output-based disbursement (OBD) mechanism. Although interest in the use of OBD is usually associated with middle-income countries, a few IDA countries have begun using it – such as Albania, in the Health System Modernization Project approved in March 2007. Country representatives at the Third International Roundtable on Managing for Development Results expressed an interest in exploring the use of performance-based management tools, including output- and outcome-based disbursement principles.

v) Following up on the new policy, OP/BP 8.00, *Rapid Response to Crises and Emergencies*, IDA prepared a guidance note ("Ensuring a results orientation during project preparation under OP/BP 8.00 rapid response to crises and emergencies: Guidance note to staff," April 2009) to help task teams to develop results frameworks that suit the uncertainties and flexibility inherent to operations addressing crises and emergencies.

vi) In addition, the "IDA at Work" website provides concrete country, sector, and project level results, and helps showcase examples of IDA's contribution to poverty reduction in low-income countries.

9. *Aggregation of outputs.* In order to capture changes that can be directly attributed to IDA's interventions, IDA continued to aggregate individual projects outputs in four selected sectors – health, education, transport, and water (see Table 16). The process presented challenges to IDA and its partners: operational practice in defining outputs varies significantly within sectors, even in those sectors that focus on relatively more tangible goods and services; and variations across projects within a sector reflect differences in sectoral priorities and approaches across countries, consistent with a focus on country-level effectiveness. In the absence of standardization, it proved difficult to monitor year-to-year trends in numbers of outputs within a single sector. To enable better aggregation and measurement of outputs, regions and networks worked to develop results frameworks and more standardized output indicators, including rationalization of output indicators through several global initiatives[226] and through the Africa Results Monitoring System launched in 2006, which developed a list of standardized indicators for nine sectors. A challenge for the future would be to expand the Africa region initiative of output standardization to the other regions across IDA and across the Bank. In addition, the networks made substantial progress in their Sector Strategy Papers to develop results frameworks for ten sectors (including water supply and sanitation, rural development, public sector governance, transport, environment, forestry, and social protection), building results websites, preparing toolkits, indicator inventories and forming clusters of impact evaluations.

10. *Stronger results culture.* Implementation of the RMS during IDA14 has contributed to positive shifts in the World Bank's internal "results culture," which needs to be sustained and further mainstreamed. To ensure greater responsiveness to the IDA RMS, a Results Steering Group was formed to foster greater attention to managing for results throughout the World Bank. In collaboration with OPCS and the Knowledge and Learning Board, regions and networks used a wide variety of knowledge and learning activities. This included formal training, e-learning modules and one-to-one and just-in-time advice to operational staff and to government and project counterparts in such core areas as project preparation and

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[226] For example, Roll Back Malaria, the Water Supply and Sanitation Joint Monitoring Program, Education for All Fast Track Initiative and the Multi-country HIV/AIDS Program.

ICR preparation, as well as tailored activities to specific needs. Several toolkits have been developed for staff to better evaluate the impact of policy measures and project interventions on good practices in managing for results—such as a Sourcebook, a scorecard to assess the implementation status of M&E in active projects in the HNP sector, and a Baseline Survey Toolkit. The Results Secretariat developed and disseminated the IDA Fact Sheet to inform staff about the Bank's commitments under IDA14 and about the RMS. Finally, several guidance notes have been prepared to provide staff with key results guidance for each stage of the project cycle, including on project restructuring, results frameworks in World Bank Operations, results in rapid response to crises and emergencies, and the need for adequate baseline data in ISRs.

Table 16: Selected output indicators in four sectors

	Indicator	***FY01-03***	***FY04-05***	***FY06-08*** [a]
Output examples in health	Number of health professionals trained	41,300	75,000	141,363 [b]
	Number of insecticide-treated bed nets distributed	(…)	10,000,000	642,115 [c]
Output examples in education	Classrooms built or rehabilitated	60,900	50,000	695,491 [d]
	Number of teachers trained	47,500	263,000	593,463
	Number of teachers recruited	(…)	37,500	898,783 [d]
Output examples in water supply and sanitation	Number of new water connections	(…) [e]	15,000	96,718
	Number of new sanitation facilities	61,900	111,600	82,515
Output examples in transport	Roads built (km)	21,600	5,200	8,915
	Total roads rehabilitated or maintained (km)	138,200	39,700	59,055

Source: IDA (2007a); OPCS and World Bank staff calculations.

a. This includes data as of February 28, 2009 from 41 ICRs out of 74 FY08 existing projects, including DPOs relevant to health, education, water, and transport. As a reference, for FY07, 73 ICRs were reviewed out of 97 FY07 existing projects, including DPOs relevant to health, education, water, and transport.

b. Does not include 1.6 million Integrated Child Development Service (ICDS) workers.

c. Three operations reported purchase of 642,115 ITNs. Four other operations also reported to have supported malaria prevention, but no specific numbers of ITNs procured were indicated.

d. These figures relate to 650,442 classrooms constructed and 795,000 new teachers appointed through one SWAP education project with domestic financing and external donor financing including IDA. Simply based on the financing amount, the pro-rata share of IDA could be 41,765 classrooms constructed and 51,047 new teachers appointed.

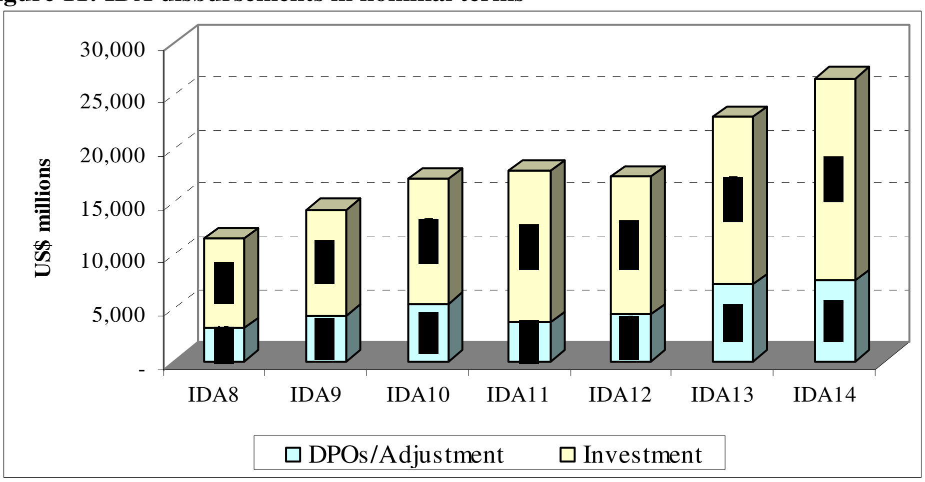
e. While no projects during the FY01-03 period reported on the number of new water connections, 548 km of water supply lines were built during this period.

Annex 10
Quality of IDA14 Lending Portfolio

Trends in IDA14 Disbursements

1. *Overall trend.* Total IDA14 disbursements increased by 16 percent and amounted to US$26.6 billion, compared with total IDA13 disbursements of US$22.9 billion (see Figure 11). The increase is mainly due to the sharp increase in disbursements of ILs (increased by 21 percent and amounted to US$19 billion) while DPO disbursements increased more modestly by 7 percent and amounted to US$7.6 billion. During IDA14 two regions – Africa and South Asia—witnessed the largest increase in volume of disbursements by 21 and 27 percent, respectively. The two regions also received the lion's share of the IDA14 total disbursements: African countries received US$12.7 billion (48 percent of the total), with a sizable increase of close to US$2 billion in ILs. South Asia received US$8.6 billion (32 percent of the total), with US$0.8 billion increase in DPOs and US$1.0 billion increase in ILs.

Figure 11: IDA disbursements in nominal terms



2. *Undisbursed balance of IDA*[227]. While the average ratio of undisbursed balances increased only slightly from 65 percent in IDA13 to 66 percent in IDA14, the total balance increased sharply from US$25 billion to US$33 billion. Three factors contributed to this: the rise in IDA14 replenishment commitments over the IDA13 replenishment,[228] the younger age of IDA portfolio during IDA14,[229] and the fact that more than half the IDA commitments in FY08 were approved during the last fiscal quarter and, therefore, could not lead to significant disbursements during IDA14.

3. The IDA portfolio, comprised of all active credits and grants under implementation, stood at US$48.1 billion at the end of IDA14. As noted in the Annual Review of Portfolio Performance (ARPP) prepared by QAG, the relative share of IBRD and IDA in the portfolio of the Bank shifted to IDA, with the

[227] Undisbursed balance is the outstanding amount of approved credits/grants that is still available to be drawn down. The portfolio is an outstanding balance of all the operations that are active at the end of the fiscal year excluding those which were closed or completely cancelled prior to the end of the fiscal year. See: IEG (2008a), Annex 2 "Basic Portfolio Definition."

[228] IDA commitments and disbursements follow the same long-term trend, with rising annual commitment levels of IDA translating into rising disbursement levels over time. Annual disbursement levels will usually lag the annual commitment levels by a number of years because it can take up to a decade for newly approved credits and grants to disburse fully, reflecting in particular the extended implementation period for some investment projects involving complex procurement, engineering, or institutional development requirements.

[229] The average age of IDA portfolio during the IDA14 period was 3.7 years, compared to the average age of 4.0 years during IDA13.

IDA share of 43 percent at the end of IDA14. Almost half (47 percent) of the IDA portfolio was concentrated in the Africa region by the end of IDA14. South Asia accounted for about 27 percent of commitments in the portfolio and the East Asia and Pacific region about 14 percent. According to 2008 ARPP, the thematic allocation of IDA lending has been somewhat stable over the last three replenishment periods. The distribution of IDA lending reflects a strong support to infrastructure (which accounted for a third of IDA14 disbursements) and continuous emphasis on human and social development (which accounted for close to one-third). About a quarter of IDA14 lending supported law and public administration (Annex 13).

Quality of IDA14 Lending Portfolio

4. Continued implementation of the IDA RMS and the undertaking of all actions committed at the IDA14 Mid-Term Review (discussed previously in Annex 9) had made a major contribution to sharpening the focus on results at the country, program, and project level as well as strengthening discipline in the way the Bank teams are preparing, supervising, and evaluating IDA projects and programs. These trends can be followed by monitoring the changes of the selected Tier 2 indicators that assess development effectiveness of the Bank's projects at entry, during supervision, and at exit, which are regularly reviewed by QAG and IEG.[230] In addition, in 2008 QAG introduced a new instrument called the Quality Assessment of Lending Portfolio (QALP), which focuses more on measuring quality of supervision, fiduciary aspects, and project design (see Table 17).[231]

5. *Quality at entry assessment* (QEA), conducted regularly by QAG, is highly correlated with satisfactory project outcomes and serves as a leading indicator of project results. The quality of IDA operations remained almost unchanged during the IDA13 and 14 implementation periods – 91 and 89 percent of IDA operations were rated as satisfactory during FY04/05 and FY06/07, accordingly. A recent review of the quality of results frameworks in a sample of IDA operations found improvements in the quality of project development objectives (DOs), in the percentage of projects with information on baselines at entry, and in the percentage of investment lending project documents that included institutional arrangements for project monitoring and evaluation (M&E).[232] In addition, 2008 QALP showed that 69 percent of IDA projects had their quality of design moderately satisfactory or better compared with 82 percent of IBRD projects.[233]

6. *Quality of supervision assessment* (QSA-7), completed in June 2007, shows that the performance of IDA projects improved from 88 percent of projects rated satisfactory in FY03/04 to 97 percent in FY05/06. This was mainly due to improvements in supervising projects in the Africa region by more than 10 percentage points. However, 2008 QALP findings (which use a different methodology than QSA and so produce results that are not comparable) rated IDA's supervision moderately satisfactory or better in 76 percent of IDA projects (40 percent for the fragile states). The weakest supervision quality was noted in the Africa region (64 percent of projects) and in PREM (46 percent) and (51 percent) HDN networks.

