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IDA'S THIRTEENTH REPLENISHMENT:
A RETROSPECTIVE REVIEW

IDA Resource Mobilization Department

ABBREVIATIONS AND ACRONYMS

Period of Review – The IDA13 period (July 1, 2002 – June 30, 2005)

World Bank Group Fiscal Year (FY) – July 1 to June 30

Exchange Rates – Special Drawing Rights (SDRs)
SDR1 = US$1.27, official rate at replenishment
SDR1 = US$1.46 at the end of IDA13

AAA	Analytical and Advisory Activities
AIDS	Acquired Immune-Deficiency Syndrome
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APR	Annual Progress Report
ARDE	Annual Review of Development Effectiveness
ARPP	Annual Report on Portfolio Performance
CAS	Country Assistance Strategy
CDD	Community Driven Development
CEM	Country Economic Memorandum
CFAA	Country Financial Accountability Assessment
CPR	Country Performance Rating
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
DPO	Development Policy Operation
DPR	Development Policy Review
DTIS	Diagnostic Trade Integration Study
ESW	Economic and Sector Work
ENRM	Environmental and Natural Resource Management
FATF	Financial Action Task Force
FRM	Resource Mobilization Department
FSAP	Financial Sector Assessment Program
GAMET	Global HIV/AIDS Monitoring and Evaluation Team
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GPG	Global Public Good
HIPC	Heavily-Indebted Poor Country
HIV	Human Immunodeficiency Virus
HNP	Health, Nutrition and Population
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
ICR	Implementation Completion Report
ICSID	Int'l Centre for Settlement of Investment Disputes
IDA	International Development Association
IEG	Independent Evaluation Group (formerly OED)
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSAN	Joint Staff Advisory Note
LICUS	Low-Income Country Under Stress
MAP	Multi-Country HIV/AIDS Program
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
MTR	Mid-Term Review
NEPAD	New Partnership for African Development
NGO	Non-governmental Organization
OECD-DAC	Organisation for Economic Cooperation in Development, Development Assistance Committee
OED	Operations Evaluation Department (now IEG)
OBA	Output-Based Aid
PARIS21	Partnership in Statistics for Development in the 21st Century
PA	Poverty Assessment
PBA	Performance-based Allocation
PCPI	Post-Conflict Country Performance Indicator
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PEM	Public Expenditure Management
PER	Public Expenditure Review
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSIA	Poverty & Social Impact Analysis
QAE	Quality-at-Entry
QAG	Quality Assurance Group
RMDB	Regional Multilateral Development Bank
RMS	Results Measurement System
ROSC	Report of the Observance of Standards and Codes
SME	Small and Medium Enterprises
SSIU	Sector Strategy Implementation Update
SSP	Sector Strategy Paper
STATCAP	Statistical Capacity Building program
SWAp	Sector-Wide Approach
TSS	Transitional Support Strategy
UN	United Nations
UNDP	United Nations Development Programme
WBG	World Bank Group
WBI	World Bank Institute
WTO	World Trade Organisation

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Acknowledgments

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IDA'S THIRTEENTH REPLENISHMENT: A RETROSPECTIVE REVIEW

EXECUTIVE SUMMARY

1. The IDA13 replenishment provided SDR10.1 billion in new financing from 36 donor countries.[1] Combined with IDA's internal resources, the replenishment offered SDR18.1 billion – an unprecedented level of IDA resources for poverty reduction.

2. Unlike previous replenishments, all IDA13 resources were committed by the end of IDA13. In U.S. dollars, total new commitments were US$24.9 billion – the highest amount committed in real terms during any replenishment since IDA's inception in 1960, and an increase in nominal terms of nearly 30 percent over IDA12. At the same time, IDA expanded its collaboration with other multilateral and bilateral partners, leveraging another US$10 billion in co-financing and parallel financing with its operations, more than doubling the levels recorded for IDA12.

3. Disbursements increased dramatically, with the higher commitment volumes of recent years translating to more resources on-the-ground for development programs. The US$22.9 billion of financing disbursed in IDA13 represents a 33 percent increase over IDA12. And while there is still considerable scope for improvement (e.g., more timely delivery of analytical and advisory activities, or AAA), the quality and effectiveness of IDA support was enhanced. IDA projects that closed during the latter part of the period achieved the highest level of satisfactory development outcomes since the early 1980s. Though there have historically been gaps in performance between IDA and IBRD projects, due to the generally weaker institutional capacity of IDA countries, these gaps were reduced during IDA13.

4. Importantly, IDA13 resources were heavily focused on the regions and countries of the world with the largest concentrations of poverty, and where progress is needed most urgently on the Millennium Development Goals (MDGs). The Africa and South Asia regions received the largest and second largest shares of funding (47 and 32 percent of total commitments) respectively. IDA, by far the largest provider of development assistance to Africa, increased its assistance by more than 25 percent, from US$9.2 billion in IDA12 to US$11.6 billion in IDA13. The increase in IDA financing to South Asia was more significant, with US$8.0 billion in new commitments to the region compared to US$5.0 billion in IDA12.

5. The performance orientation of IDA was also strengthened in IDA13. While IDA is focused first and foremost on the poorest countries, within that grouping its operational framework seeks to gain the greatest impact by allocating IDA resources, via the performance-based allocation (PBA) system, to countries that have demonstrated good policy and institutional performance. Both leading up to IDA13 and during the period, there was considerable discussion and analysis of the balance between the poverty and performance weightings in IDA allocations. As a result, the allocations for countries with good policy and institutional performance, improved governance and the capacity to implement projects, were increasingly differentiated from allocations for countries with weaker performance. By the end of IDA13, countries in the top IDA performance quintile received on average more than four times as much financing per capita as those in the lowest quintile.

6. IDA13 introduced other changes – both large and small – in the operational framework of IDA, with the goal of improving IDA's flexibility and effectiveness. Two of the major shifts launched at the outset of IDA13 were a stronger focus on measuring development results and allocating a substantial

[1] Annex 1 to this report provides details on IDA's financing sources, and a list of the donors that contributed to IDA13.

share of IDA financing as grants. However, during the IDA13 period IDA and its partners continued to review programs and implement changes in the IDA framework and in IDA activities, to ensure that the lessons of experience in development could be incorporated into ongoing work. This process was aided substantially by evaluations from the Independent Evaluation Group (IEG) of the World Bank.

Measuring Results

7. IDA Deputies, Management and staff invested heavily in developing a focused and coherent framework for measuring the results of IDA assistance during IDA13. The discussions and analytical work around this effort played an important role in launching the World Bank-wide 'results agenda', and a greater institutional focus on measuring and achieving development results.

8. The interim results measurement framework of IDA13 tracked preparation of "core" economic and sector analysis and monitored six country level outcome indicators (related to health, education and a country's business climate) linked to the MDGs. The replenishment framework set specific targets in these areas to be met by Spring 2004 – all of which were met or exceeded according to reviews by Management and an independent review team. The latest data indicates that progress has continued.

9. At the same time, development of the interim IDA13 results framework brought out major challenges and the complexity inherent in the effort to link IDA support to measurable outcomes in client countries (e.g., difficulties in attribution, the availability and quality of data in low-income countries and time lags involved in development processes). Statistical capacity in IDA countries remains quite weak, and there is a long way to go before the data required to measure and track development results is consistently available. Though some progress was made in building statistical capacity in IDA countries during IDA13, it has generally been slow, with limited improvement in data collection in all IDA countries, and in African countries in particular. Thus even as the framework for IDA13 was introduced, it was agreed that further work was needed to make IDA's results measurement efforts more robust.

Grants and the Concessionality of IDA Funding

10. Grant financing and a greater level of concessionality in IDA's financing, became important new elements of IDA support in the period. This was the result of considerable debate among IDA's donors, and took the longest time to resolve in the IDA13 negotiations. The IDA Deputies had divergent views about IDA's potential for allocating grants as well as credits, and for which purposes. Part of the debate related to the vulnerability of the poorest countries and their considerable need for concessional financing to invest in their future. Concerns were also raised about countries with high levels of debt, crowding out efforts to improve growth and provide basic services. An important aspect of the debate related to the impact of grant allocations on IDA finances, potentially limiting IDA's ability to respond in the future, especially given the increased reliance on IDA's internal resources to finance the last several replenishments.

11. Ultimately, it was agreed by the Deputies that greater concessionality was warranted for some resource-poor countries and for certain types of projects. The use of grants was endorsed in the range of 18 to 21 percent of IDA's new commitments, with eligibility based on specific sources of vulnerability – extreme poverty, conflict, high debt levels, and projects to prevent the spread of HIV/AIDS or respond to natural disasters.

12. At 19 percent of total commitments, the actual grants fell within the middle of the endorsed range. However, the multiple criteria that were used to allocate grants across countries in IDA13 lacked a comprehensive analytical basis, and proved to be overly complex to manage. Experiences from

implementing the IDA13 grant allocation system led directly to changes that were agreed among the IDA Deputies for IDA14, with grants allocated based on the single criterion of a country's risk of debt distress.

Strengthening the Country-Driven Model of Development

13. A major emphasis of the period was to strengthen and consolidate the country-driven model of development as the basic blueprint for IDA assistance. In support of this, major efforts were made to expand the Poverty Reduction Strategy (PRS) approach and improve implementation of country-driven poverty strategies. IDA Management also reshaped the Country Assistance Strategy (CAS), the primary instrument for guiding IDA's assistance to its borrowers.

14. The PRS approach is now widespread – with 49 low-income countries, more than half of which are in Sub-Saharan Africa, completing their own Poverty Reduction Strategy Papers (PRSPs) by the end of IDA13. Eleven more countries have produced interim strategies and ten have launched a process that could lead to a PRSP. At this point, after about five years of implementing the PRS approach, evidence in many countries shows that it is helping to put poverty reduction at the center of public debate and has become an important platform for aid coordination among donors. PRSPs have also heightened awareness of the need for sound analysis to underpin policy choices and added incentives to monitor the results of public actions.

15. However, recent reviews point to the fact that the process itself is a major challenge for countries to implement. Preparing a strong, country-driven PRSP requires a range of institutions, systems and underlying analysis that is often lacking in low-income countries. As the PRS process has unfolded across countries, the links between the PRSP and important mechanisms for implementation have been weak in some countries. Thus, while some progress is being made in establishing country development priorities through the use of PRSPs, greater attention is needed in tailoring activities to country conditions and better sequencing them to be in line with country capacity.

16. To increase the effectiveness of the CAS in supporting country poverty strategies, the results-based CAS was piloted and evaluated from FY03 through early-FY05. With successful piloting, World Bank Management mandated that all CASs (for IDA and IBRD countries alike) prepared from 2005 onward, follow this results-based approach. The July 2005 stocktaking of the approach found that the results-based CAS is an important step forward in taking results more seriously. It also noted that there are several challenges still to be met, including more work to clarify the methodology for CAS outcomes, and to ensure consistent high quality of their results frameworks. In general, though results frameworks have been introduced in all new CASs and in both investment and development policy operations during IDA13, these are very much in the early stages of development and implementation. Ongoing efforts are focused on improving their quality and use by both IDA and its borrowers.

Supporting Policies for Growth and Poverty Reduction

17. The IDA13 replenishment had a strong focus on accelerating and sustaining economic growth in low-income countries, as both a necessary condition and a potentially powerful instrument for reducing poverty. Economic growth performance in IDA countries had improved during the 1990s and continued during the period just before IDA13, though progress was uneven among regions and countries. Much of the growth, as well as poverty reduction, was concentrated in Asia.

18. Growth in low-income countries has since accelerated, although it is again uneven, with higher levels in Asia. In the past five years, several countries in Sub-Saharan Africa have experienced a remarkable growth recovery, with consecutive increases in per capita incomes after nearly two decades of general decline. In terms of poverty reduction, however many countries in Africa and Latin America in

particular have seen poverty stagnate or worsen. Poverty and poor social indicators also persist in countries of South Asia.

19. Disparities in country growth and poverty reduction experiences prompted a series of World Bank studies to deepen understanding of the growth experience, and lessons for country policy advice, during IDA13. These included World Development Reports, Global Monitoring Reports (GMRs) and major analysis focused specifically on the growth experience of the 1990s – the underlying factors and lessons, the growth-poverty nexus and the questions of pro-poor growth.

20. The studies have emphasized the importance of ensuring that growth is equitable and that poor people are empowered to participate in development. The most recent GMR also highlights the need for low-income countries to accelerate improvements in their investment climate and ensuring access to basic infrastructure. The agenda of actions to be undertaken remains large, with good governance an important underlying factor for linking growth with poverty reduction. Some of the lessons learned also point to the importance of country-driven policies, informed by specific country growth diagnostics, as well as the quality of institutions for policy formulation and implementation in each country. Each are important elements of the PRS approach that was strengthened during IDA13, though daunting challenges still persist – requiring IDA and its development partners to redouble their efforts in support of the policy and institutional reforms outlined in PRSPs.

21. In line with the priorities emphasized by the Deputies in IDA13, IDA's own role has been to direct its assistance, in concert with development partners, to the policy priorities where it is best equipped to help countries achieve their goals: developing the private sector in low-income countries, investing in people, improving governance and rural development among them.

22. IDA has traditionally supported growth and **private sector development** by financing infrastructure projects, since the needs for basic infrastructure in low-income countries are vast and both private and public infrastructure financing are inadequate. But the 2003 Infrastructure Action Plan renewed the emphasis on infrastructure financing and advisory services across the World Bank Group during the period. While the plan responded in large part to the decline in World Bank infrastructure lending to middle-income countries, it also highlighted the key contributions of infrastructure to economic growth, reducing poverty and meeting the human development MDGs in IDA countries. Towards the latter part of IDA13 the plan began to show results, including new country level studies on infrastructure constraints and increases in IDA commitments for some infrastructure sectors.

23. IDA also moved forward more broadly with its private sector development strategy in IDA13. The period was marked by a greater focus on improving the investment climate in IDA countries, expanding regional trade and integration, and an emerging agenda on output-based aid. Important country level efforts included assessing the conditions for private sector development and growth, including: the Doing Business project, Investment Climate Assessments and Country Corporate Governance Assessments.

24. In terms of investing in people, progress toward the **health** MDGs remained slow overall, and in some countries, particularly in Africa, life expectancy continued to decline due largely to the impact of HIV/AIDS. The main constraint has been the weakness of country health systems, as well as governance issues which have persisted despite the greater availability of donor resources for the health sector. In response, IDA continued to shift emphasis to strengthening country health systems and harmonizing aid to accelerate progress in the health MDGs, with efforts in this area continuing today. IDA also increased its support for HIV/AIDS prevention and treatment to US$793.3 million during IDA13. The availability of grant financing for HIV/AIDS projects helped IDA to respond to the strong demand for resources to fight the global pandemic.

25. There were, however, sustained signs of progress in increasing access to **education**. Of particular note is the increase in primary school enrollment in Sub-Saharan Africa from 87 percent to 95 percent – an indication that earlier investments in increased access to education are beginning to pay off. During IDA13, financing commitments for education almost doubled to US$3 billion from the US$1.7 billion in IDA12. IDA also worked closely with partners and client countries to establish and implement the Fast Track Initiative for Education for All.

26. In keeping with IDA's overall focus on the MDGs, the new education projects of IDA13 were heavily oriented towards helping countries accelerate progress in universal primary education, while also improving the quality of teaching and learning. In many IDA countries, there is still considerable work required to ensure that students, once enrolled, will receive a quality education. Weak governance and low levels of learning remain in many education systems, and continued emphasis on improving the quality of education and overall governance of the sector, will be needed even when enrollment and completion goals are met.

27. Persuasive evidence from the development literature, and practice, indicates that the quality of **governance** has significant positive impact on economic growth and poverty reduction. Heeding this evidence, IDA placed governance issues at the center of efforts to scale up development assistance and make faster progress towards the MDGs in IDA13. Both financing and analytical support for improved public sector governance and anti-corruption activities expanded. Measures and indicators of good governance also became more prominent in the PBA system, with a 63 percent weight in determining a country's per capita allocation. However, governance-related projects tend to face greater risks in implementation than other IDA interventions and a considerable agenda of governance reforms remains across sectoral ministries and programs for many IDA countries.

28. Since a large share of the world's poor live in rural areas and depend mostly on agriculture for their livelihoods, IDA financed important **rural development** programs. The focus on agricultural interventions in particular increased relative to IDA12. While there are signs of enhanced agricultural productivity, though uneven performance, across countries, there is still much to be done in translating the rural priorities of country-driven PRSPs into action – an FY05 review found that a significant share of the rural priorities in PRSPs were not being followed up by government programs, whether financed locally, by IDA or otherwise.

Assisting Vulnerable Countries

29. Efforts to help poor countries rebuild after natural disasters and recover from severe conflict remained important hallmarks of IDA's work in IDA13. IDA also continued to grapple with the difficult issues faced by countries with high debt burdens and with support to 'fragile states'. The response in each of these areas evolved in important ways during IDA13.

30. The World Bank has remained the world's largest source of funding for disaster reconstruction and recovery. In IDA13, more than a dozen emergency recovery projects and more than US$800 million of new financing were approved by IDA in the aftermath of natural disasters, including the horrific Indian Ocean tsunami of December 2004. Given the undeniable links between poverty and disasters, risk reduction is gaining importance as a priority for IDA countries. By the end of IDA13 more than 100 projects in the IDA portfolio included disaster mitigation components, and several new projects approved during IDA13 were specifically for disaster prevention. However, a recent IEG review notes that much more can and should be done on this front.

31. IDA also continued to take a lead role in the enhanced Highly Indebted Poor Country (HIPC) Initiative, a comprehensive approach of the international community to reduce the heavy debt burdens of

the world's poorest countries – and provide these countries with much-needed additional resources to implement their poverty reduction strategies. The average debt relief provided by IDA during the period was US$497 million a year. Overall, as of end-June 2005, IDA had delivered debt relief in the amount of US$3.3 billion in nominal terms to the 28 'decision point' HIPCs. Importantly, this debt relief led to increases in the countries' expenditures to reduce poverty.

32. Building on key lessons of the HIPC Initiative, including reviews by IEG, a new joint Bank-Fund Debt Sustainability Framework was developed to help low-income countries maintain sustainable levels of external debt into the future. The framework provides the analytical basis for subsequent policies – including the IDA14 grants system – that help to ensure that HIPCs and other countries do not *reacquire* heavy debt burdens.

33. IDA's capacity in the area of post-conflict support, and support to Low-Income Countries Under Stress (LICUS) or 'fragile' states, and its range of instruments expanded significantly, to place greater emphasis on supporting the recovery of post-conflict countries in a more systematic fashion, working with others to prevent conflicts, and applying differentiated strategies and tools for fragile states.

34. In order to address the tensions between IDA's performance-based allocations, and the considerable financing needs of countries emerging from severe and prolonged conflict, a new process for allocating resources to post-conflict countries was implemented, after being piloted in IDA12. The post-conflict assistance program has not only increased IDA's financial support to countries emerging from severe conflict, it has offered a framework for assessing resource needs, improving the predictability of resources for post-conflict countries and ensuring equity of treatment across countries and regions. At the same time, the risk levels in the IDA portfolio, as measured by the share of 'projects at risk' of not meeting their development objectives, increased in IDA13 – reflecting in part this higher level of lending to post-conflict countries.

35. The LICUS/fragile states, which can have very limited capacity to use aid resources effectively, received a stepped up program of analytical and advisory support, capacity building from IDA and relatively low levels of financial assistance. During the course of IDA13, a specific exception to the PBA was also made to ensure that IDA could provide additional financing to a country reengaging with IDA after a prolonged period of inactivity. The exception was based on a strong transition plan and had concerted support from the international community. While this was consistent with the IDA13 framework, which recognized the need for IDA to be able to respond to special country circumstances and to extraordinary needs, discussions with the IDA Deputies on this issue led to more clearly established arrangements for these relatively rare cases in IDA14.

36. Despite progress in both clarifying and strengthening IDA's assistance to vulnerable countries with the post-conflict and LICUS activities of IDA13, the challenges for IDA in supporting these countries remain. They include the need for closer donor coordination at the country level, where experiences to date have been mixed. And as an institution focused on long term development, there are always very difficult judgment calls to be made on when – and how – IDA can effectively engage in countries emerging from conflict or suffering from political instability and weak governance.

Incorporating Lessons Learned

37. As highlighted by this retrospective review, the IDA13 period was notable for both strengthening the country-driven business model of IDA, and implementing changes in the operational framework of IDA. Many of the lessons learned in the process are detailed by this report and its annexes. Some of the more important ones for the current and future operation of IDA are:

- *Measuring Development Results* – to improve IDA's effectiveness and ensure that both existing and scaled-up aid resources can lead to real outcomes on the path to the MDGs. The experiences of IDA13 led to measuring results in a more realistic way, with reduced emphasis on targeting and a two-tiered framework to separately capture country level outcomes (contributed to by many partners in development), and IDA's own contributions.

- *Predicating IDA's Support on Results* – at the country program and project level as well, so that all activities in IDA country programs contribute to the outcomes agreed in a results-based CAS. The emphasis going forward will need to be on improving both the design of results frameworks and their use in monitoring IDA work.

- *Strengthening Country-Driven Poverty Strategies* – to help countries that are engaging in the PRS process better establish priorities and tailor activities in line with the country capacity. Going forward, this will help to ensure that the priorities set through the PRS are translated into action as well as maintained over time.

- *Allocating Grants* – using a more solid analytical framework and simpler approaches to allocation than first agreed for IDA13. These shifts are helping to address, in a more focused way, the issues of debt sustainability in the poorest and most highly indebted countries in IDA14.