7. *Quality at exit* in the IDA RMS is traced by (i) the share of IDA operations that successfully achieve (or are likely to achieve) their development outcomes, and (ii) the percentage of projects with satisfactory

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230 For a discussion on improved result orientation of IDA programs entailed in RBCASs, refer to section 3.2. Progress on selected sector-specific outputs is presented in Chapter III.

231 Specifically, the QALP assesses the likelihood of projects achieving their DOs and provides management with feedback on the quality of project design, borrower implementation performance, and quality of Bank supervision. The 2008 QALP sample (about one-third of the Bank's portfolio, including 72 IDA projects) was drawn from the portfolio as of June 30, 2008, excluding operations that were less than 18 months from either effectiveness or closing date.

232 IDA (2007a), "*Focus on results: The IDA14 Results Measurement System and directions for IDA15*."

233 Close to three quarters of projects in ECA, EAP, and SAR (no IDA projects were rated in the LAC region) were assessed as having a satisfactory quality of design, compared with only 60 percent in Africa. Financial and Private Sector Network (FPD) showed a perfect rating of 100 percent, followed by SDN (76 percent), PREM (54 percent), and HDN (38 percent).

ICR quality. According to the IEG ratings the overall quality of reporting of IDA operations at exit increased from 85 percent in FY06 to 91 percent in FY07 as well as FY08. Regarding performance of IDA projects in terms of achieving development objectives, it has been virtually unchanged during the past five years - a positive trend given increasing lending commitments by IDA during IDA14 period. According to the IEG ratings, the number of IDA projects with satisfactory outcome ratings slightly decreased from 77 percent of IDA projects rated satisfactory in FY06, to 72 percent in FY07. Results for FY08 based on less than a half of the usual sample, show an improvement in FY08 with 80 percent of projects showing satisfactory outcome ratings. These results are broadly consistent with the findings of QALP, which reported about three-quarters of IDA projects, measured by three-year moving averages, rated satisfactory during the past five years.

Table 17: Progress in selected Tier2 indicators - improving result orientation of IDA operations

Quality at Entry										
	QEA-4 CY00-FY01		**QEA-5 FY02**		**QEA-6 FY03**		**QEA-7 FY04-05**		**QEA-8 FY06-07**	
	No. of projects	% satis.	No. of projects	% satis.	No. of projects	% satis.	No. of projects	% satis.	No. of projects	% satis.
IDA	52	90	25	76	51	85	73	91	63	89
IBRD	34	100	21	100	32	85	40	95	39	97
Total Projects reviewed[(c)]	100	94	50	86	85	85	130	92	115	93

Outcome Baseline Data in ISRs					
	FY04	**FY05**	**FY06**	**FY07**[a]	**FY08**[b]
No. ISRs reviewed	145	171	163	149	160
% adequate baseline data	59	50	76	82	85

Quality of Supervision								
	QSA-4 FY00-01		**QSA-5 FY01-02**		**QSA-6 FY03-04**		**QSA-7 FY05-06**	
	No. of projects	% satis.	No. of projects	% satis.	No. of projects	% satis.	No. of projects	% satis.
IDA	70	89	46	86	69	88	74	97
IBRD	68	95	51	92	43	94	41	94
Total Projects reviewed	150	92	100	90	130	90	115	95

Quality at Exit					
	FY04	**FY05**	**FY06**	**FY07**	**FY08**
% of IDA projects with satisfactory outcome rating	75	75	77	72	80[c]
% projects with S rating using 3-year moving average by number of projects (QALP)					
• IDA operations	73	75	76	75	n.a.
• Africa fragile states	58	55	51	49	n.a.
• Non-Africa fragile states	57	64	67	75	n.a.
% of projects with satisfactory ICR quality	85	90	85	91	91
Number of IDA projects	150	164	140	120	55
Total IDA commitments (US$ million)	5,154	6,645	7,459	5,601	2,539

Source: Business Warehouse, QAG, OPCS, World Bank.

a. Total Projects Reviewed includes IBRD/IDA and other product lines such as GEF, Montreal Protocol, and Special Financing.
b. Includes all FY07-08 submitted first ISRs. Data for FY07 and 08 are not strictly comparable to those for earlier years because of different criteria for identifying ISRs.
c. Partial sample as of March, 11, 2009 based on the review of only 55 ICRs. As a reference, figures for FY07 and FY06 were based on 120 and 140 ICRs respectively. Figures are subject to change as additional ICRs are completed and evaluated.

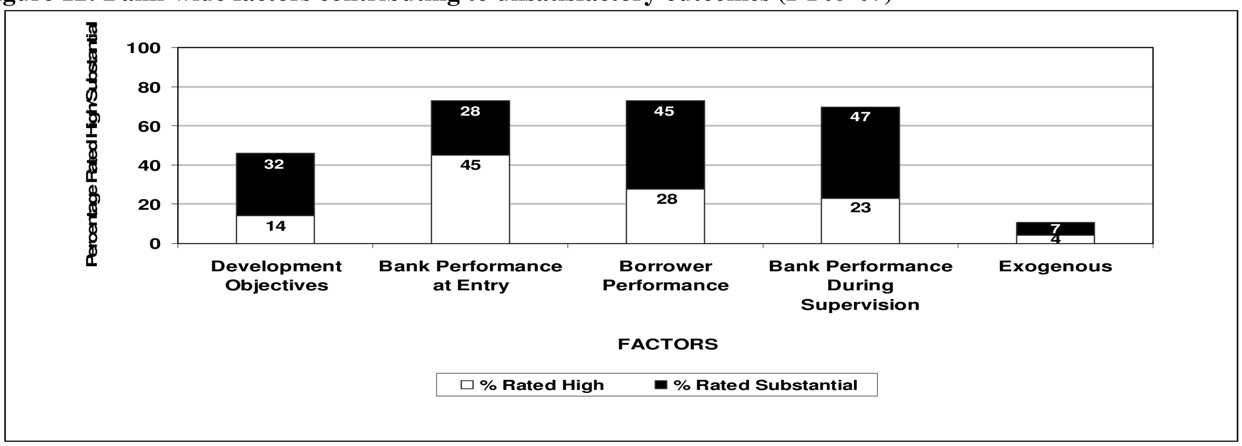
8. However, there is significant variation in performance among the regions and Sector Boards. Among Sector Boards, Health, Nutrition, and Population (HNP) and Energy and Mining (EMT) were at 67 percent or below satisfactory for both number of projects and disbursement.[234] On the other side of the spectrum were

[234] See: IEG (2009b). These results have been broadly confirmed by the 2009 ARDE, which finds that Bank-wide in FY08 only about half of the projects in HNP and education achieved satisfactorily their development objectives. Transport and water have an almost perfect record. Over the past decade only about one-quarter of HNP projects in

Water and Urban Development, with satisfactory rating of 78 or above. On average, however, the gap between IBRD and IDA projects for all but three Sector Boards exceeds 10 percentage points, indicating room for improvement. Among the regions, improving AFR performance, and especially in projects in fragile states, would have a significant impact on overall IDA outcomes. About 40 percent of fragile states projects exiting in FY07 were rated unsatisfactory by IEG, which is close to the average performance during the past five years. Further, during FY05-07 there was a divergence of performance between fragile states' projects in AFR and the rest of the Bank: only half of AFR fragile states projects were rated satisfactory (for number of projects), compared with three quarters of non-AFR fragile states projects (see Table 17).

9. According to the QALP review of 148 unsatisfactory projects that exited during FY05-07, poor design and inadequate supervision—both within the Bank's control – were the two most significant factors contributing to weak borrower performance and unsatisfactory outcomes (see Figure 12). Poor project design was rated high or substantial in about 73 percent of the cases and in about half of the projects with poor borrower performance, the implementation issues arose mainly from overly complex design. In other cases, the objectives lacked relevance (in relation to the CAS or country conditions) or commitment/ownership of borrower was weak. In addition, about half of the unsatisfactory projects had poor articulation of DOs, contributing to poor project design. Finally, the review concluded that at least a third and possibly up to about half of the unsatisfactory projects could have been turned around during supervision (through project restructuring and enhanced support to the borrower) despite problems in the initial design of the project.

Figure 12: Bank-wide factors contributing to unsatisfactory outcomes (FY05-07)



Source: QAG Review of IEG Evaluations of FY05-07 Exits.

10. Shortcomings in project M&E design and implementation may have contributed to problems found in project supervision and reporting. Although M&E have received increasing Bank attention in recent years, IEG's assessments rated the quality of M&E as modest or negligible in three-fifths of the Bank projects that closed in FY08 and FY09.[235] Among the key shortcomings identified were: indicators were too numerous and often measured outputs rather than outcomes; baseline data were infrequently collected; few projects collected the data that would be required to assess impact; and client feedback suggested reluctance to adopt project M&E practices and considerable fragmentation of M&E efforts. Continuation of some of these problems suggests a need to systematically revisit the incentives, use, and resourcing of M&E in Bank projects, with a view toward simplification.

11. To improve the effectiveness of IDA assistance and reduce the number of unsatisfactory projects, at the IDA14 MTR in November 2007, management committed to strengthening the project design by improving the upstream review of results frameworks and improving project supervision by implementing

Africa achieved satisfactorily their development objectives compared to 70 percent among low-income countries in other regions.

[235] See: IEG (2009b).

several important actions (discussed in section 3.2 and Annex 9). While all agreed measures have been duly carried out during the remaining period of IDA14 (see Monitoring Indicators in Annex 4), there is inevitably a time lag between introducing new measures, actual results, and evaluating the results. A good proxy of the expected impact in IDA15 is the fact that, according to QALP, about 70 percent of the current portfolio in IDA-only countries and 100 percent in blend countries is moderately likely or better to achieve its development objectives. More effective supervision should enable the Bank to turn around many of the projects at risk, and additional measures agreed at the outset of IDA15 are being implemented to improve portfolio quality. Focusing on improving AFR performance, and especially in fragile states performance (where only about 54 percent of projects are likely to achieve their DOs in the coming years), would have a significant impact on overall IDA and Bank-wide outcomes.