- *Supporting Countries Emerging From Conflict* – by addressing the tensions between the considerable financing needs of these countries, and the usual performance orientation of IDA allocations. The new post-conflict allocation mechanism implemented in IDA13 provided a framework for addressing these tensions, which has carried over into IDA14.

- *Clarifying IDA's Flexibility for Exceptional Circumstances* – in exceptional cases of fragile countries, where the country's political stabilization and a credible government recovery program provide a new window of opportunity for IDA to reengage with financial support for development and growth.

- *Finding New Ways to Work With Others* – to further reduce duplication, transaction costs and gain more consistency in approaches with international development partners, by harmonizing aid practices at the country level and jointly prepare analytical work. Greater efforts to leverage IDA funds, including mechanisms to pool financing with other donors, have helped to expand IDA's impact considerably.

INTRODUCTION: IDA'S ROLE IN THE GLOBAL EFFORT TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

1. Despite the progress of recent decades – the proportion of people living in extreme poverty in developing countries has dropped to 21 percent from 40 percent in 1981[2] – poverty levels remain staggering. Half of the world's population today lives on less than US$2 a day. More than a billion people struggle to survive on US$1 per day. Every week, 200,000 children under the age of five die of disease, and 10,000 women die giving birth. In Sub-Saharan Africa this year alone, 2 million people will die of AIDS. Worldwide, more than 100 million children in developing countries are not in school. And the gaps between rich and poor countries are increasing instead of decreasing, resulting in an imbalance that poses a significant threat to security and peace.[3]

2. In past decades, trillions of dollars in foreign aid were provided to developing countries, albeit with mixed results. This aid helped a number of countries develop rapidly – Korea, Indonesia, Vietnam, Mozambique and Uganda among them. It also helped finance the Green Revolution – agricultural innovations, investments, and policies that improved the lives of millions of poor people around the world. Aid significantly reduced the incidence of river blindness and vastly expanded immunization against key childhood diseases. Hundreds of millions of people also gained access to schools, clean water, sanitation, electric power, health clinics, roads and irrigation. Over the last 40 years, life expectancy at birth in developing countries has increased by 20 years; adult illiteracy was cut in half.[4]

3. But while GDP per capita in low-income countries rose by 30 percent in real terms between 1981 and 2001, much of this progress was concentrated in Asia. China's growth between 1981 and 2001 reduced the country's proportion of extremely poor (living on US$1 per day or less) from 64 percent to 17 percent of the population – a massive 400 million people. India has been making similar advances.[5] In contrast, many of the poorest countries have grown more slowly, with less impact on poverty. In fact, poverty in Sub-Saharan Africa has nearly doubled, along with the doubling of its population; and poverty continues to persist in many countries of South Asia and other regions of the world.

4. Faced with these daunting conditions, in 2000, the international community made a major commitment to promote development and fight poverty together. All 189 United Nations (UN) member states meeting at the UN Millennium Summit agreed to a set of specific targets for reducing poverty, hunger, illness, gender inequality, illiteracy and environmental degradation, to be met by 2015. There was global consensus not only on the targets themselves, which came to be called the Millennium Development Goals (MDGs), but subsequently in the 2002 Monterrey Consensus, on how they could be reached: developing countries needed to ensure that new resources would be used effectively, which required strong action on building institutional capacity and fighting corruption, while rich countries needed to deliver more aid, debt relief and freer trade.[6]

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[2] Chen, Shaohua, and Martin Ravallion. 2004. "How Have The World's Poorest Fared since the Early 1980's?" *World Bank Research Observer* 19(2).
[3] World Bank. 2005d. *Global Monitoring Report 2005*. Washington, DC: World Bank.
[4] Goldin, Ian, Halsey Rogers, and Nicholas Stern. 2002. "The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience." In *The Case for Aid*, 25-186. Washington, DC: World Bank.
[5] World Bank. 2005m. *World Development Report 2005: A Better Investment Climate for Everyone.* New York: Oxford University Press.
[6] United Nations. 2000. "United Nations Millennium Declaration." New York: Resolution A/55/L.2 adopted by the General Assembly; and United Nations. 2002. *Report of the International Conference on Financing for Development: Monterrey, Mexico, 18-22 March 2002*. New York: United Nations publication A/CONF.198/11.

5. According to the *2005 Global Monitoring Report*, in the five years since the Millennium Summit, there has been progress in some areas, but, by and large, far less than anticipated. Over the last five years, many developing countries have shown some improvement in economic policies and governance. Their average economic growth rate in 2004 was the best in three decades, hitting 6.7 percent. Surging world trade and dramatic reductions of poverty in some countries provide grounds for hope in others. Vietnam, for example, reduced poverty from about 58 percent of the population in 1993 to less than 20 percent in 2004. Such gains mean that the international community will likely be able to claim one victory in 2015: the goal to halve poverty globally by 2015 will almost certainly be met.[7]

6. The "Year of Development," 2005, also brought new commitments in the context of an agenda of mutual accountability between developed and developing countries. According to preliminary figures released by the OECD Development Assistance Committee (OECD-DAC), official development assistance from DAC members to developing countries rose 31.4 percent to US$106.5 billion in 2005 – a record high.

7. But while on current trends the goal of halving poverty by 2015 will likely be met *globally,* it is not likely to be met in Africa. And neither Africa nor South Asia are on target to meet any of the human development goals – universal primary education, greater gender parity in education, reduced child and maternal mortality and incidence of disease and improved water and sanitation. No region is currently expected to reach all of its goals.[8]

8. It cannot be overstated: achievement of the MDGs will dramatically improve the lives of billions of people. This will require the strong and continued commitment by donors to scale up their assistance in line with the results generated by low-income countries. It will also require strong efforts by developing countries to accelerate economic growth (if poverty is to be reduced by half in African countries over the next decade, they will need annual growth rates of approximately 7 percent – almost double what they are now), make considerable improvements in internal governance and put poverty reduction at the center of the public policy agenda.

9. The International Development Association, or IDA, – the world's largest source of concessional financing – plays a critical role in this global effort. Most of the countries eligible for IDA funds have average annual incomes of less than US$500 per capita and many substantially less. The two main sources of funding for IDA are donor contributions, which are negotiated every three years in a replenishment process – and IDA's own asset base. As a revolving fund, repayments from past and current IDA recipients help to finance new commitments.

10. Since its founding in 1960, IDA has directly provided US$161 billion to 108 countries, while also leveraging additional finance for development from other multilateral and bilateral donors. The IDA project portfolio has been steadily increasing and today is nearly the same size as that of the International Bank for Reconstruction and Development (IBRD), through which the World Bank Group lends to creditworthy developing countries with a per capita income above US$895 per year (the cutoff point for FY05). IDA currently represents thirteen percent of all external aid to Africa.[9]

11. The majority of IDA's resources are provided to countries as credits, with no interest charges and with principle repayments stretched over 40 years, after a 10-year grace period. During the IDA13 period, IDA also allocated 19 percent of its resources on a grant basis. As of the recent fourteenth

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[7] World Bank. 2006a. *Global Monitoring Report 2006*. Washington, DC: World Bank.
[8] Ibid.
[9] Ibid.

replenishment of IDA, grants are based on each country's risk of accumulating unsustainable levels of debt to help ensure debt sustainability.

12. IDA provides resources to help countries develop to the point where those resources are no longer needed. To date, 23 countries that once received IDA financing no longer need it (an additional nine countries had graduated from IDA, but subsequently returned.) Because IDA credits don't accrue interest, they have a significant grant component.

13. IDA resources are used for critical investments in infrastructure, private sector development and creation of policies and institutions that support the MDGs, including the important human development targets. For example, new commitments for education in IDA13 were more than US$3 billion; and some 82 IDA-supported education projects totaling more than US$4.4 billion were under implementation. IDA is also one of the world's largest sources of money for HIV/AIDS programs and had committed almost US$2.0 billion globally for HIV/AIDS prevention, support and treatment by the end of IDA13. About half of IDA funds are directed to Africa.

14. During the 1990s, consensus emerged in the international development community that good policies and institutions cannot be 'purchased' with aid. It became clear that, in countries where better oriented policies and institutions are already in place, aid can prove more effective in furthering growth and reducing poverty.[10] Accordingly, IDA's approach to allocating resources has increasingly evolved into a model where country performance is the main determinant of allocations. Initially, performance measures were focused on economic and structural performance; but over time they have come to include assessments of social policies as well as public sector governance. IDA's donors have called on IDA to make the cross-cutting governance dimension central to its performance-based allocation (PBA) system. In the end, good governance is important for ensuring that every dollar of aid reaches its intended goal.

15. With its focus on country performance, especially good governance, IDA is the most selective of all donors. First, it provides resources and policy advice to 81 of the poorest countries – those that have little or no access to market-based financing. Second, IDA funds are allocated across these countries primarily on the basis of the quality of each recipient country's policy and institutional framework and the extent to which that framework fosters sustainable, poverty-reducing growth and the effective use of development assistance. In the mid-1990s, for example, there was only limited relationship between IDA allocations and measures of governance. Today, indicators of good governance are prominent in IDA's allocation system and a one standard deviation increase in the measure of policies and institutions translates into nearly 100 percent more IDA resources flowing to a country.[11] Well-targeted aid can also increase private investment: every dollar of IDA leads to an increase of nearly two dollars in gross investment, including 60 cents in foreign direct investment.[12]

16. Just as important as where the aid is directed is how it is delivered. It is now widely accepted that a framework based on country-specific needs, on results rather than inputs, and on partnerships is the most effective. This principle is captured in the Poverty Reduction Strategy process, now the standard for aid allocation in the poorest countries. This process is intended to be a vehicle for effective coordination among donors, reducing the costs of donor fragmentation and transaction costs. IDA works with the governments of recipient countries to support the priorities that emerge from their own development strategies, which, in turn, are based on consultation with the private sector and civil society.

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[10] Burnside, Craig, and David Dollar. 2000. "Aid, Policies, and Growth," *American Economic Review* 90(4):847-868.
[11] Bourguignon, Francois, and James Wolfensohn. 2004. *Development and Poverty Reduction: Looking Back, Looking Ahead.* Washington, DC: World Bank.
[12] "The Role and Effectiveness of Development Assistance," op. cit.

17. The pressure has never been greater to ensure that aid is being used effectively. In 2002, as part of the thirteenth replenishment of IDA, IDA introduced a framework for measuring results using two types of indicators – measuring both development progress in countries and IDA's delivery of important analytical inputs for development. During IDA13, which began on July 1, 2002, and concluded on June 30, 2005 (the "IDA13 period"), targets were set for each indicator and additional resources for IDA programs were linked to the achievement of these targets.

18. In the Spring of 2004, the targets had been met.[13] At the same time, the results framework was refined to include two different tiers of measurement. A set of 14 country outcome indicators, linked to the MDGs, capture IDA's economic growth and human development priorities. They are critical benchmarks for monitoring whether external support is helping developing countries move toward the MDGs. Additionally, nine different indicators monitor IDA's specific contribution to country outcomes. This means better assessment of how IDA recipient countries, and IDA, are doing and increased accountability for the use of donor resources – ultimately benefiting the poor.