Annex 11
Trends and Quality of IDA Non-Lending Activities

1. During the IDA14 replenishment deliberations, participants emphasized the importance of Analytical and Advisory Activities (AAA)—comprising Economic and Sector Work (ESW) and Non-lending Technical Assistance (NLTA)—for growth and poverty reduction.[236] They stressed a country-focused approach to ESW that integrates macroeconomic, sector, and structural reforms, as well as public resource management issues. They noted that AAA products should help stimulate discourse on country policies, inform country assistance strategies and lending operations, and strengthen country capacity to implement reforms and development programs effectively.

2. Much progress was made on these objectives during IDA14 as knowledge and learning services were identified as one of the Bank strategic themes.[237] The main thrusts were to: strengthen the Bank's competitive edge by deepening country knowledge to provide informed, effective assistance; develop excellence in global knowledge to inform debate on global public goods and regional integration; and build knowledge based on data and lessons from global experience. The strategic focus on AAA during IDA14 reinforced the launching of the AAA reforms in FY99 and the FY05 decision to shift from mandatory to a more flexible programming of core diagnostics.[238] The shift from mandatory AAA built on progress achieved in country coverage and involved programming AAA products based on the scope of country engagement, priorities, and circumstances and diagnostic works already available. At the end of IDA14, 60 percent of active IDA-eligible countries were covered with up-to-date (5 years or less) core diagnostic products, compared to 54 percent in FY06 and only 13 percent in FY03. On the fiduciary side, 91 percent of IDA countries had up-to-date fiduciary products at the end of the IDA14 period, compared to 83 percent in FY06 and 46 percent in FY03.[239] Some gaps remained because of the challenging environment of some countries, such as fragile and post-conflict states, and small states affected by resource and capacity constraints.

Trends in IDA's Analytical and Advisory Activities during IDA14

3. The strategic direction and flexible AAA programming accentuated the emerging trend in the size and composition of AAA products during IDA14. This trend is marked by an overall decline in the numbers of ESW products, attributed mainly to continued efforts to improve strategic relevance and avoid fragmentation of ESW deliveries. Total AAA products delivered to IDA countries,[240] declined from 834 during IDA13 to 690 during IDA14. Core diagnostic ESW products fell by 40 percent to 199 during IDA14 as more IDA countries completed the full suite of diagnostic products. However, certain products actually increased. For example governance-related reports, such as integrated financial products increased from 4 to 29 between IDA13 and IDA14. Responding to clients who increasingly prefer NLTA to ESW,[241] NLTA increased to 1250 during IDA14 from 993 during IDA13, with "How to Guidance" component doubling.

4. *Fragile and conflict-affected states*: The strategic approach to assisting fragile states,[242] which are predominantly IDA-only, involved putting emphasis on non-lending activities. AAA products for fragile

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[236] See: IDA (2005).

[237] See: World Bank (2008a).

[238] Core diagnostic products include Country Economic Memorandum (CEM) or Development Policy Review (DPR), Poverty Assessment, Public Expenditure Review (PER), Country Financial Accountability Analysis (CFAA), Country Procurement Assessment Review (CPAR), and Integrated Fiduciary Assessment (PFP).

[239] See: IEG (2008c).

[240] Bend countries are included. Outputs to India fell to 98 during IDA14 from 112 during IDA13. Output for Pakistan fell to 30 from 33 and for Zimbabwe fell to 4 from 6 during the respective periods.

[241] See: IEG (2008b).

[242] The list of fragile states may vary over time as the quality of country policies and institutions change including as a consequence of conflict or post-conflict recovery

states increased from 270 during IDA13 to 329 during IDA14 with a strong emphasis on governance and public expenditure management, among other priorities. The increase built on past progress: at the start of IDA14, more than 85 percent of fragile states had up-to-date PERs and CFAAs, and approximately 80 percent had CPARs.[243] This emphasis on AAA products for fragile and conflict-affected states was meant to enhance their readiness for full re-engagement with IDA and the aid community. For example, in Côte d'Ivoire, a Poverty Assessment and a Public Expenditure Review were carried out to help in developing a framework for setting recovery priorities. Similarly, in Liberia, ESW activities in the infrastructure and agriculture sectors were conducted to inform lending operations. The increased diagnostic products also reflected a need to inform Interim Strategy Notes (ISN) for re-engagement, financial assistance, as well as leveraging other donor financial assistance (for example, in circumstances when IDA-eligible countries are unable to access IDA financing due to arrears).

5. *Global and regional AAA*: AAA covering multiple countries—global and regional—are public goods that can help bring global attention to IDA countries and deepen understanding of development challenges that require coordinated and collective action. Examples of such public goods include efforts to combat the impact of HIV/AIDS, avian flu, climate change, and trade barriers. The findings of these regional studies could be of particular importance, especially for developing IDA projects that address regional externalities. Between IDA13 and IDA14, multi-country AAA declined by 14 percent (global AAA products by 31 percent and regional AAA products by 7 percent). This declining trend is being reversed in light of recent challenges in the global economy, including those linked to food, oil, and the financial slowdown. Between FY07 and FY08, multi-country AAA products increased 10 percent and global AAA 45 percent.

AAA Expenditures and Efficiency

6. *Completion costs and time*: Overall Bank Budget (BB) and Bank-executed Trust Fund (BETF) completion costs[244] for AAA products in IDA countries increased 41 percent, from US$206 million during IDA13 to US$290 million during IDA14. Use of BETF grew 88 percent to US$108 million and BB grew 22 percent to US$182 million during this period. Reviewing completion costs by product type suggests that a large part of the increase in IDA countries was due to the significant growth (89 percent) in BB and BETF-supported NLTA activities from IDA13 to IDA14. Furthermore, overall ESW completion costs for IDA countries increased modestly by 25 percent, and those for BETF sources increased by 81 percent, from US$30 million during IDA13 to US$55 million during IDA14.

7. Unit costs increased in real terms for all AAA products between IDA13 and IDA14. Average costs for both ESW and TA are higher for IBRD than for IDA countries in all regions. Average preparation[245] time declined between FY07 and FY08 from 15 to 13 months for AAA products in IDA countries, including for both ESW and NLTA activities.

AAA Results

8. The Bank continued to sharpen its focus on results for ESW and NLTA, through the ESW/TA Results Tracking System in place since FY05, which links task objectives to interim results. The ongoing Bank-wide AAA Review will introduce further improvements in the results tracking system, particularly for capturing programmatic AAA activities better.

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[243] See: World Bank (2008c).

[244] Costs are recorded based on actual delivery to client data from IDA13 (FY 03-05) and IDA14 (FY 06-08). Cost for FY08 is not finalized since post delivery tasks (dissemination, translation, and so on) are not yet completed.

[245] Preparation time is the time from inception (activity implementation start/concept note) of ESW/TA activity to the delivery-to-client date (that is, when the main results, findings, and conclusions of a task are substantially communicated to the client).

9. At the beginning of an activity, results indicators are selected on the basis of the intended Development Objectives.[246] At the completion of the activity, an Activity Completion Summary (ACS) is prepared to assess the impact on achieving development objectives and to document the major conclusions and recommendations resulting from the task. During FY06-08, the most commonly identified development objective for more than three-quarters of completed ESW activities for IDA-eligible countries was "influencing clients' policies and programs."[247] NLTA activities for IDA-eligible countries tended to focus mostly on institutional development and strengthening for more than 80 percent of completed activities.

10. For ESW and NLTA tasks delivered during FY06-08 for which an ACS was completed, development objectives were rated largely or fully accomplished for 62 percent of ESW and 72 percent of NLTA tasks. Greatest success was reported for ESW tasks focused on stimulating public debate and informing lending, and for NLTA tasks that focused on strengthening institutions and facilitating knowledge exchange. There were no observable differences in average ratings between IDA and IBRD countries.

AAA Quality and Impact

11. Recent IEG and QAG reports[248] have shown that while AAA is of high quality, several areas could be strengthened to raise AAA quality and impact.

12. *Quality.* IEG reviews, that explore various dimensions of AAA quality through surveys that include country stakeholders and task team leaders, found that ninety-five percent of country stakeholders in the IEG data rate technical quality of AAA above average or higher. These results were confirmed by the QAG report,[249] which rated 80 percent of Country AAA programs—weighted by expenditures—moderately satisfactory or better, 91 percent on internal quality, and 87 percent on strategic relevance and scope. Ratings of other quality dimensions of C-AAA, such as dialogue, dissemination, and coherence and integration, were relatively weaker in the 71–77 percent range. While there were no significant quality differences between IBRD and IDA countries, the quality of AAA rated significantly poorer in countries with low CPIA scores than those with high CPIA scores.

13. IEG made specific recommendations to raise the quality of AAA. These include: (i) ensuring that tasks are supported with adequate resources, even if it means fewer activities in some countries; and (ii) increasing selectivity to reduce the burden on limited capacity of government counterparts. IEG also highlighted the impact that task team presence in country offices had on quality, especially those in countries with low institutional capacity.

14. *Impact on lending.* An IEG[250] evaluation found that AAA had a positive impact on the quality of lending operations. Of a sample of 119 loans examined, those preceded by ESW had better ratings on average on project design and higher overall ratings on assessment of project quality at entry. The quality of investment loans preceded by ESW varies by region from 36 percent in Africa to 50 percent in Latin America and 83 percent for East Asia and Pacific. Task team leaders (TTLs) surveyed agreed with IEG findings on impact: close to three quarters of TTLs gave ratings of MS+ to ESW for informing their work

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[246] For ESW, these include: influencing lending; informing government policy; building client capacity; informing/stimulating public debate; and influencing other donor activities. For NLTA, they include: assisting the client to implement policy/program; developing/strengthening institutions; and facilitating knowledge exchange.

[247] ACS is typically completed within six months of delivery to client date as long as all steps associated with the finalization of the activity (incorporating clients' comments, dissemination, publication, and so on) are completed. As of April 2009, the ACS was completed for 70 percent of ESW and 60 percent of TA delivered in the IDA14 period.

[248] See: IEG (2008d) and World Bank (2008i).

[249] The two-phased QAG report is based on assessments of 485 Country AAA (C-AAA) tasks in 53 countries, including 28 IDA-eligible countries, in FY05 and FY07. See: World Bank (2008i).

[250] See: IEG (2008a).

and close to two-thirds of in-country stakeholders gave ratings of MS+ on ESW informing country policies. Impact ratings varied among IDA countries from slightly below average in the Democratic Republic of the Congo and Mali to satisfactory in Vietnam.

15. QAG also reported that the overall rating on likely impact of C-AAA products was 75 percent satisfactory, however, there were significant regional variations with relatively weaker performance in Africa and in the Middle East and North Africa. The low ratings on likely impact are attributed to specific dimensions of AAA quality, such as policy dialogue and dissemination, coherence and integration of policy message, and Bank inputs and processes. The reviews also highlight the importance of management oversight of AAA products and of giving greater attention to dissemination and capacity building,[251] as well as to systems to improve monitoring and results and to integrate AAA into lending programs.