19. IDA13 was the first IDA replenishment after the Monterrey consensus. This Retrospective focuses on IDA's efforts to help fight poverty in the poorest countries in the world during the period. It reports back as well on the priorities set by the IDA Deputies (representatives of the IDA donor countries) at the start of IDA13, and highlighted in the original replenishment report.[14]

20. This report is organized in six Sections. Section 1 provides a broad overview of IDA assistance and results – the delivery and quality of IDA financing and advisory activities. Section 2 highlights the two major innovations of IDA13, including a new framework to measure results and allocation of grant financing for certain countries and operations. Section 3 discusses progress made in strengthening IDA's basic business model – the country-driven model of development based on poverty reduction strategies and results-oriented IDA assistance strategies. Flowing from this are the policy priorities emphasized by the IDA Deputies at the outset of IDA13; a status report is in Section 4. And, while IDA works primarily on a country basis, as a global institution it works actively to address some of the major global and regional priorities of international development – debt sustainability, post-conflict reconstruction, response to natural disasters and global public goods among them. Section 5 is focused on progress in these areas. Some of the challenges going forward for IDA, now into its fourteenth replenishment period, are highlighted in Section 6.

[13] IDA. 2004d. "IDA13 Results Measurement System: Spring 2004 Update." SecM2004-244. Washington, DC; and Booz Allen Hamilton. 2004. "IDA13 Results Measurement System: Spring 2004 Update, Inception Report." CODE2004-0042. Washington, DC.
[14] IDA. 2002. *Additions to IDA Resources: Thirteenth Replenishment—Supporting Poverty Reduction Strategies*. IDA/SecM2002-0488. Washington, DC. Available online at http://www.worldbank.org/ida.

1. IDA ASSISTANCE AND RESULTS DURING FY03-05

21. Representatives of both donor and borrowing governments began discussions on the thirteenth replenishment of IDA in 2001. The final IDA13 Resolution, adopted on September 29, 2002, committed SDR10.1 billion in new financing from 36 donor countries. Combined with IDA's internal resources, the replenishment offered an unprecedented SDR18.1 billion (about US$22.9 billion[15]) in new resources for poverty reduction during IDA13. (Annex 1 provides further information on financing arrangements.)

22. IDA13 was significant in a number of ways. Among them, it was the first to be undertaken after all the countries of the world signed the Millennium Declaration, a global commitment to promote development and fight poverty, and then agreed on a framework to meet those goals – the Monterrey Consensus. The core commitments of the Monterrey Consensus were that developed countries would deliver more aid, as well as freer trade and debt relief, and developing countries would ensure that new resources were used effectively, in part by improving internal governance. These commitments are reflected in the activities undertaken by the World Bank Group (WBG)[16] during IDA13, including a dramatic scale-up of IDA support to the poorest countries and consolidation of the country driven model of development that guides IDA programs and serves as an organizing platform for the work of other development partners. The IDA13 negotiations also resulted in two fundamental changes in IDA operations. One is the increased use of grant financing – the other the development of a results-based measurement system to link IDA programs to country development outcomes.

1.1 Recipients of IDA Financing

23. IDA provides support to the world's poorest and most vulnerable countries. Eligibility for assistance is based primarily on a country's relative poverty – defined as per capita gross national income (GNI) below a certain threshold.[17] Lack of creditworthiness, which would limit or prevent a country's access to the non-concessional resources of IBRD, can be a source of eligibility for IDA. For instance, a special exception to the income threshold is made for very small island states, many of which have higher per capita incomes but limited creditworthiness. In addition, a country must demonstrate good policy performance to benefit from IDA financing.

24. Based on these criteria, a total of 81 countries qualified for assistance during IDA13. Of these, 15 were "blend" countries that had access to both IDA and IBRD at the same time, either through the small island state exception, or because they had low per capita incomes that made them eligible for IDA, but were also creditworthy for IBRD. The remaining 66 countries were "IDA-only" borrowers (Annex 2).

25. Countries eligible for IDA resources are diverse, and resources are provided to them on varied terms in response to specific country circumstances. These terms were broadened further during IDA13. Through greater use of grants, IDA increased the level of concessionality for the most vulnerable countries (Section 2.2). On the other hand, concessionality was reduced for borrowers capable of

[15] Conversion of IDA financing amounts from SDRs to other currencies is typically based on the official exchange rate agreed for replenishment purposes. This amount may differ from the prevailing exchange rates, which can vary daily during the replenishment period. As a result, total financing (reported at the official rate) may not be directly comparable to total commitments (reported at the prevailing rates) in US$ terms. For comparisons, the SDR amounts should be used.
[16] The "World Bank Group" includes all of its agencies, whereas references to the "World Bank" are specific to IDA and IBRD.
[17] The threshold is adjusted each year, and was US$895 in fiscal year 2005, the final year of IDA13.

servicing debt on harder terms – strengthening IDA's role as a transitional instrument towards normal credit access. The hardened terms were applied to borrowers whose per capita incomes were above the eligibility threshold but had not yet attained the creditworthiness necessary for borrowing from IBRD (except for the small island states mentioned above.) The combined changes in terms increased IDA's flexibility to address individual country needs during IDA13. (Annex 7 – G.2)

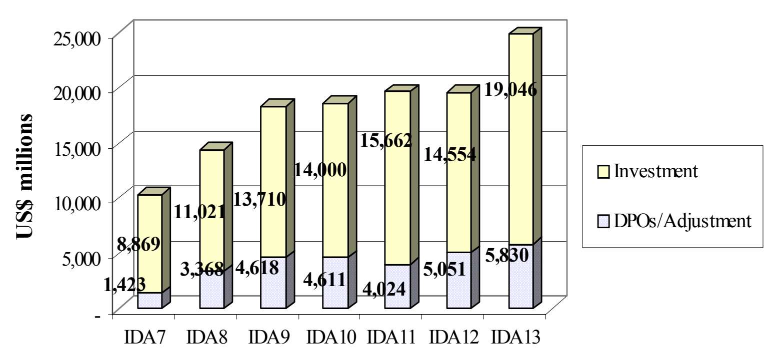
1.2 New Financing and the IDA Portfolio

New Financing Commitments

26. While IDA focuses first and foremost on the poorest countries, within that grouping its operational framework seeks to gain the greatest impact from its resources by directing a significant share of financing to the countries that have demonstrated good policy and institutional performance. As a result, during IDA13, countries in the top IDA performance quintile received on average more than four times as much financing per capita as those in the lowest quintile. Section 3.3 provides a more complete discussion of how such performance was measured via the Country Policy and Institutional Assessment (CPIA) process, and how the performance-based allocations (PBA) of IDA evolved during the period.

27. IDA13 was clearly a historic replenishment period. Total new commitments amounted to SDR17.5 billion – the highest amount of funding committed during any replenishment since IDA's inception in 1960 (Chart 1). In dollar terms, new commitments, excluding guarantees, totaled US$24.9 billion, a nominal increase of nearly 30 percent over IDA12 (FY00-02). Importantly – and unlike previous replenishments – IDA13 resources were fully committed to projects by the end of the replenishment period. This significant scale-up of IDA support was fully consistent with the agreement of wealthier nations, reached in Monterrey, to increase the resources provided for poverty reduction in less developed countries. That borrowing countries had the absorptive capacity for these additional resources is also consistent with the pledges made.

Chart 1: IDA Commitments Trends (in real terms)



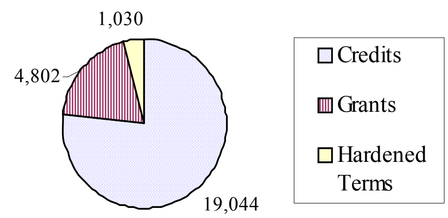
Note: Conversion to real terms calculated using "Commitment Deflator for IBRD/IDA Lending, in US$ Terms, Fiscal Year Basis (Index FY03=100)" produced by World Bank Development Economics Planning Assumptions Committee.

28. It is important to note that these new commitments came both from IDA credits (both on regular and hardened terms), which had a grant element of about 58 percent, as well as the grants provided on a selected basis during IDA13. In combination, IDA's financing was provided to its borrowers with an overall 66 percent grant element during IDA13, which was higher than in the past. Hence references to

the commitments or to 'lending amounts' in this report include resources with a substantial degree of concessionality (Chart 2).

29. The greatest upswing in new commitments was in IDA-only countries. They received SDR12.3 billion, or about US$18.1 billion in IDA13, up from the US$13.4 billion in IDA12 and US$12.3 billion in IDA11. Blend countries – the largest of which are India, Indonesia and Pakistan – utilized US$4.8 billion in new funds, compared to US$4.3 billion in IDA12. With over one-quarter of the world's poor, [18] India was by far the largest borrower, accounting for US$2.9 billion of new commitments. (Annex 3 – Table 1)

Chart 2: IDA13 Commitments by Degree of Concessionality (US$ Millions)



30. Project approvals continued a longer term upward trend; an increasing number of operations were prepared, approved and financed during IDA13: 141 in FY03, 158 in FY04 and 159 in FY05, for a total of 458 new operations in the period, compared to 393 in IDA12 and 381 during IDA11.[19] Investment operations, the core project-based work of IDA, accounted for US$19.0 billion of the new commitments and 379 of the total operations, with average financing of about US$50 million per operation.

31. Development policy operations (DPOs), formerly known as structural adjustment operations, comprised US$5.8 billion, or 23.4 percent of total new commitments in IDA13 (Chart 1). DPOs averaged about US$74 million per operation, and were focused largely on support to Law, Justice and Public Administration in IDA countries (41 percent).[20] DPOs also tended to support the sector categories of Health and Other Social Services as well as Education (27 percent combined), with the remaining 32 percent of DPO commitments spread across other sectors (Annex 3 – Table 2). DPOs, which generally provide fast disbursing finance to support policy reforms, and include the PRSCs that directly finance implementation of a country's poverty strategy, were accompanied by a considerable amount of analytical and advisory services of the Bank (Sections 1.3, 2.1 and 3.2; *Annex 8 also details four DPOs in Pakistan, Sierra Leone, Chad and Bolivia*).