16. A majority of recent Country Assistance Strategies (CASs) and Interim Strategy Notes (ISNs) – including those for Afghanistan, Bangladesh, Nepal, and Rwanda – drew analytic underpinnings from an AAA product, such as a Country Economic Memorandum, a Development Policy Review, a growth diagnostic, a Poverty Assessment, and other diagnostic and advisory activities. In Bangladesh, for example, a diagnostic on constraints to long-term economic growth informed a succinct discussion in the CAS on country macroeconomic policies, outlook for growth, and overall prospects for economic development.

17. Both IEG and QAG findings suggest areas that could be strengthened in order to enhance AAA quality and increase likely impact. They highlight the importance of management oversight of AAA products. In addition, they stress giving greater attention to more effective communication strategies ("dissemination") and implementation support to further capacity development and strengthening of institutions. Internally, IEG and QAG findings have suggested that systems need to be strengthened to improve AAA monitoring and results and to integrate AAA into lending programs. An ongoing Bank-wide AAA Review is addressing these issues and exploring ways to increase the impact of AAA. The Africa ESW Quality Improvement Plan and remedial measures designed for Middle East and North Africa are currently under way to improve quality and results.

18. Overall, AAA products have been valuable instruments for informing country assistance programs (including lending), for fostering regional integration activities, and for deepening understanding of global challenges and the need for collective action during IDA14. During the current IDA15 period, the ESW and NLTA efforts will be further strengthened to achieve maximum impact in response to IDA clients' needs.

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[251] See: World Bank (2008i).

Annex 12
IDA at Work at the Country Level

Sierra Leone: Recovering from years of conflict

1. *Recent trends:* After 11 years of brutal civil conflict and seven years of post-conflict recovery, Sierra Leone is consolidating its return to democratic rule. Its third cycle of peaceful presidential and parliamentary elections was held in 2007, and a decentralization plan is being implemented to empower locally elected district and town councils. The challenge is to continue rebuilding while also ensuring a good policy environment for the growth and job creation needed for its more than five million inhabitants.

2. *Country context:* Sierra Leone's civil war destroyed infrastructure, businesses, and the social fabric of the society. Near the end of the war, the average citizen survived on the equivalent of 38 cents (US$) a day, and 2 million people – nearly a third of the population – had been displaced. But solid macroeconomic performance following the cease-fire led to a strong economic rebound, with per capita income rebounding to US$260 per person by 2007. International support helped restore many basic services, with a 146 percent rise in primary school enrollment since 1999. The last UN peacekeepers withdrew in December 2005, leaving full responsibility for security with domestic forces.

3. *IDA's contribution:* IDA has been at the core of the international partnership working with Sierra Leone as it emerged from conflict. Financial support from IDA began in 1999, with support targeting the communities most affected by the war. In hundreds of villages, schools, sanitation facilities, health clinics, and markets were restored, and agricultural activities were restarted by providing seeds and farm tools to farmers. An estimated 1 million people benefited from these recovery projects. The early international assistance, including from IDA, was crucial to deliver tangible benefits to the population to consolidate the peace and helped pave the way for reconstruction and public sector reforms.

4. Subsequent IDA operations and activities have focused on rehabilitating and expanding infrastructure (including in education and health), supporting policy reforms needed to restart the economy and improve service delivery, and coordinating aid. These efforts eventually led to a framework for multi-donor budget support, underpinning a full poverty reduction strategy rather than funding select reforms. Through the HIPC and MDRI initiatives IDA has also promoted and provided deep debt relief to Sierra Leone. More recently, IDA provided timely emergency assistance to support government response to the avian flu outbreak and the global food crisis.

5. *Challenges:* Although Sierra Leone is past the immediate post-conflict phase, the challenges remain daunting. Among the top development priorities of the government is to help establish a vigorous private sector to generate more and better jobs, especially for the younger generation. To achieve this, Sierra Leone must implement a development strategy that improves service delivery, redresses infrastructure deficiencies, and provides an enabling regulatory and legal environment for the private sector. Furthermore, Sierra Leone needs a capable state that is trusted and supported by the public. In that regard, the importance of continuing consolidation of peace and political stability cannot be over-emphasized.

Armenia: Reaping the benefits of steady reforms

6. *Recent trends:* Armenia has been one of the fastest growing economies since the onset of transition from Soviet rule in 1991. GDP growth averaged about 10 percent a year up to 2004 and accelerated to 13–14 percent during 2005–2007. Macroeconomic stabilization, competition policies, and governance reforms encouraged foreign direct investment and fostered robust growth led by construction, services, and exports. Revenues increased from 14 percent of GDP to 17 percent. Expenditures on education rose from 2.2 percent of GDP to 2.9 percent during 2004–08. Delivery in electricity and telecommunication improved. The economic growth and social services led to rapid decline in poverty from 56 percent in 1998 to 27 percent by 2006. Still, economic growth has been impacted by the global economic crisis.

7. *Country context:* The difficulties of making a transition from a command economy were exacerbated by the 1988 earthquake and conflict with Azerbaijan. The fiscal deficit reached 55 percent of GDP in 1993, fueling runaway inflation, shortages of power, and large-scale emigration. Armenia initiated a program of stabilization and reforms at the end of the war with Azerbaijan in 1994. The reforms involved a steady shift from a state-dominated economy, with emphasis on land reform, elimination of price and wage controls, and privatization of small enterprises.

8. *Reforms and achievements:* Reforms slowed in the interim and policies deteriorated in the late 1990s due to the assassination of the Prime Minister and Speaker of Parliament, as well as effects of economic crisis in Russia. But it regained momentum with the appointment of a new government in 2000, with emphasis on reconstituting the role of the state. A survey conducted in 2000 showed no dent on poverty incidence, which stood at 56 percent. The priority objective was to establish a supportive environment for public and private investments to boost growth. Key measures focused on tax reform, deregulation, expenditure management and control, restructuring the energy sector and cleaning the banking system. Public resource management and the policy environment for private investment improved. The fiscal deficit fell as a ratio of GDP from 9 percent in 1995 to 2.6 percent in 2005 and to 1.7 percent in 2007. Various surveys indicate improvements in governance, transparency and services. Hours of power supply increased to 24 hours, compared to 2 hours in the late 1990s, and the fiscal drain of the power sector on the budget ended. There was progress on MDGs, including a sharp reduction in infant mortality.

9. *IDA's assistance:* IDA's assistance involved financing, coordinating consultative group meetings to mobilize donor resources, and leading the preparation of more than 40 analytical studies to inform the country-led PRSP, assistance strategies, and lending operations. Nine policy-based operations, including a series of four annual Poverty Reduction Support Credits (PRSCs) to fight poverty, were implemented. The PRSCs focused on building strong governance in order to use increased social spending effectively, sharpen competition, mitigate social and environmental risks, and modernize the rural economy. Armenia implemented projects that shifted resources to expand capacity in the power sector and channeled resources to health care, irrigation, rural infrastructure, schools, canals, and roads. IDA commitments exceeded US$900 million since 1991, including US$180 million during the IDA14 period. Other donors provided additional support, including technical assistance and US$235 million from the Millennium Challenge Account. Armenia has been the strongest performer with consistently high scores on country policy and institutional assessments (CPIA).

10. *Challenges:* A short term challenge is how to address vulnerabilities related to the global economic crisis. Delays in budget execution and persistent weaknesses in public financial management as well as in customs and tax administration need greater attention to strengthen governance and transparency and remove barriers to trade. Banking sector reforms are at the initial stage and greater efforts are needed to help improve savings instruments and capital markets and enlist a greater private sector role. In addition, innovative measures will be needed to make advances in education, health, infrastructure, pension systems, and environmental quality through alternative energy sources and better forestry management.

Nicaragua: Progress in Central America's second-poorest country

11. *Recent trends:* Nicaragua achieved a remarkable economic turnaround over the last decade. The economy has stabilized. External debt is more manageable and the fiscal deficit has dropped from 4 percent of GDP to 2 percent. Growth accelerated from less than 1 percent to an annual average of 4 percent during 2001–06. Per capita income increased by one-third during 1995–2006 and the number of the extreme poor dropped by 25 percent. Maternal mortality dropped from 250 per 100,000 live births to 87, the share of poor students not in school dropped from 45 percent to 20 percent, and the pre-school enrollment ratio more than doubled from 14.5 percent. Over 3000 km of secondary roads were restored and rural access to phone services increased more than sevenfold. While the turnaround is grounded on fundamental shifts in the approach to development policy supported by aid, the future outlook is clouded by the global economic crisis.

12. *Country context:* Economic mismanagement, corruption, natural disasters, and civil war led Nicaragua into a decline from a track record of strong economic performance in the 1950s and 1960s. External debt became unmanageable and output shrank by almost 40 percent. About half of the population was living in poverty and 20 percent in extreme poverty by 1993. Initial steps taken in the first half of the 1990s to reduce the bloated public sector and modernize the government, remove barriers to trade, and encourage greater private participation were disrupted by the devastation of Hurricane Mitch. Nicaragua abandoned its IMF-supported program of reforms, halting the progress toward a market-oriented economy. The stalled reforms resulted in economic stagnation with a growth rate of less than 1 percent. A new government in 2002 renewed the reform efforts with an emphasis on fiscal discipline, stable macroeconomic policies, and combating corruption.

13. *Reforms and progress:* Reforms enabled Nicaragua to benefit from debt relief provided under the HIPC initiative. Over US$3 billion of public debt was written off in early 2004. The return of private investments helped economic growth reach 5.1 percent in 2004 and an average of 4 percent per year. The new (2007) government then built on past successes and sustained stable macroeconomic management supported by an IMF Poverty Reduction and Growth Facility. Its strategic plan gives high priority to poverty reduction and investing in the human capital of the poor by enabling access to quality education, health, and nutrition through multi-sector activities that focus on basic infrastructure for social services, energy, roads, and water, as well as small and medium producers in rural and urban areas. Even with the decline in the incidence of extreme poverty, overall poverty reduction goals were not achieved as almost half of Nicaragua's population continued to live in poverty, due to unsteady growth and poor targeting of expenditures.

14. *IDA's contribution:* IDA, with other donors, granted debt relief through HIPC and MDRI programs, supported a commercial debt reduction program, and provided a part of aid allocations in the form of grants. These helped external debt decline from 332 percent of GDP to 90 percent during 1995–2006. IDA-led analytical work and technical assistance helped identify rural road maintenance needs and reforms in land titling, the civil service, financial administration, and the business climate. Donors account for about a third of Nicaragua's budget and IDA provides about a fifth of all donor assistance. IDA financed quick-disbursing economic recovery operations in the early 1990s and more than 20 sector investment projects in health, education, natural disaster management, rural development, infrastructure, local government strengthening, and business-climate improvements during 1996–2002. Since 2002 IDA has shifted to budget support linked to the country-owned PRSP. The 2007 Country Partnership Strategy aligns with the PRSP and highlights support for sector project investments, budget support, and emergency assistance related to the destructive 2007 hurricane. Assistance from IDA and donors, built on a strong local political consensus, helped launch economic and social recovery by reducing the debt burden, rebuilding infrastructure and implementing critical reforms.