32. ***Regional Focus.*** IDA's strong focus on helping its member countries make progress on the MDGs, is evident in the regional shares of IDA13 commitments. The Africa and South Asia regions, home to more than 800 million people living on less than US$1 a day, received the largest (47 percent) and second largest (32 percent) shares of new funding respectively. In the case of Africa, the donors had emphasized that IDA should strive to focus about half of its resources – to the degree that the performance of the individual countries allowed – in this region where many social indicators are at their worst (Section 5.4). Though falling slightly short of 50 percent of new commitments, IDA's financing to Africa increased from US$9.2 billion in IDA12 to US$11.6 billion, an expansion of more than 25 percent. This increase was facilitated by special post-conflict allocations, which went primarily to African countries. The Democratic Republic of the Congo, Ethiopia, Tanzania and Uganda received the largest amounts of new funding in Africa. (Chart 3)

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[18] World Bank Group. 2004a. "Country Strategy for India." R2004-0170/3; IDA/R2004-0208/3; IFC/R2004-0182/3. World Bank South Asia Region and International Finance Corporation South Asia Department. Washington, DC.
[19] Excluding IBRD/IDA blend operations and supplemental credits.
[20] Every IDA-financed operation is classified along both sectoral and thematic dimensions in WBG systems, with sectors indicating the parts of the economy that receive WBG support, and themes corresponding to the goals/objectives of the activities. This report focuses primarily on the sector classification. However the thematic classification is included in discussions of important areas of cross-sectoral emphasis from IDA (e.g., public sector governance, social protection and risk management and environment and natural resource management). A complete list of sector and thematic categories is in the tables of Annex 3.

33. The shift in IDA financing to South Asia was even more significant, since the region received about US$8.0 billion in new financing compared to US$5.0 billion in IDA12 – a 59 percent increase from one replenishment period to the next. While part of the increase was due to the greater availability of financing in IDA13, South Asia's share of total commitments also expanded – from 26 to 32 percent. The period was notable for IDA's quick reactivation of its program and intensive assistance to the post-war reconstruction of Afghanistan (Section 5.2). By FY05, Afghanistan became one of the ten largest recipients of new IDA funding. IDA's financial support also remained strong in the three largest country programs: India, Bangladesh and Pakistan.

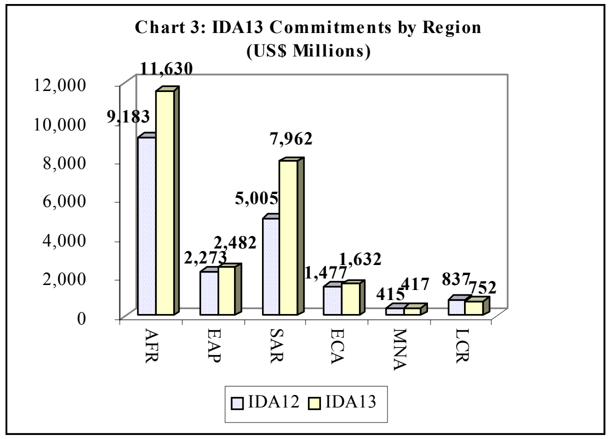


Chart 3: IDA13 Commitments by Region (US$ Millions)

34. IDA financing for the poorest countries of East Asia and the Pacific, and for Europe and Central Asia, also grew with the additional resources of IDA13, though their shares of the total were reduced. Commitments to East Asia rose to US$2.5 billion (a 9 percent increase), with well over half of these resources used by Vietnam, supporting its continued, and impressive, progress in reducing poverty. Resources for IDA countries in the Middle East and North Africa (Djibouti and the Republic of Yemen) remained on par with IDA12, at 2 percent of IDA commitments. Only the Latin America and Caribbean region, with Honduras as the largest IDA country program, utilized about 10 percent fewer IDA resources during IDA13 relative to IDA12 – in large part because of the special additional resources provided during IDA12 in the aftermath of Hurricane Mitch. Of particular note, in FY05 IDA resumed financing support to Haiti, the region's poorest country, after arrears were cleared (Section 5.2). Table 1 in Annex 3 provides details on commitments by country and region.

35. ***Sectoral Emphasis***. The sectoral composition of IDA commitments[21] reflected recipient country priorities, including their efforts to make progress towards achieving the MDGs (Chart 4). Commitments for Law, Justice and Public Administration, the IDA sector focused on economy-wide improvements and improved public sector management, continued to be the largest individual sector for IDA support. However, IDA sharpened its focus on the human development MDGs – through direct support to projects in Education, Health and Other Social Services (Section 4.2). Commitments to these sectors increased from 25 percent of IDA12 to 28 percent of the larger commitment pool in IDA13. Education work accounted for most of the increase. In comparison, IDA support to two relatively small sectors – Industry and Trade and Finance – declined as a share of total new commitments relative to IDA12. Annex 3 provides details.

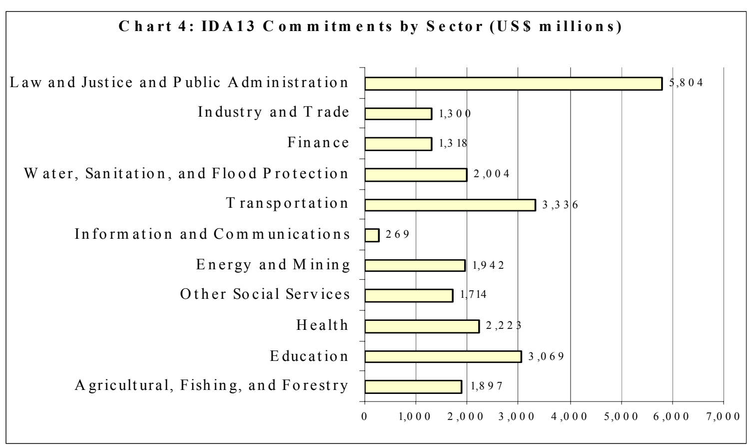


Chart 4: IDA13 Commitments by Sector (US$ millions)

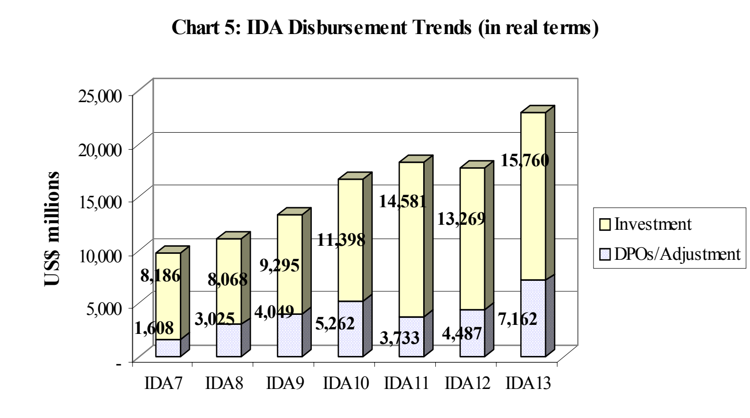
[21] IDA systems allow for any project to be classified with up to five different sector categories and up to five different themes. For projects classified across either multiple sectors or multiple themes, the commitment amount of the operation is pro-rated towards each sector/theme based on their percentage shares.

36. Implementation of the World Bank's Infrastructure Action Plan led to a renewed emphasis on infrastructure projects (Section 4.1). The Plan began to translate into new commitments towards the latter part of IDA13, particularly in Water, Sanitation and Flood Protection and in Transport. However, these shifts were offset by a reduced focus on Energy and Mining projects relative to IDA12. As a result, the actual amount of infrastructure commitments grew from US$5.7 billion in IDA12 to US$7.6 billion in IDA13, though the share of the combined infrastructure sectors remained stable (about 29 percent of commitments) for both periods.

37. ***Countries Not Receiving Financial Assistance.*** Of the 81 countries eligible for IDA assistance, IDA commitments were made to 70 countries compared to 73 in IDA12. While some countries did not wish to use IDA funds, eight countries were in non-accrual to IDA during a part, or all, of IDA13 and hence ineligible for new IDA financing. Total IDA debt from non-accrual stood at US$5.9 billion at the end of the period – equal to 5 percent of the total credits outstanding and consistent with IDA's long-term experience. Countries in non-accrual were generally supported by IDA through its analytic and advisory work, paid from the administrative budget of IDA. Some of these countries were also supported with grants from the Post-Conflict Fund and the Trust Fund for Low-Income Countries Under Stress (LICUS). The latter trust fund was established to facilitate re-engagement of fragile states with the international community and support service delivery to vulnerable groups in states with uncertain political environments. About US$23.8 million was committed across 37 grants to 8 countries: the Central African Republic, Comoros, Haiti, Liberia, Somalia, Togo, Zimbabwe and Sudan (Section 5.2).

Disbursements and the Ongoing Portfolio

38. Disbursements increased sharply during IDA13, with the higher commitment volumes of recent years translating to increased resources on-the-ground for development programs. Overall, IDA disbursed 33 percent more resources for development, with US$22.9 billion disbursed and 848 projects in the portfolio at the end of IDA13, compared to US$17.3 billion disbursed and a portfolio of 827 projects at the end of IDA12.



Note: Conversion to real terms calculated using "Commitment Deflator for IBRD/IDA Lending, in US$ Terms, Fiscal Year Basis (Index FY03=100)" produced by World Bank Development Economics Planning Assumptions Committee.

39. Besides a larger IDA portfolio, the increase in disbursements came from a shift in composition towards fast disbursing DPOs – accounting for 31 percent of IDA13 disbursements compared to 25 percent in IDA12. The disbursement ratio for investment projects – defined as the ratio of disbursements during the fiscal year to the undisbursed balance of investment projects at the beginning of the fiscal year – also continued its steady improvement, to 22.4 percent on average in IDA13, from 21.8 percent in IDA12 and 21.6 percent in IDA11.

40. Countries in the Africa region utilized almost US$4 billion more funding, a dramatic increase of 58 percent compared to IDA12. Projects in both Latin America and the Caribbean region and the Europe and Central Asia region also disbursed over 30 percent more funding than in IDA12. From the sectoral perspective, except for the Agriculture, Fishing and Forestry sector, which had a four percent drop in disbursements, there were across-the-board increases in disbursements compared to IDA12 (Annex 4).

41. The IDA portfolio, comprised of all active credits and grants under implementation, stood at US$38.9 billion at the end of IDA13. As noted in the Annual Review of Portfolio Performance (ARPP), prepared by the Quality Assurance Group (QAG), the portfolio of the entire World Bank has continued to shift towards the poorest countries of the world. By comparison, the IBRD portfolio, which was more than twice the size of the IDA portfolio in FY00, stood at US$54.3 billion by the end of FY05. More than 40 percent of the IDA portfolio was concentrated in the Africa region by the end of IDA13. South Asia accounted for about 30 percent of net commitments in the portfolio and the East Asia and Pacific region about 16 percent (Annex 4).

42. The two largest IDA sectors – Law, Justice and Public Administration, and Health and Other Social Services – each accounted for more than US$7 billion of the US$38.9 billion portfolio at the end of IDA13. Health in particular has declined as a share of the portfolio, a continuation of a pattern observed in IDA12. A new health strategy addresses the need to shift IDA's focus to health care system development to better address some of the major bottlenecks in the health sector and hopefully reverse this trend (Section 4.1). The two next largest sectors reflected in the portfolio were Transportation (almost US$6 billion) and Education (more than US$4.4 billion).

1.3 Analytical and Advisory Activities

43. The WBG's knowledge base remains an essential component of its assistance to member countries. This is especially true for IDA countries, where the capacity and the resources available to undertake tailored analytic work are often low. IDA support to countries ranges from country based research and economic and sector work (ESW); to country dialogue, policy advice and sharing of global best practices; to specific technical assistance, training and/or efforts to build local capacity for the skills necessary for development. All of this work falls under the broad umbrella of analytical and advisory activities (AAA).

44. Many of the training and capacity building efforts of IDA were strengthened by partnership with the World Bank Institute (WBI). During IDA13, WBI restructured its operations, shifting from training individuals (through courses) to institution-building, by customizing courses to specific country needs, strengthening local institutions in client countries and preparing specific diagnostic work. WBI moved towards a 'focus country' approach, working with a group of 45 focus countries, including 22 IDA countries. Programs are tailored to country needs and designed to strengthen capacity by building teams of experts and leaders, encouraging organizational reforms and in some cases fostering reform at the national and sub-national levels of government.

45. Recognizing the importance of a strong analytical foundation to IDA programming, the IDA Deputies recommended that Management and staff focus on increasing the stock of recent core diagnostic ESW on poverty, public expenditure allocation and management, and growth and employment for active IDA countries during IDA13. These analytic "inputs" became an important part of the IDA13 results framework, with targets established for filling gaps in country coverage (Section 2.1 and Annex 5).

46. Though progress with core ESW has been good, the goal of full coverage of all five core ESW products may be overly ambitious for some IDA countries. The Africa region in particular, will continue to require extra attention, especially with regard to updating poverty analysis, where coverage is often impeded by the lack of household survey data.[22]

[22] IDA. 2003g. "Progress on Economic and Sector Work in IDA Countries." IDA/R2003-0193. Washington, DC.

47. There has also been a shift in the last two years towards preparation of more customized advisory reports in response to client demand.[23] Reviews undertaken during IDA13 suggest a need to base the preparation of analytic work increasingly on country demand, particularly in the case of LICUS and small states. For small IDA country programs with limited administrative budgets, providing a full set of core diagnostic products risks crowding out other high priority analytic and advisory services.[24] For other IDA countries, reviews have proposed that after gaps in core diagnostic work have been eliminated, further core diagnostic ESW should be programmed on a country-by-country basis depending on the nature of IDA's engagement and the availability of relevant knowledge from development partners.[25]

48. The FY05 ARPP confirmed the shift towards country-driven AAA programs, along with improved coordination among development partners in preparing country AAA, noting that these "positive trends favor greater alignment of AAA with CAS objectives and outcomes, including a firmer analytic foundation for Bank lending."[26] ESW is also being linked more closely to the growth agenda and poverty issues highlighted in PRS (Section 3.2).[27] More growth-related work is being undertaken through special regional and network studies and within existing report types, such as rural development studies, Investment Climate Assessments (ICAs), and Country Economic Memorandums (CEMs).

49. The overall delivery of AAA to IDA countries increased during IDA13. In particular, IDA's analytical support to LICUS countries grew. The ARPP noted that FY04 and FY05 results point to a "growing commitment to AAA in countries where poverty is most acute and where human welfare is also affected by conflict or instability."[28] In addition, in light of the Infrastructure Action Plan, the knowledge base in infrastructure has been strengthened, by undertaking cross-sectoral infrastructure studies at both the country and regional levels, including preparation of the Recent Economic Developments in Infrastructure reports for many clients and regional flagship studies in cooperation with other donors.[29]

50. Greater attention to preparing AAA in partnership with others, particularly in the context of PRSPs, opens up the promise of more efficiency in the use of aid resources for analytic and knowledge activities. During IDA13, this included the creation of a joint Country Analytic Work website with over 25 donor agencies participating, to share analytical work and reduce duplication. More than half of the Country Financial Accountability Assessments (CFAAs) the World Bank delivers are now conducted with development partners, and some are done in tandem with a Public Expenditure Review (PER) or Country Procurement Assessment Report (CPAR).[30] Borrower country participation in this work is also rising, though there is still ample room for working with local institutions, in order to increase the capacity in IDA countries for tailored research and analytical work.

1.4 Quality and Effectiveness of IDA Assistance

51. Numerous indicators and evaluations are used by Management and staff in the daily management of IDA resources, and by IEG to measure IDA's overall development effectiveness. These include

[23] QAG. 2005a. *Annual Report on Portfolio Performance—Fiscal Year 2004*. 2 vols. R2005-21; IDA/R2005-14. Washington, DC.
[24] OPCS. 2004a. *Improving the Bank's Analytic and Advisory Services—Progress Report*. OM2004-0047. Washington, DC; and QAG. 2005c. *Quality of Country Analytical and Advisory Activities (CAAA): A QAG Assessment.* Washington, DC.
[25] Ibid.
[26] QAG. 2006a. *Annual Report on Portfolio Performance—Fiscal Year 2005*. 2 vols. R2006-18; IDA/R2006-16. Washington, DC.
[27] IDA. 2004a. "Growth in IDA Countries." IDA/SecM2004-641. Washington, DC.
[28] *Annual Report on Portfolio Performance—Fiscal Year 2005*, op. cit.
[29] World Bank. 2005e. *Infrastructure and the World Bank: A Progress Report*. DC2005-15. Washington, DC: World Bank, Infrastructure Vice-Presidency.
[30] *Improving the Bank's Analytic and Advisory Services—Progress Report*, op. cit.

assessments of the quality and effectiveness of the projects financed by IDA and the analytic and advisory support IDA provides to its member countries out of its administrative budget. Many of the measures, particularly related to achieving development outcomes with IDA assistance, are not fully within IDA's span of control – they depend greatly on partnerships with others and the quality of implementation by recipient countries.[31] But overall, they point to the improved effectiveness of IDA resources during IDA13 in helping to reduce poverty and bring about lasting development results.

52. The ratings for achieving satisfactory development outcomes with IDA-financed projects, which had declined markedly in FY03, have more recently been reversed, with a positive trend continuing into the latter part of IDA13. This trend was corroborated by the evaluations of IEG: projects exiting the portfolio and achieving satisfactory development outcomes are at their highest levels since the early 1980s. An important aspect of IDA13 was that the gaps between the performance of IDA and IBRD projects have diminished.[32]

53. The ARPP reviews the performance of IBRD and IDA project portfolios. It is clear that good project results correlate most strongly with the performance of borrowing countries at implementation (Sections 3.3 and 4.2). However, World Bank performance in assuring good quality-at-entry for new projects and the quality of supervision during project implementation is also an important contributory factor to project results.[33] The indicator for quality-at-entry in particular is viewed as a predictor of the likely longer term effectiveness of a project.

54. Performance on both quality-at-entry and the supervision of IDA projects improved significantly during IDA13, and is now above 90 percent 'moderately satisfactory or better'. Quality-at-entry for IDA projects, which has historically been lower than for IBRD projects, first increased in FY03 to be on par with IBRD lending (at 85 percent satisfactory quality at entry for both IBRD and IDA). Major improvements in the quality-at-entry for new IDA projects in FY04 and FY05 brought this figure to 91 percent satisfactory overall, albeit slightly below the increase seen in the corresponding IBRD projects. An important finding of the most recent assessment is that entry quality is lower in countries with low CPIA ratings, though still at 83 percent. Areas of weakness to be addressed in these projects include the results focus, realism of implementation schedules; monitoring and evaluation and the quality of risk assessment and mitigation.[34]

55. Satisfactory World Bank performance during supervision is likely to lead to better identification and mitigation of risks during implementation, thereby contributing to successful outcomes. In recent assessments, the quality of supervision has stabilized at about 90 percent, and only about ten percent of IDA financed projects received unsatisfactory supervision at some point from the World Bank. But the quality of supervision needs to be strengthened for these and many more projects with supervision rated 'moderately satisfactory', to ensure that the projects stay on track and achieve their intended results.[35]

56. The 2004 Annual Review of Development Effectiveness (ARDE), prepared by IEG, reported on the quality of results, as measured by development outcomes, being achieved with World Bank projects. This independent review is undertaken once projects have exited the portfolio, and gone through a self-evaluation by the IDA Borrower, Management and staff. It is clear from the ARDE that projects exiting the portfolio during IDA13 have generally performed well. Overall performance levels have remained at or above the original 75 percent satisfactory goal that had been set in the previous Strategic Compact of

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[31] *Annual Report on Portfolio Performance—Fiscal Year 2005*, op. cit.
[32] Ibid.
[33] Ibid.
[34] QAG. 2006b. *Seventh Quality at Entry Assessment (QEA7), FY04-05*. Washington, DC.
[35] *Annual Report on Portfolio Performance—Fiscal Year 2005*, op. cit.

the WBG. In FY03 there was a slight dip from the 78 percent in FY02, but the exits in FY04 rebounded, at 76 percent moderately satisfactory or better. In FY05 that figure rose to 81 percent.[36]

57. These aggregate indicators offer a view of the likely effectiveness of IDA13 operations in supporting longer term development outcomes, such as achieving the MDGs. However, the general picture given by the aggregates can be brought into focus with a discussion of the projects and activities that IDA actually finances – both the short term 'outputs' and the intermediate 'outcomes' of IDA projects – or, more simply, the project results. Annex 8 gives this type of project-level information, by looking at results achieved within a subset of randomly selected projects that closed and were evaluated during IDA13. An important caveat is that, because of its small size relative to the cohort it was drawn from, the sample is *not representative* of either the aggregate quality ratings discussed above, or the regional or sectoral distribution of the IDA portfolio of that time. It is intended only as an illustration of the type of work that IDA finances, rather than a representation of IDA's quality and effectiveness, either overall, or in the randomly selected country programs. Similarly, Box 1 below offers a snapshot of the typical results achieved with IDA financing in projects that closed during FY03, the first year of IDA13.

Box 1: A Snapshot of IDA Project Outputs – What Did IDA Finance?

As part of the FY04 Sector Strategy Implementation Update (SSIU), a team of staff from the Operations Policy and Core Services unit reviewed the Implementation Completion Reports (ICRs) for IDA projects. The team looked at the extent to which project output indicators were clearly established and used in the ICRs, and found considerable room for improvement for both IDA and IBRD projects. Many of the projects did not report on project outputs. Given the uneven quality, these indicators and the project results framework have been included as an item to be strengthened within the results measurement system of IDA14.

In the SSIU review, there were 96 IDA projects that both: (a) closed during FY03; and (b) reported outputs in education, health, agriculture, infrastructure, and environment. Within this sample alone, more than 3.8 million people living in cities and slums benefited from IDA financed projects; and more than 35 million people in rural areas were assisted. IDA-financed health programs had reached over 22 million beneficiaries and education programs had reached another 3.5 million people.