15. *Challenges:* A large agenda remains to foster private investment, reduce poverty, and advance on the MDGs. Areas requiring priority attention include prudent debt management, deeper governance reforms, competitive investment climate, opportunities for rural residents and the poor, and aid coordination.

Bangladesh: Charting a path to development goals

1. *Recent trends:* Bangladesh's growth has been steady at 4–5 percent a year over the past two decades, with diminishing impact of natural disasters. Per capita income increased from US$342 in 1996 to US$554 in 2008, following a sharp drop in the population growth rate from 2.5 percent in the 1980s to 1.5 percent now. Poverty incidence declined from 60 percent to 40 percent during 1990–2005. Domestic debt is low and inflation, interest, and exchange rates have been fairly stable. The country has made great strides toward achieving the MDGs. Infant mortality dropped from 145 per 1,000 live births to 52 during 1970–2007. Gross primary enrollment ratio increased from 55 percent to 91 percent, and Bangladesh is the only country in South Asia to achieve gender parity in primary and secondary school enrollments. Yet, the growth and poverty trend, especially the large numbers of the extreme poor, are vulnerable to the current global slowdown.

2. *Country context:* Following independence, in 1971, Bangladesh was faced with raising growth and improving living conditions while also building a new state in a country with a dense population and a geographic location susceptible to periodic weather-related disasters. The state building process has been marked by political turbulence.

3. *Reforms and achievements:* Bangladesh has had both successes and failures in governance. Reforms in macroeconomic stabilization, trade liberalization, and financial deregulation led to an acceleration of per capita economic growth from an annual average of 3 percent in the 1990s to 4–5 percent in the 2000s, accompanied by a surge in private investments. Inflation dropped from an average of 10 percent during 1985–90 to a single digit level in 2007. The floating of the Taka in 2003 helped external financial management and raised the reserve cushion to a more comfortable level in 2008. External tariffs were reduced and rationalized. Interest rate controls and credit quotas were abolished to ease controls on the private sector. Central bank supervision of the banking system was strengthened and regulatory quality tightened. Bangladesh's progress is also due, in part, to local innovations, such as the world-renowned microcredit initiative and partnerships with nongovernmental organizations to deliver public services.

4. *IDA's assistance:* Since 1990, IDA has provided more than US$10 billion – more than one-quarter of all foreign aid to Bangladesh – to support policy reforms and investment projects. Major reforms were supported by IDA-financed analytical work and development policy loans. The IDA-supported knowledge products informed public debate on the role of public sector institutions in development, government design of growth and poverty-reducing policies, measures to restore and maintain fiscal sustainability, the design of IDA-financed operations and, ultimately, development outcomes. Key elements of Bank support include long-term commitment to health and education, support for rural infrastructure, and engagement in a policy dialogue that created conditions for broadening the base for economic growth. IDA's aid coordination in Bangladesh is a crucial function, given the large number of donors working in the country. The Local Consultative Group, the main mechanism for in-country donor coordination, comprised (in addition to the government) 32 bilateral and multilateral donors. With the introduction of its first full PRSP in 2005, Bangladesh assumed the chair and the Bank's role matured to involvement with broad grouping of donors to support sector-wide investment programs. Past experience suggests a need for IDA to find ways to stay engaged in sectors even if dialogue is difficult and to use lessons from SWAPs to advance country partner coordination of projects and programs.

5. *Challenges:* The short-term challenge is to protect current socioeconomic progress against the global economic crisis. Poverty remains a basic challenge and progress will depend on faster and more equitable growth, which will require diversification. Financing of infrastructure is a serious obstacle to faster growth.

Governance reform is a core challenge and progress is critical for improving access to high quality social services. Bangladesh's geographical position and population density compound these challenges.

Lao PDR: Growing momentum

16. *Recent trends:* Lao People's Democratic Republic (PDR) is a small, landlocked nation of fewer than 6 million people at the center of the dynamic Mekong region. The country has abundant natural resources supporting mining, hydropower, and forestry. Lao PDR is facing numerous development challenges but has been undertaking reforms that are helping it to embark on an increasingly sustainable development path with growing opportunities to build on reforms achieved so far. The economy has expanded at a rate of 6.5 percent a year since 2001 and reached 7.9 percent in 2007, but it is expected to slow somewhat because of the global financial crisis.

17. *Country context:* With strong economic performance and structural reforms in trade, private sector development, and public financial management, among others, the country has made significant progress on reducing poverty. But results have been uneven, with less progress in rural areas and among ethnic minorities, which make up more than half of the country's poor, though they account for only one-third of the population. Social indicators remain among the lowest in the East Asia and Pacific region, with life expectancy at 55 years (compared to a regional average of 70), the primary school net enrollment rate at 84 percent (compared to the regional average of 99 percent), and child mortality at 98 per 1,000 (compared to the regional average of 37).

18. The challenge for Lao PDR is to maintain strong and sustained growth rates, which are needed to overcome its poverty and social problems. To this end, the government has designed a viable poverty reduction strategy in its carefully articulated National Socio-Economic Development Plan for 2006–10 (NSEDP). While the NSEDP is pursuing policy changes—including public finance, environment, investment climate, governance, and social management reforms—with vigor, the lack of capacity to implement these reforms is an important bottleneck to more rapid results.

19. *IDA's contribution:* IDA is the third largest donor to Lao PDR, and has financed projects addressing issues in rural development, forestry, transport, energy, telecommunications, education, health, and industry. Along with complementary support from other donors and multilateral institutions, this has helped the country lay the foundations for its infrastructure system, broadened access to better quality health and education services, and helped further the goal of transitioning from a centrally planned to a market economy. A key activity for IDA has been its involvement in the Nam Theun 2 (NT2) Hydroelectric project, which triggered a qualitative change in the relationship between Lao PDR, the World Bank, and other development partners. NT2 preparations saw the adoption of a new IDA business strategy, centered on a decision framework that has had wider effects on the planning and implementation of aid in Lao PDR. For example, in order to prepare for NT2, the government implemented a development strategy and program characterized by concrete performance on poverty reduction and environmental protection. Despite relatively low CPIA scores, a series of PRSCs, supported by technical assistance, have helped to strengthen good macroeconomic performance, enabled a systematic approach to building capacity and fostered progress on financial management reforms. IDA also supported steady fiscal and monetary management during various crises.

20. *Challenges:* The next 10 years will be critical for Lao PDR to pursue reforms, diversify its economy, and attract more investments. Besides addressing its low level of human development, the country needs to tackle other serious obstacles to achieving continued and rapid growth, including weak capacity in the central and provincial governments, a fledgling private sector, and inadequate physical infrastructure.

Reaching out to Yemen's poorest, most remote communities

21. The Yemen Social Fund for Development (SFD), established in 1998, financed sub-projects to extend basic education, health, and environment services to Yemen's most vulnerable population, to provide temporary employment, and to improve social and economic development. Branch offices were established to reach out to remote communities, provide technical assistance, and receive project requests.

22. Recognized as a successful tool for poverty reduction and capacity building, the SFD was expanded in 2000 and funded again on a larger scale in 2005. IDA has provided US$165 million for the three phases of the project, now supported by 15 donor agencies.[252] In addition, IDA has shared its global expertise in the establishment and operation of social funds, and supported the government's efforts to draft the law establishing the Social Fund, to develop SFD's operational manual, to design mechanisms that target the poor, and to evaluate impact.

23. Since 1998, the Fund has helped remote communities improve basic social and economic services, directly benefiting about 10 million people. The SFD has contributed to: improving water supply and quality**;** constructing and rehabilitating classrooms, contributing to an increase in basic education enrollment rates from 62.9 percent to 67.6 percent; training healthcare workers; creating and maintaining improved rural roads; and strengthening institutions and associations working with marginalized and disabled groups. The SFD has also supported decentralization, helping establish the roles of the governorate and district councils, and has improved education and infrastructure programs implemented by line ministries through technical assistance. For example, technical support from the SFD helped the Ministry of Education establish Parent Teacher Associations, allowing parents to become involved for the first time in the management and maintenance of rural schools. The SFD also drafted the first manual for rural roads in Yemen, used by the Ministry of Civil Works as well.

24. During IDA15, IDA's support to the SFD will be focused on providing adequate resources, strengthening the institutional structures set up at the community level, and consolidating the cooperation and partnership with other donor agencies in order to ensure the sustainability of the provision of these services to the poor. While assessment of social funds indicate improvements in targeting the poor, continuing monitoring and assessment has been handicapped by lags in data availability. Current performance data are available up to 2006.

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[252] Partners for the SFD and PWP include AF, DFID, GTZ, IsDB, KfW, Netherlands, OPEC Fund, Saudi Fund for Development, UNCDF, UNDP, and UNESCO.

Annex 13
IDA at Work in Sectors[253]

IDA AT WORK IN INFRASTRUCTURE

Transport

- In **Senegal**, the IDA-supported rural infrastructure project—which included substantial road improvements – strengthened decentralization and financed micro-projects covering water, schools, and livestock, among others. Beneficiary households in the 110 participating rural communities reported a 25 percent increase in income. Fiscal revenues for rural communities in the project area almost tripled. Markets, schools, and health facilities are now more accessible (children now typically spend 10 minutes getting to school instead of 30), and the weight and height of children under three years of age has improved.

- In **Bhutan**, an IDA rural roads project reduced the average travel time and travel costs to hospitals and markets by about 75 percent in 5 of Bhutan's 20 districts. Reduced travel time means villagers now send their children to non-community schools, which used to be prohibitively far by foot but have become easily accessible by bus. Once a new road turned a six-hour trek into a one-hour commute, families in Kikhar sent 32 children off to school—instead of just the four that had gone in the past. Local commerce, construction methods, and agricultural practices have all been galvanized and transformed by villagers' new proximity to markets and goods. Corrugated iron roofs are replacing banana leaf roofs, and income from sales of agricultural produce has grown—by 64 percent, on average.

- In **India,** an IDA-supported rural roads project and rural infrastructure projects have resulted in a doubling of household incomes, on average, in connected villages. Trucks now reach distant villages, saving farmers time and money in transporting produce to market. As a result, farmers have increased the land under cultivation and diversified into higher-value cash crops. With easier access to seeds, fertilizers, and veterinary services, crop and milk yields have risen. Farmers are able to cut out middlemen and get better prices for their produce, and land values have risen by some 60 to 80 percent on average. Children in distant villages, especially girls, now ride the bus to school, narrowing the gender gap and leading to a rise in literacy rates by more than 10 percent. The sick are able to reach health centers quickly and pregnant women can access medical care, saving lives. New businesses are being established transforming sleepy hamlets into hubs of enterprise. In Rajasthan, for instance, dairy farming has increased as milk collection vans come right to village doorsteps. Villagers are also able to commute to far-away towns for work and there is a spurt in house building as construction materials can be easily transported.

Water Supply and Sanitation

- In **Senegal**, urban water projects helped reduce water losses from 32 percent to 19 percent between 1998 and 2006. Between 1996 and 2006, access to water supply services was extended to about 1.6 million people in Dakar and secondary cities. IDA helped finance 130,000 new household connections at subsidized rates for poor families as well as 400 public standpipes. 830,000 people gained access to sewerage connections or on-site sanitation. Global access to water reached 98 percent of people in Senegal's cities in 2006, up from 82 percent 10 years earlier. The level of household connections in urban areas (76 percent, up from 58 percent a decade ago) is now the highest in Sub-Saharan Africa.