The diversity of IDA-financed activities makes it difficult to aggregate project outputs across very different interventions – for instance a health project financed in one country may emphasize building primary care clinics and training medical staff, while another may emphasize policy reforms in the health sector of another country. However, with this caveat, following is a 'snapshot' of the types of project outputs that were financed by IDA, within the sample of projects that closed during the first year of IDA13 and reported on outputs:

- In Africa, 315,775 more hectares of arable land have irrigation and drainage.
- 1 million new power meters were installed in India.
- 10,767 kilometers of new roads have improved access for people in Africa to markets, schools and health care.
- More than 300 kilometers of bridges were restored in Eastern Europe.
- 756,781 more African children are enrolled in school. In Asia, enrollments increased by 2,702,120 – most of these were in India.
- 22,117,885 books and other printed educational materials were distributed.
- Overall, 289,121 people in IDA-financed countries received teacher or related training.
- There are 74,210 hectares of new forest cover in Ghana, Mauritania, and Niger. In Bangladesh, 5,486 hectares have been reforested.
- In Uganda, 141 hospitals and other health-care facilities were built or rehabilitated and 154 healthcare professionals were trained.

[36] OED. 2005a. *2004 Annual Review of Development Effectiveness – The World Bank's Contributions to Poverty Reduction*. Washington, DC: World Bank; and World Bank Group Business Warehouse database.

Box 1: (Continued)

- In Georgia, nearly 3,000 healthcare professionals were trained.
- In Cambodia, there are 247 new hospitals and other health facilities, and 2,961 newly trained healthcare professionals.
- New and improved farmlands in Africa amounted to 377,352 hectares; in Ethiopia, more than 5.5 million tons of increased agriculture outputs were reported.
- Four projects in China resulted in a more than 100,000-hectare increase in farmland and a 1.8 million increase in livestock.
- In Chad and Togo, more than 1.2 million animals were vaccinated.
- More than 3 million people in Africa, 25,000 in Asia, 200,000 in Latin America, 200,000 in Eastern Europe, and 1.2 million people in the Middle East gained access to clean water and sanitation.
- Overall, 111,126 hectares of land were put under protection, and 9,197 people were trained in environmental management.

Source: OPCS. 2005f. *Sector Strategy Implementation Update (SSIU) FY04*. SecM2005-0045. Washington, DC; and World Bank staff estimates.

58. Other indicators for the health of the IDA portfolio were more mixed at the end of IDA13. For instance, the share of 'projects at risk' of not meeting their development objectives, increased in the IDA portfolio from 15 to 18 percent from FY03-FY05, reflecting in part a higher concentration of lending to post-conflict countries. Risk levels still remained below the 20 percent level of the IDA portfolio in FY99. The percent of 'commitments at risk' of not meeting their development objectives also increased slightly from 16 to 17 percent for FY03-05. IDA portfolio risk levels were roughly on par with IBRD during FY03 and FY04, but improvements in the IBRD portfolio during FY05 left a gap in the level of commitments at risk (11 percent for IBRD compared to 17 percent for IDA).[37]

59. In terms of AAA, two reports prepared in 2005 – the *Country AAA Assessment*[38]*;* and *Improving the Bank's AAA Services*[39]*,* show that the quality of AAA improved significantly under IDA13. While continued attention has been given to the quality of ESW in all World Bank borrowing countries, the emphasis was greatest on raising ESW quality in poorly performing low-income countries, where there had been difficulties in the past. The gap between IBRD and IDA countries described in the FY98-99 round of QAG assessments of ESW quality had been eliminated by FY02. The latest QAG assessment based on FY03-04 data[40], confirmed the comparable quality of ESW across the institution, with ESW tasks in IDA countries rated at 90 percent *Satisfactory or better* in dollar-weighted terms, while IBRD tasks were rated at 91 percent *Satisfactory or better*.[41]

60. There is still considerable room for improvement. The most recent ARPP cautioned that AAA tasks are taking longer to prepare, leaving mounting delays in delivery of AAA products across both IBRD and IDA country programs. Increased Management oversight and attention to AAA, to ensure its timely delivery, will be required over the next year. In addition, efforts will need to be made to improve the impact of AAA, ensuring that analytic work, once completed, is more effectively disseminated and used to help create a climate for reform in IDA countries.[42]

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[37] *Annual Report on Portfolio Performance—Fiscal Year 2005*, op. cit.
[38] *Quality of Country Analytical and Advisory Activities (CAAA): A QAG Assessment*, op. cit.
[39] *Improving the Bank's Analytic and Advisory Services—Progress Report*, op. cit.
[40] *Quality of Country Analytical and Advisory Activities (CAAA): A QAG Assessment*, op. cit.
[41] While the tasks in the FY00-FY02 ESW assessments were randomly sampled from a universe of all ESW outputs completed Bank-wide in that particular year, the FY03 and FY04 tasks belong to 36 AAA programs and are not strictly comparable with the earlier exercises and do not represent the Bank-wide universe of ESW tasks.
[42] *Annual Report on Portfolio Performance—Fiscal Year 2005*, op. cit.

2. NEW INITIATIVES OF IDA13

The IDA Deputies introduced two fundamental changes to IDA's operational framework during IDA13, intended to increase its effectiveness and flexibility. First, a results-based measurement system was developed throughout the period, in order to track IDA's contributions to its member countries. Second, to further strengthen its support to the poorest and most vulnerable countries, IDA increased its use of grant financing.

2.1 Building a Framework to Measure Development Results

61. The IDA Deputies, Management and staff invested heavily in efforts to develop a focused and coherent framework for measuring the results of IDA's work, early on in the replenishment discussions and then throughout the IDA13 period. Their primary objective was to develop new tools to assess the effectiveness of IDA programs and their contribution to key development outcomes, including the MDGs and the growth agenda underpinning these goals. While the resulting framework was an important innovation of IDA13, it has also been important in launching the World Bank-wide 'results agenda', and a greater institutional focus on measuring and achieving development results.

62. The results measurement framework ultimately agreed upon tracked IDA's preparation of "core" economic and sector analysis, such as Poverty Assessments and PERs. The analysis that goes into these products can be a critical underpinning for effective use of aid resources and for informing domestic policy choices in developing countries. The framework also monitored six country level outcome indicators (related to health, education and a country's business climate) with direct links to the MDGs. For the delivery of analytic inputs as well as aggregate progress on the outcomes, the replenishment arrangement set specific targets to be met by IDA by the Spring of 2004.

63. ***Core ESW.*** When IDA13 began, there were significant gaps in the number of active IDA countries with recent (less than five years old) core diagnostic products.[43] However, on average, IDA countries lacked half of the full complement of five core diagnostic reports. Increased Management emphasis on filling such gaps has led to major improvements in coverage ratios for IDA countries – at end-FY03, coverage of core diagnostic reports averaged roughly 60 percent for all IDA countries. This number increased further to 78 percent by the end of FY05. Of the 290 recent (prepared within five years or less) core ESW delivered in the period FY01-FY05, more than 70 percent (209) were delivered during IDA13, reflecting the increased emphasis placed on analytic work in recent years.[44] Annex 5 provides a detailed list of core ESW delivery in the past five years.

64. ***Country Outcome Targets.*** The IDA13 framework also established country outcome-related targets – a first for IDA replenishments – to be evaluated and reported on by the Spring of 2004. The goals set forth for *health* were an increase in the population-weighted coverage rate of measles immunization to 60 percent with a substantial number of countries reaching a higher rate; and an increase in the number of countries with 80 percent coverage of measles vaccination to 29 countries. The goals for *education* were to increase the population-weighted average primary completion rate to 69 percent with a substantial number of countries reaching a higher rate; and to increase the number of countries with positive growth rates in primary completion rates to 38 countries. In *private sector development*, the

[43] Poverty Assessments (PAs), Country Economic Memoranda/Development Policy Reviews (CEMs/DPRs), Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reviews (CPARs)

[44] Based on World Bank Business Warehouse database and World Bank staff estimates; country coverage ratios apply to 'active' IDA countries only, whereas total delivery of ESW reports reflects all IDA countries.

goals were to reduce the time required for business start-up (in numbers of business days) by 7 percent from end-2001 to end-2003; and to reduce the formal cost of business start-up (in percent of GDP per capita) by 7 percent from end-2001 to end-2003.

65. In the Spring of 2004, IDA Management and staff analyzed IDA's progress against both the input and outcome goals – and concluded that all of the targets had been met or exceeded.[45] With the relatively weak statistical systems in IDA countries, however, it was necessary to make some adjustments in methodology to aggregate data across countries and compare results across several years. An independent review team was commissioned to examine the processes used by IDA in assembling the relevant data and verified that the methodological changes used to make the assessment were correct – the Spring 2004 targets had been met or exceeded in each case.[46]

66. ***Recent Progress.*** Though no targets or review were set beyond Spring 2004, the latest data indicates that progress has continued to be made. For instance, IDA countries as a group have continued to reduce the cost and the time required to register a business. The data coverage of the two private sector development indicators has now expanded to include 65 countries, 26 more than were available during the period. This enlarged group of IDA countries has seen on average a 19 percent decline in the cost required to register a business and a 14 percent decline in the time required to register a business since that time.[47]

67. Positive trends have also continued on primary education completion rates and measles immunization rates. In 2004, 79 percent of children at official graduating age were expected to complete their primary school, up 10 percentage points from 1999. For measles immunization, 65 percent of children ages 12-23 months were immunized against measles in 2004, up from 55 percent in 1999.

68. Adding the results measurement framework into the IDA13 report strengthened the foundation for results-oriented programming in IDA countries, and initiated a productive debate among IDA donors. At the same time, the process leading to the interim IDA13 results framework brought out major challenges and the complexity inherent in any effort to link IDA support to measurable development outcomes (e.g., difficulties in attribution, the availability and quality of data in low income countries and time lags involved in development processes). In terms of the targets set for core ESW, there was also an increasing need, particularly in the small states, to balance the interest in this type of diagnostic work with other important sectoral work seen as a priority of client countries. Even as the interim framework for IDA13 was introduced, it was agreed that further work would be needed to develop a more robust IDA14 Results Measurement System (RMS).

69. The challenges faced in measuring progress against specific outcome-related targets, and aggregating and monitoring outcome-related indicators across several years, highlighted the need to refine the approach and intensify efforts to strengthen statistical capacity in IDA countries. Evaluating short-term (2-3 year) changes in outcome-related indicators to compare against specific targets, proved problematic for several reasons, including:

(i) *irregular data collection and reporting* at the country level led to inconsistent aggregates over time. In particular, inclusion or omission of one influential country could affect measured progress over a short time period;

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[45] "IDA13 Results Measurement System: Spring 2004 Update," op. cit.
[46] "IDA13 Results Measurement System: Spring 2004 Update, Inception Report," op. cit.
[47] World Development Indicators database. World Bank. http://devdata.worldbank.org/dataonline/; and Word Bank staff estimates.

(ii) comparisons over time are further confounded by *changes in definitions and methods* that, although intended to improve the quality of the resulting statistics, also cause breaks in continuity of time series data; and

(iii) *indicator values* are subject to revision as part of the normal process of compiling and validating statistical data. While preliminary estimates are typically finalized within one year, some estimation methods may entail more extensive backward revisions. When such revisions occur after the baseline values have been agreed upon and targets set (as was the case with the Spring 2004 targets), the interpretation of results is further complicated.