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[253] The country examples presented in this annex were drawn from the "IDA at Work" website. They may cover projects approved before IDA14.

- In **India's** Himalayan state of Uttarakhand, an IDA-supported project is the first of its kind to reverse the government-driven practices of the past and work towards empowering rural communities across the state to choose the water supply services they want and are willing to pay for. The project has brought about a transformation in the way rural water supply and sanitation infrastructure is created. Already, some 553 habitations of the over 2500 targeted have started their own water supply schemes, saving their women the drudgery of waking before dawn and walking across hillsides for hours with heavy pots on their heads carrying water home from distant springs. Some 80 to 90 percent of these water supply systems rely on gravity, saving on power costs. Rural families are also improving their hygiene; about 50 percent of the 2500 targeted habitations have already received a government award for maintaining open defecation-free status and a clean village environment.

Energy

- In **Bangladesh**, the Haripur Power Project and the Private Sector Infrastructure Development Project helped finance the 360MW Haripur and the 450 MW Meghnaghat power plants. Together the plants account for 20 percent of Bangladesh's installed capacity and, because of their high efficiency and reliability, nearly 30 percent of total electrical energy generated in Bangladesh. They are the best-operating, best-maintained, and most reliable power plants in Bangladesh. They have by far the lowest unit costs among all independent power producers in the country, and are still among the cheapest even when compared with older plants. The plants have been also Bangladesh's most energy efficient, as they introduced state-of-the-art, gas-fired combined-cycle technology into the country and have had an outstanding environmental and safety record since their start-up.

- In **Mali**, the Household Energy and Universal Access Project promotes provision of electricity services in peri-urban and rural areas, enhancing the quality and efficiency of health and education centers, and fostering sustainable management of forestry resources and biomass energy. By 2008, 40,000 homes; 1,080 enterprises, 1,025 rural schools, and 107 health clinics have been connected.

- In **Vietnam**, the Rural Energy Project, approved in 2000, helped the government prepare a master plan for rural electrification that harnessed government, user, and donor financing in a coordinated 10-year program. This project, together with follow-on projects, extended the electricity grid to 690 communes located in 32 provinces and an additional 2.7 million people in some of the poorest rural areas of Vietnam now have a reliable electricity supply for the first time in their lives.

ICT

- In **Afghanistan**, IDA supported reforming the telecommunications sector through a comprehensive package of capacity building, support for drafting of legislation and licenses, rehabilitation of the government's network, and improved postal service. From a single operator in 2002 with a barely functioning network, a competitive telecommunications market has developed with four licensed private mobile operators, a combined fixed and mobile operator, and seven private internet service providers. The sector has attracted nearly US$500 million in private investments, accounting for 60 percent of all FDI in Afghanistan. As a result, the number of telephones in Afghanistan increased from 57,000 in 2002 to more than 5 million in 2007. About 17 of every 100 Afghans now have access to a phone. Moreover, falling prices have made services more affordable. In 2002, it cost about US$400 to own a mobile phone and US$2 for every minute of talk time. Today, an Afghan can own a mobile phone for less than US$50 and spend less than 10 cents per minute for talk time.

IDA AT WORK IN AGRICULTURE AND RURAL DEVELOPMENT

- In **Cameroon**, the National Agricultural Extension and Research Program Support Project strengthened producer organizations and improved credit, inputs, and marketing services by facilitating links between the groups, financial service providers, and the private sector. It created a network of 58,699 contact groups that represent at least 50 percent of all farm families (from 15 percent prior to the project) to link with the agriculture research and extension system. As a result, agriculture productivity increases were seen for many of the major crops—for instance, maize yields increased from 1.3 tons per hectare to 2.9 tons, and cassava from 3 tons per hectare to 13 tons. The beneficiary assessment showed that 93 percent of women in the project zones received assistance from the project. About 40 percent of the subprojects implemented were geared to the needs of women, exceeding the 30 percent that was expected in the planning phase.

- In **Mauritania,** the Rainfed Natural Resources Management Project reforested and protected common land, cut local crop production losses by 30 percent, and increased yields of sorghum (the primary rainfed crop) through investments in soil and water conservation, such as aerial tree-seeding, rehabilitation, and protection of retention dams. The impact analysis showed that yields averaged 800 kilograms per hectare with the project, but they would have been 100 kilograms per hectare without the project. Increased opportunities for the sustainable harvesting of gum arabic have significantly slowed male out-migration in some villages. Women have benefited from closer access to water, resulting from some subprojects and from cash income from village gardens and market stalls.

- In **Tanzania,** the River Basin Management and Smallholder Irrigation Project addressed water-related environmental concerns at the national level, with focus on particular problems in the two largest basins. It targeted improving water access and use by low-income smallholder farmers in 15 irrigation schemes through better water management, higher quality infrastructure, and improved stakeholder participation in water management. Among other highlights of the project, agricultural yields for more than 5,000 families doubled and household incomes tripled. Training for 1,674 farmers was provided in scheme water management, crop production techniques, agro-business, and financial management and leadership skills. Average rice yields in project areas more than doubled.

- In **Senegal,** the Sustainable Woodfuels Project adopted a comprehensive approach, tackling both woodfuel supply and demand, and demonstrated that the production and marketing of traditional biomass fuels can be stabilized, while arresting deforestation, contributing to ecological conservation, and increasing village incomes. At the project's close in 2004, more than 20 percent of Senegal's woodfuel consumption was derived from sustainably managed forests. That share has increased to 50 percent today with the introduction of sustainable green woodcutting in an eight-year rotation program.

- In **Andhra Pradesh (India**), the Rural Poverty Reduction Program grew from a UNDP pilot initiative. The program has mobilized over 10 million rural women into over 850,000 self-help groups, covering 95 percent of the poor in the state. In addition, over 210,000 persons with disabilities have been organized into some 23,000 self-help groups that provide various support services to their members. The capacity of these groups has grown significantly over the years. Women's groups now act as banking correspondents and micro insurance agents as franchisees for the public, private and cooperative sectors. They also manage various government service delivery programs including the distribution of contributory and old age pensions to members. Safety net coverage for the poor has increased substantially; 9.6 million rural poor now have death and disability insurance, up from less than 1,000 before the project. The collective bargaining power of women's groups has helped get better market prices for local produce such as rice, maize, cashew, and milk and over 1.38 million acres of land has been brought under sustainable agricultural practices like non-pesticide-based agriculture management. Partnerships with the private sector have helped equip young people with marketable skills and more than 190,000 have been employed. The poor and their organizations have cumulative savings and a corpus of US$1.24 billion, and since 2000, have leveraged cumulative credit flow of US$4.3 billion from commercial banks.

- **Land policy: Securing rights to reduce poverty and promote growth**

The following land sector projects, which were rated by the IEG as satisfactory or higher for achieving their development objectives, have resulted in secure legal land rights for a spectrum of income groups, fostering growth and reducing poverty:[254]

- The Armenia Title Registration Project (US$8 million) has successfully promoted private sector development by implementing a transparent, parcel-based, easily accessible, and reliable registration system for land and other immovable property.
- A US$5 million land component under the Ethiopia Sustainable Land Management Project builds on a hugely successful home-grown intervention that has, over a three-year period, awarded land certificates to more than 25 million parcels.
- The Kyrgyz Republic Land and Real Estate Registration Project (US$10 million) supports the development of markets for land and real estate for more intensive and effective use by introducing reliable property rights registration.
- The Honduras Access to Land Pilot Project (US$8 million) is demonstrating how land market imperfections can be overcome to achieve improved land access through market channels.
- The Malawi Community Based Rural Land Development Project (US$27 million) builds on the new land policy adopted by the country in 2002, with IDA support. The project seeks to increase the incomes of about 15,000 poor rural families by implementing a decentralized community-based approach to land acquisition and farm development in four districts.
- The Ghana Land Administration Project (US$20 million) also demonstrates the efficacy of IDA-supported operational work in helping a country work through a complicated legacy of traditional and colonial land administrations that have led to underinvestment and disputes.

IDA AT WORK IN EDUCATION

- In **Uganda,** the Education Sector Adjustment Credit provided emergency assistance for the surge in enrollments that followed the 1997 government elimination of primary school fees. IDA and donors supported improvements in the use of resources, the quality of learning, and management of the sector. Consequently, primary enrollment increased from 3.1 million in 1996 to 7.3 million in 2006. Income and gender gaps were closed and the percentage of students who achieved literacy competency at the third primary level increased from 19 percent in 1996 to 46 percent in 2006. Government funding for education increased and flexible external funding enabled coverage of priority expenditures. Other achievements included timely payment of salaries; adopting a more efficient decentralized school construction system; improving accountability and transparency through public disclosure of funds allocated to schools, which resulted in an increase in resources reaching schools (from 13 percent in 1996 to 80 percent in 2000); and removing "ghost workers" who previously accounted for 20 percent of the wage bill.

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[254] For more information see: *"Land Administration and Management Projects in ECA – experience, lessons learnt and the future agenda"* a paper presented at the WB/ FIG conference on Land Governance in Support of the Millennium Development Goals. March 9-10, 2009; *"Impacts of Land Certification on Tenure Security, Investment, and Land Markets Evidence from Ethiopia"*, The World Bank Development Research Group Sustainable Rural and Urban Development Team, October 2008; *"Land Registration, Governance, and Development: Evidence and Implications for Policy"*, World Bank Research Observer, forthcoming.

- In **Nepal**, the Community School Support Project assisted the government in testing its reform initiative to transfer management of public schools to communities. A survey of 30 schools covering 10,000 households recorded changes among different categories of out-of-school children aged 5–9 years between 2004 and 2006 as follows: all children (41 percent to 15 percent); girls (42 percent to 15 percent); dalit-lowest caste Hindu (50 percent to 18 percent) and janajati-indigenous groups (44 percent to 15 percent). Other surveys have reported qualitative changes: strengthened community ownership and parent participation, reduction in teacher absenteeism, and transfer of children from private schools to community schools.

- In Punjab, a province of **Pakistan**, as a result of three successive sector policy credits since 2004 totaling US$300 million in budgetary support from IDA, enrollment in grades 1–10 in public schools has increased by 28 percent, with about 2.2 million more students in three years. Girls' enrollment in grades 6–8 in government elementary schools have increased by 42 percent.

- In **Cambodia**, harmonized assistance of IDA and other donors helped the government to decentralize funding to schools, reduce student fees, upgrade the skills of teachers, begin to measure learning outcomes, and harmonize donor aid to the sector. As a result, its primary completion rate reached 87 percent in 2006, up from less than 50 percent only five years ago.

- In **India**, IDA support in the mid-1990s helped India pioneer new initiatives to bring out-of-school children into school and actively involve communities in planning for primary education in areas where female literacy was low. These programs laid the foundation for India's subsequent flagship national elementary education program – the SSA. Since 2004, IDA's support to the SSA has played an important role in scaling-up the program to reach the hardest-to-reach communities, improve the quality of learning, and assess learning outcomes. It has helped strengthen the feedback system, enabling the government to improve the allocation of financial resources and make the needed adjustments to policy and practices. Technical support has helped to improve the design of the SSA and focus on quality interventions. Since 2001, the SSA has brought nearly 20 million out-of-school children into elementary school. This includes first generation learners from long-deprived communities, minority communities, and children with special needs. Many of India's states are now either approaching universal primary enrollment or have already achieved it. Although retaining first generation learners in school is a major challenge, annual drop-out rates have fallen from 10 percent in 2004 to 8.6 percent in 2008. The gender gap has also reduced. There are now 93 girls for every 100 boys in primary school, compared to just 90 in the early 2000s. More children are transitioning from primary to upper primary school and transition rates have risen from 75 percent in 2002 to 84 percent in 2007. Of the 2.7 million children identified with special needs, 2.5 million were enrolled by 2008.

IDA AT WORK IN HEALTH

- In **Senegal**, the Nutrition Enhancement Project supports an innovative national results-based health and nutrition program, which operates at the community level in collaboration with local governments, health district authorities, and civil society organizations. Results from the first phase (2002-06) show that antenatal care increased by about one-third to 67 percent, exclusive breastfeeding rates nearly doubled to 58 percent, and use of bed nets more than doubled to 59 percent coverage. In the intervention areas, malnutrition dropped by half to just 10 percent. Currently in its second phase, the program is scaling up the coverage to include half of the country's children and to implement a child-focused cash transfer program. After a decade of stagnation (1990–2000), national malnutrition rates have come down from 22 percent to 17 percent as a result of this program, bringing Senegal within reach of achieving the often forgotten nutrition MDG of halving the rate of malnutrition.

- In **Afghanistan,** by the time of the fall of the Taliban regime, the country had some of the worst health indicators in the world. The IDA Health Sector Emergency Reconstruction and Development Project (approved in June 2003) funded the Ministry of Public Health to deliver services directly to four provinces and indirectly (that is, through NGOs) to 12 provinces. As a result of the project, health care services improved between 2004 and 2006—the number of functional health centers increased by 60 percent in 11 provinces; the number of pregnant women receiving prenatal care increased from 8,500 in 2003 to 123,000 in 2006; tuberculosis patient diagnosis increased from 10 percent of the expected cases to 50 percent; more than 10,000 community female healthcare workers were trained, increasing family planning and child immunization services; and NGOs expanded services in unstable areas. Overall, almost 6 million people in rural areas of Afghanistan now have access to primary healthcare, many for the first time.

- In **Honduras**, the Health Systems Reform Project (approved in May 2002) has supported system-wide reforms with particular attention to maternal-child health services, HIV/AIDS prevention and care and health problems concentrated among the poor. It has demonstrated the important role of decentralized clinics and performance-based contracts in improving coverage and quality of health services to the poor. The project has contributed to a 35 percent increase in births attended by skilled medical personnel; an increase in the number of women seeking antenatal care; a 46 percent increase in the number of people covered by health insurance; and improvements to health infrastructure. The project has also put in place a system for identifying and developing risk maps and monitoring the health status of vulnerable groups in the seven project communities. A network of volunteers and primary healthcare teams has been established to support the communities.

- In **Ethiopia,** the IDA Multi-country HIV/AIDS Project (2000–06) led efforts to expand the national response to the AIDS pandemic. It provided the main systematic support to CSOs working on AIDS. The project funded about 6,000 community and NGO initiatives that included home-based care, care for orphans, food for the needy, and income-generating activities. During the life of the project, treatment for opportunistic infections increased from 30 percent to 50 percent. And the national HIV surveillance sites increased from 9 to 14 while voluntary testing and counseling sites increased from 17 (2001) to 658 (2005). The project also funded the initiation of anti-retroviral therapy, which has prolonged and improved the quality of life for many people living with HIV and prevented mother-to-child transmission of HIV.

- In **Vietnam**, the HIV/AIDS Prevention Project (approved in March 2005) supports Vietnam's National Strategy on HIV/AIDS Prevention and Control and aims to halt transmission of HIV/AIDS in 18 provinces and two cities, covering 39 million people. The project has successfully set up and maintained a network of 2,000 peer educators and 1,300 collaborators who are participating in harm-reducing activities across the country, along with establishing effective monitoring and evaluation systems in all project provinces. It supports a national communications campaign on HIV/AIDS prevention, using the mass media to reduce stigma and discrimination and influence behavior change. Almost 93 percent of vulnerable groups in project provinces report safer injection practices, and condom use in sexual intercourse has exceeded the project completion target of 80 percent. The project is set to scale up in another12 provinces with an additional 18 million people.

- In **Tanzania,** in coordination with other donors IDA supported the government’s Health Sector Development Program during 2000–07. As a result, health budget per capita increased from US$6.6 in 2003 to US$9.9 in FY06; health insurance was expanded to cover all public sector employees, and is expanding to cover the private sector; and use of bed nets has been expanded under an innovative bed net program from 38 percent of pregnant women in 2005 to 52 percent in 2006. In addition, more than 120 Council Health Management teams prepared comprehensive health plans against which they have received block grants.

IDA AT WORK IMPROVING PUBLIC SECTOR GOVERNANCE

- With the support of IDA, several countries such as Albania, Burkina Faso, Tanzania, and Uganda have adopted well-functioning Medium Term Expenditure Frameworks. Such an innovation can be particularly useful for a borrower in the context of high aid dependency, where the big uncertainty on the revenue side is donor support. Tanzania's MTEF helps coordinate commitments from the donors, which fund more than 40 percent of the budget, and thus helps get enough certainty on the revenue side to plan the budget.

- IDA has helped improve professional and ethical standards, accountability, education, and operational efficiency of the judiciary in **Madagascar**. It assisted the creation of **Cameroon's** *Chambre des Comptes* (audit chamber) and the *Conseil Constitutionnel* (Constitutional Council).

- **Senegal's** public-private urban water partnership included innovative institutional arrangements explicitly designed to offset potential weak points in the country's regulatory structure. Household connections reached 76 percent in 2006. Access to water services (including access at public fountains) rose from about 74 - 81 percent in 1996 to about 98 percent of people living in cities in 2006.

- The Government of Karnataka, **India**, is undertaking innovative improvements in service delivery, including compacts with service-providing agencies. Bangalore has dramatically improved the quality of services provided by city agencies; survey-based report cards show user satisfaction increasing from: 6 to 94 percent for electricity; 4 to 73 percent for water; and 25 to 73 percent for public hospitals.

- In **India**, an IDA supported poverty reduction program in Tamil Nadu has fundamentally changed the manner in which the state approaches poverty reduction by introducing a participatory, bottom–up approach that empowers and gives voice to the poor. Community-led checks and balances on government expenditures - through public displays of information, publicly available annual reports, and easy access to records - have helped ensure greater transparency and improved village governance. An independent external audit showed that 100 percent of project communities are using funds for intended purposes. Participation in village governance body meetings, including by women and the poorest, has risen from 5 percent in 2005 to 75 percent by end-2008. The quality of the agenda and discussion in these meetings has also significantly improved.

- Following far-reaching reforms in the institutional arrangements for the **Kyrgyz Republic**'s health sector, the proportion of people making informal payments to healthcare providers has fallen from 70 percent in 2001 to 52 percent in 2006. There has been a 36 percent increase in the number of people using cost-effective primary health care since 2004.

Sector examples:[255]

- ***Improved access to drinking water:*** The public-private urban water partnership in Senegal's capita, Dakar, included innovative institutional arrangements explicitly designed to offset potential weak points in the country's regulatory structure. Household connections reached 76 percent in 2006. Access to water services (including access at public fountains) rose from about 74–81 percent in 1996 to about 98 percent of people living in cities in 2006.
- ***Reduced malnutrition.*** In Maharashtra, India, a community monitoring and scorecards pilot in the Satara district—which included an awareness campaign—resulted in significant reduction in child malnutrition, leading to a 7–10 percent increase in the percentage of healthy children in the program, as well as a significant decline in the number of malnourished children, within a few months time.

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[255] See: World Bank (2008c), *"Strengthening World Bank Group Engagement on Governance and Anti-Corruption: A One-Year Progress Report."*

- ***Better provision of health services.*** Following far-reaching reforms in the institutional arrangements for the Kyrgyz Republic's health sector, the proportion of people making informal payments to healthcare providers has fallen from 70 percent in 2001 to 52 percent in 2006. There has been a 36 percent increase in the number of people using cost-effective primary health care since 2004.

Annex 14
Results from the IDA14 Pilot Programs

Table 18: OBA portfolio in IDA countries in IDA13 and IDA14

	IDA 13			IDA14		
	IDA-only country	**Blend country**	**Total**	**IDA-only country**	**Blend country**	**Total**
Number of projects	11	5	16	29	6	35
IDA funding (US$ million)	267	402	669	742	352	1,094
GPOBA funding (US$ million)	—	—	—	47.1	11.7	58.8
Total Funding (US$ million)	267	402	669	789.1	363.7	1,152.8

Table 19: Summary of advantages of OBA projects implemented during IDA14

Advantages/benchmarks	**Project results (based on 43 projects implemented under IDA14)**
A. Explicit targeting of subsidies [a]	Targeting mechanisms used in 43 projects: Geographic (33), Self-selection (14), Means testing (6) and None/not identified (7).
B. Shifting performance risk to providers.	All projects. Most OBA projects disburse either in full after the output is provided or based on a combination of output and service delivery. Some projects pay part of the subsidy as advances at signing of the performance contract or with intermediate outputs before services are finally delivered; these exceptions are normally made when working with small and local providers that may face an access to finance constraint to pre-finance output delivery at affordable levels.
C. Innovation and efficiency	Selection of service providers under all 43 projects: Competitive bidding (23), Incumbent (12), No information (5) and Beneficiaries choose (3).[b]
D. Private financing and expertise	Of the 43 projects, private funding figures were obtained for 13 projects, where the World Bank US$ 61.7 million leveraged private sector funding of US$ 83.4 million. Thus, for every US dollar of World Bank financing, US$ 1.28 of private funding was mobilized.
E. Sustainability	The nature of OBA subsidy design (normally one-off for access as opposed to on-going) and the shifting of performance risk to service providers, as well as the demand-driven nature of output delivery (e.g. payments to providers only on output/connection delivery which require applications and co-payments from users) provide the platform for relatively sustainable interventions. However, it is still too early to analyze whether OBA schemes have proven sustainable on the whole.
F. Monitoring results	Output figures were identified for the 7 projects completed (with implementation completion reports) out of 43 projects approved during IDA14.

Notes:
a. 15 projects used more than one targeting mechanism.
b. The case when several service providers (for example SMEs building biogas plants) participate in the project and compete for customers.

Table 20: Examples of IDA14 OBA projects achieving advantages/benchmarks of the OBA approach

OBA advantages/ benchmarks	Number of reviewed projects achieving benchmark	Examples	Comments on implementation experience/lessons from individual projects
A. Explicit targeting of subsidies Subsidy is tied to delivery of pre-specified outputs which are defined as close to the user as possible and designed to reach the poor.	Targeting mechanisms used in 43 projects: Geographic (33), Self-selection (14), Means testing (6), and None/not identified (7) *15 projects used more than one targeting mechanism.	• A bio-gas project in Nepal combines geographic targeting and self-selection targeting. Higher subsidies are paid for smaller plants and for those in remote areas. • A water project in Uganda combines geographic targeting of specific poor areas with self selection targeting using technologies that are more attractive to the poor, such as public water kiosks. • A rural electrification project in Ethiopia pilots a delayed phase-in of subsidies. When electricity becomes available, households that can afford the connection fee will get connected first, the subsidy is introduced later to primarily benefit poor households.	Self-selection targeting is mostly used, where basic service levels can be defined, that are attractive to the poor but not to wealthier strata of population. In five cases projects rely on existing government means testing systems that are used to identify the poor for other social programs. This is more common for OBA projects in IBRD countries.
B. Shifting performance risk to providers	Most OBA projects disburse either in full after the output is provided or based on a combination of output and service delivery. Some projects pay part of the subsidy as advances at signing of the performance contract before services are delivered.	• A community water scheme in India disburses part of the subsidy on the completion of a water purification plant and additional installments, when at least 500 families sign up and receive service. • A performance-based road maintenance scheme in Chad pays up to 20 percent of the contract value at signing of the contract if the contractor provides a guarantee. • A Uganda Reproductive Health project provides subsidies only after patients have been treated, leaving doctors to staff and invest in facilities beforehand. • A solar PV scheme in Ghana will pay service providers a portion of payments after solar home systems have been verified as installed and functioning, but withhold a portion until later years to ensure proper maintenance and battery replacement.	The degree to which performance risk (by withholding payment until service is provided) can be shifted depends on the availability and cost of financing for service providers, their experience and the willingness and ability of consumers to pay. In addition, service providers bear the demand risk of the project, as they will only be reimbursed for outputs requested by beneficiaries. With experience, projects are increasingly taking on additional performance risk.
C. Innovation and efficiency	Selection of service providers under 43 projects: Competitive bidding (23), Incumbent (12), No information (5), and Beneficiaries choose* (3). *The case when several service providers (for example SMEs building bio-gas plants) participate in the project and compete for customers.	• Competitive selection of service providers for an ICT project in Mongolia resulted in 28 percent subsidy savings and in turn an expansion of the project. The project also has led to innovative solutions for providing telecom access to mobile herder communities. • A solar energy project in Bolivia used a tendering process based on the highest number of outputs provided for a fixed subsidy and was able to reach 25 percent more beneficiaries than initially planned. • A rural water project in Uganda conducted a least-subsidy bidding process for several sub-projects and received bids not requiring any subsidy for some of the sub-projects. • As a reaction to the lack of female health workers in Afghanistan a health project hired female health care workers from neighboring countries to treat women in Afghanistan. • A natural gas project in Armenia received reports of customer satisfaction	OBA has shown efficiency gains in most sectors, when competitive pressures could be applied. In some cases OBA works with incumbent service providers, so that competitive selection is not possible. There is anecdotal evidence that the output-based nature of payments has led to increased operational efficiency and the adoption of innovative project designs. There is, however, a need to balance innovation with quality standards that ensure the long-term sustainability of assets created under the project. For efficiency gains, procurement procedures need to be better adapted to OBA.

OBA advantages/ benchmarks	Number of reviewed projects achieving benchmark	Examples	Comments on implementation experience/lessons from individual projects
		for speedier than usual delivery, which can probably be attributed in part to the output-based nature of the scheme which would incentivize the provider to work in a more speedy and efficient manner.	
D. Increased engagement of private sector capital and expertise	Out of the 43 projects, private funding figures were obtained for 13 projects, where World Bank funding of US$ 61.7 million resulted in private sector funding of US$ 83.4 million.	• A telecom universal access fund in Guatemala has leveraged between US$ 2 and US$4 per dollar of subsidy paid. • Senegal rural electrification concession. The winning bidder has proposed to double the number of connections in the tender, thus increasing the private sector financing from 20 percent to 60 percent. • In the Uganda small towns water project described above, for the towns that received "zero subsidy required" bids, the private operator will finance the connections, with costs to be eventually recovered through the tariff.	The ability to leverage private capital in OBA projects depends on the possibility of recovering such investments through tariffs. As OBA has mainly been used to reach the poorest, who usually pay the lowest tariffs, the scope for leveraging private finance is small. However, OBA has been able to mobilize private sector expertise by encouraging the private sector to serve the poor—segments of the population which it would otherwise often not serve -- with relatively small amounts of subsidies
E. Increased sustainability of public funding	No indicator	• A solar energy project in Bolivia involves medium term service contracts that require service providers to service solar home systems and train beneficiaries to do routine maintenance after the project closes. • Output-based telecommunication schemes are frequently linked to contracts requiring on-going service provision.	It is too early to analyze whether OBA schemes have proven sustainable on the whole. The nature of OBA subsidy design—normally one-off subsidies for access—enhances sustainability. Ongoing subsidies, on the other hand, require sustainable subsidy funding sources, such as roads funding. The shifting of performance risk to service providers is an enhanced platform for relatively sustainable interventions. Further, a greater degree of demand risk is also shifted to the provider given the demand-driven nature of output delivery, i.e. payments to providers only on output/connection delivery which require applications and co-payments from users. This puts the onus on the service provider to encourage/stimulate demand, which has often resulted in greater community outreach, use of NGOs and CBOs, and so on. But service providers need to be equipped to be able to manage this demand risk. Because outputs are mostly designed at the user level (for example, connections to a network), user co-payments also signal and nurture a greater sense of ownership, which enhances sustainability. Performance-contracts can contain specific design elements to increase sustainability.

OBA advantages/ benchmarks	Number of reviewed projects achieving benchmark	Examples	Comments on implementation experience/lessons from individual projects
F. Enhancing monitoring of results As OBA schemes pay on output, they internalize monitoring of projects to some degree.	Output figures were identified for all OBA projects approved during IDA14 that were closed with ICRs available—that is, 7 of 8 projects that were closed. The last project is in the process of completing an ICR, and thus output information should be available. For the other 35 projects approved during IDA14, information on outputs is not as readily available (see comments for possible explanations). This situation should change as projects and the ISR platform begins to capture output and intermediate outcome information more readily.	• In a roads project in Chad the contractors self-report outputs which are then verified by an independent consultant. • In several health projects outputs were partially verified through data gathering for impact evaluations and through government health information systems. • A water project in Morocco works with a verification agent who monitors a broader range of indicators in addition to verifying outputs delivered under the project.	OBA provides a platform for monitoring results, but this platform is not yet used to its full potential as output numbers appear not to be reported regularly by the implementing agency to the government and donors. Issues with monitoring and evaluation were reported only for very few projects, where monitoring was either done by a public agency that did not have sufficient capacity and with schemes that rely on self-reporting. Further, because for many Bank projects the OBA scheme is a small part of a larger program, information is not readily available, often until project close and ICR delivery. Experiences with verification agents have been generally positive and such agents can be used to gather additional indicators on a project or to verify not only that outputs were made, but also that beneficiaries are part of the intended target group.

Box 22: Results from the Joint IDA-IFC Micro, Small, and Medium Enterprise Pilot Program for Africa

Increasing access to finance for MSMEs
Development impact has been tracked at three levels: financial policy level – the enabling environment for financial sector development, from policy reform to legislation and regulation; financial institutions level – improvements in financial market outreach and FI operational efficiency; and MSME level – an increase in MSMEs access to financial services and products. Specific results:

- 117,066 loans, valued at over $792 million approved by participating FIs to MSMEs with an average loan size from $1,000 to $70,000.
- Over $255.6 million deposits mobilized by a cross section of financial institutions.
- 45 companies received investments, valued at $9.6 million through Risk Capital Funds in Kenya and Madagascar with an average investment size of over $212,641. These funds enable these SMEs to create 344 new jobs and sustain 932 current employees.
- 5 new laws/regulations were drafted or amended, including Decree on neutrality of VAT treatment for leasing companies, and Leasing Registry Decree in Madagascar; Microfinance Policy and Regulatory Framework in Nigeria; and the Mortgage and Audit bills in Uganda.
- 2,177 loan officers and financial institutions staff received training, and 82 capacity building events relating to SME financial services were conducted.
- 39 new products/systems were introduced to the market by assisted FIs. Examples include establishment of new SMEs department; introduction of new systems in assessing and monitoring risks; development of new financial products that service MSMEs (such as mobile banking); and warehouse receipts system, banking software, and micro loan products.
- 125 FIs (banks; financial service associations, insurance, Securities Exchange, funds etc) assisted by the program across seven countries.

Business development services (BDS) and entrepreneurship development
Results from this program component are measurable in terms of: (i) capacity building and sustainability of the overall BDS supply market; (ii) improved productivity and job creation at the level of the MSME due to uptake of BDS. Results:

- 44,800 MSMEs received a range of business development services, including short or long-term technical training events (over 400) in product design and development, quality control, product pricing, marketing, agricultural extension services, information services, and other similar activities that would facilitate matching up between foreign buyers with selected value chains.
- 124 new products/services/systems introduced by BDS providers, such as new technology, software, and equipment for production and processing for cotton farmers, quality control, pricing, financial management and information systems.
- 179 BDS providers and industrial associations (20) received more than $8.7 million matching grants (on 50 percent share basis) to provide consultancy services, conduct market/value chain studies or develop products to meet demands of MSMEs. An equivalent size of private sector investment ($8.7 million) to MSMEs has been leveraged by the matching grant scheme.

Improving business environment
Activities are aimed at addressing specific investment climate constraints, factors that most directly impact MSMEs, in line with Doing Business indicators. Given the relatively slower pace of the implementation of this component in most countries, results achieved to date are largely at output and short term outcome levels. Results:

- Contribution to formulation or amendment of 66 new laws/regulations or promulgates at state or national levels, 16 of which were passed/enacted in Mali, Nigeria, Tanzania, and Uganda. Examples are Alternative Dispute Resolution (ADR), Land Titles, Workers Compensation Bill, Business Activities Regulatory Act, Investment promotion law, and Companies Code.
- Between 17 and 91 percent reduction in number of days required to formally create/start/register an enterprise/business reduced were reported in Ghana, Mali, Tanzania, and Uganda
- 182 reports of diagnostic assessment or feasibility studies have been produced. These reports/studies have identified constraints and barriers that MSMEs have faced in setting up business, license, and registration, as well explored and designed proper intervention strategies.
- More than 140 training and capacity building events were conducted with 3,821 participants, of which 1,061 were government officials and 1,116 were women. These learning events helped public and government officials understand the importance of and process in creating conductive business environment and operations skills with new business registration and processing systems.

Annex 15
Key Documents for the IDA14 Retrospective

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