70. ***A New System for IDA14.*** These experiences led to development of the current IDA14 RMS.[48] The IDA14 RMS was proposed in April 2003, with two different tiers of information. Tier I monitors the aggregate progress of IDA-eligible countries on *broad development outcomes* related to national poverty reduction strategies and the MDGs. Unlike the IDA13 framework, Tier I does not establish specific short-term targets for progress against these outcomes. Tier II focuses on *IDA's activities and contribution* to country outcomes. It relies on a stronger focus on results and self-assessment in IDA CASs, and assessments of the quality and outcomes of operations in the IDA portfolio.

71. Management refined the system in June 2004 to strengthen the first tier of information in two ways: (i) by focusing the list of aggregate outcome indicators only on those that are most relevant to IDA's business and most measurable in IDA

Box 2: Improved Education for Girls in Pakistan

In Pakistan's largest province of Punjab (population of about 85 million, and annual per capita income of about US$482), educational indicators are low compared to other countries with Punjab's level of development. Almost 40 percent of the adult population is illiterate and less than half of the primary school-age population is enrolled in school. Enrollment is particularly low in rural areas, especially for girls. These poor outcomes are the result of inadequate resources and systemic weakness in public service delivery.

In 2004, the Government of Punjab launched a three-year education reform program to tackle these challenges. IDA is supporting the reforms with a series of three annual US$100 million development policy credits – enabling the government to undertake broad-based reforms, not only in the education sector, but in related areas such as public finance and governance. The education-specific reforms include improved teacher recruitment and training, provision of free textbooks for primary school students and free tuition up to grade 10. Additional incentives are provided in low-literacy districts, with a monthly stipend for girls in grades 6-8 who maintain at least an 80% attendance record.

Important results are already being achieved. For the first time, free textbooks reached over 85% of students in time for the start of the school year. After years of stagnation, there have been significant improvements in public school enrollment. Total enrollment (through Grade 10) increased from 8.8 million in 2003 to 10.6 million in 2005 – almost 17% since the start of the reform program. The gender gap has started to narrow, with the total public school enrollment of girls rising from 43% in 2003 to 45% by May 2005. At the primary level, girls' enrollment has moved from 44% to 46%, and at the middle level, girls now account for 41% of total enrollment, up from 36% in October 2003. The stipend program has proven effective: girls' middle-school enrollment has increased by about 37% versus 19% in non-stipend districts; at the primary level, girls' enrollment has increased by 33% in the stipend districts versus 20% in the non-stipend districts. The stipend program also had a positive impact on boys' enrollment.

A key element of the program's success has been an overhauled monitoring and evaluation (M&E) system. M&E is based on a revamped management information system, active field monitoring and regular third party validations to verify both inputs and progress. The system provides ready access to updated and dynamic information for analysis and policy decisions at the administrative and political levels.

[48] IDA. 2003c. "IDA Results Measurement System: Progress and Proposals." SecM 2003-0519. Washington, DC; IDA. 2004b. "IDA Results Measurement System: Recommendations for IDA14." IDA/SecM 2004-0499. Washington, DC; and IDA. 2005a. *Additions to IDA Resources: Fourteenth Replenishment—Working Together to Achieve the Millennium Development Goals*. IDA/R2005-0029. Washington, DC.

countries – paring the list down to 14 country outcome-related indicators; and (ii) by introducing incentives for more reliable tracking of selected outcome indicators in four key sectors where IDA has an active portfolio (health, education, water, and transport). Management also proposed to strengthen the second tier to: (i) ensure that a robust results-tracking mechanism is built into all new IDA projects at the design, supervision and evaluation stages; and (ii) measure and monitor improvements in project outputs for IDA projects in health, education, water, and transport.

72. ***Improving Statistical Capacity.*** The important role that statistics play in development, and in efforts to improve aid effectiveness, is well known. In developing the RMS, a Statistical Expert Panel was formed in August 2004 to provide advice on the use of indicators and data in the system.[49] Based on the Panel's recommendations, a set of three indicators has been introduced to measure statistical capacity in IDA countries: (i) statistical practice (the ability to adhere to internationally recommended standards and methods); (ii) data collection (frequency of census/surveys and completeness of vital registration); and (iii) indicator availability (availability and frequency of key socioeconomic indicators).

73. Though some progress was made along all three dimensions between 1999 and 2004, it has generally been slow. An important concern going forward is that only limited improvement has been made in data collection in all IDA countries, and in African countries in particular. The indicators reveal differences in the strengths and weaknesses of country systems, confirming that greater attention is needed to country-based programs for capacity building. The Expert Panel review acknowledged the strong emphasis by the World Bank on strengthening statistical capacity at both the national and international level and recommended pursuing a two-track approach: a long-term program to build sustainable capacity in IDA countries, complemented by short-term initiatives that place high priority on improving the range and quality of indicators needed to monitor IDA outcomes (as well as the PRSP process and achievement of the MDGs).

74. Considerable analytical work has been done to address statistical issues related to results measurement for IDA countries.[50] Before recommendations were finalized for the IDA14 RMS, the STATCAP program was designed and launched to make investments in statistical capacity easier and more effective. With STATCAP, countries can obtain credits to finance their national statistical capacity building projects. The projects that are financed are meant to be an integral part of a more comprehensive action plan for statistical capacity building, a Statistical Master Plan, often linked to a National Strategy for the Development of Statistics, prepared through consultation with both data providers and data users. Preparatory work can be financed through a grant from the Trust Fund for Statistical Capacity Building. At the end of IDA13, in Sub-Saharan Africa, 20 countries had already completed or adopted national strategies; another 12 countries were preparing them with financing from this trust fund and from PARIS21 and other donors.

2.2 Allocation of Grant Financing

75. At the start of IDA13, the Deputies discussed in depth the potential benefits and risks of softening the terms of IDA's financial assistance to the poorest and most vulnerable countries. At the time, the Deputies viewed increased concessionality to be particularly relevant for resource-poor countries that require large investments to improve their prospects for growth and achieve their poverty-reduction goals. Many of these countries are also vulnerable to external shocks, including natural disasters, conflicts and fluctuating commodity prices.

[49] Holt, T., G. Jones, and N. S. Sastry. 2004. "Methods for Monitoring the Achievements Made Towards IDA Results Indicators: An External Panel Review." CODE2004-89. Washington, DC.
[50] World Bank. 2004d. "Methods for Monitoring the Achievements Made Towards IDA Results Indicators: An External Panel Review." Committee on Development Effectiveness discussion paper CODE2004-77, World Bank, Washington, DC; and IDA. 2004f. "Measuring Results: Improving National Statistics in IDA Countries." IDA/SecM2004-0773. Washington, DC.

76. When the replenishment was discussed, there was concern among some donors that the concessionality of IDA financing (measured in terms of the grant element of IDA credits) had eroded over time. The Deputies recognized the advantages of increasing the level of concessionality to address the hardships facing certain countries. At the same time, given IDA's role as a revolving fund, and reliance on its asset base to fund future replenishments, Deputies stressed that the impact of grants on IDA's finances should be explicitly treated in IDA's financial framework and that the costs should be specifically compensated for by additional donor contributions, in order to maintain IDA's financial integrity into the future (Annex 1).

77. The Deputies endorsed the use of IDA grants in the range of 18 to 21 percent of overall resources during IDA13. Actual grant commitments comprised 19 percent of total commitments, falling into the middle of the endorsed range. Eligibility for grants was based on specific sources of vulnerability – extreme poverty, conflict, high debt levels, project to prevent the spread of HIV/AIDS and response to natural disasters. Funds were made available to countries and projects that fell into five different categories of eligibility: (i) poorest countries with per capita income of at most US$360 per year; (ii) debt-vulnerable poorest countries; (iii) post-conflict countries; (iv) special support for natural disasters; and (v) special support for HIV/AIDS programs.[51] The first three categories of country eligibility were designed with no overlap, though a country might shift from one category to another from year to year if its circumstances changed. The fourth category of eligibility was open to all IDA-only countries that suffered an exceptional natural disaster and requested IDA support for its response. For support to HIV/AIDS programs, any IDA-only country could receive up to 100 percent of its project financing in the form of grants and IDA blend countries could qualify for up to 25 percent in grants.

78. The IDA13 replenishment report recommended ceilings for the share of grants in each country's commitment envelope, with the ceiling varying by eligibility category. The final levels of grant assistance were generally in line with these recommendations. Setting aside the project based grants for HIV/AIDS and natural disasters, the poorest country grouping received about 19 percent of their commitments in the form of grants (the guideline at the time of replenishment was "up to 23 percent"). The debt-vulnerable poorest country grouping and the post-conflict country grouping received 40 percent and 39 percent of their commitments in the form of grants respectively, compared to an original guideline of "up to 40 percent" for each.

79. For both HIV/AIDS and natural disaster operations, determining the grant share of these operations was less straightforward. One reason is that in FY03 and FY04 grant funds were set aside to fully finance the HIV/AIDS projects planned in eligible countries. Given delays in preparing some of these projects, in FY05 the process was changed and instead the grants came directly from each country's IDA allocation. Nevertheless, all HIV/AIDS programs that were launched in IDA-only countries received 100 percent grant funding, in accordance with the original IDA13 arrangements.

80. In terms of natural disaster support, IDA grants were allocated in FY03 to support drought recovery in Ethiopia, Malawi and Zambia; in FY04 to respond to a cyclone in Samoa; and in FY05 to respond to the flood emergency in Djibouti, support flood protection in Georgia, and assist emergency recovery and disaster management in Haiti. Importantly, IDA was able to mobilize grant resources as part of its response to the tsunami disaster in the Maldives and Sri Lanka (Section 5.3). But the inability to estimate in advance where and when such disasters would strike in IDA countries, made it difficult to

[51] For the purpose of allocating IDA grants, (i) "poorest countries" were defined as countries with a per capita GNI not more than US$360. (ii) "debt-vulnerable poorest countries" were defined as countries with a per capita GNI not more than US$360 and with an expected long-term NPV of debt-to-export ratio of 150 percent or above, after all possible debt relief options have been exhausted. In special country cases, where there is high export concentration (i.e. where three products account for over 60 percent of exports), the debt vulnerability threshold was an NPV of debt-to-export ratio of 120 percent. (iii) Post-conflict eligibility was in accordance with the criteria for exceptional post-conflict IDA allocations.

manage grant resources in this category – creating a tension between a "first-come-first-served" approach and one in which resources would be set aside each year to ensure that they were available if needs arose through the end of IDA13.[52]

81. The IDA13 report provided rough estimates for the share of overall grant financing for each category. As shown in Table 1, the final level of grant assistance was considerably higher for post-conflict countries and lower than anticipated for natural disaster projects and HIV/AIDS projects. For post-conflict countries, their performance improved from FY03-05, as measured by the post-conflict country performance indicators (PCPIs). Gains were seen in the PCPIs of all but two countries, leading to increased allocations for the post-conflict countries as well as increased use of grants in those countries (Section 5.2). As noted above, the lower use of grants for HIV/AIDS projects was due in part to delays in project preparation. The lower use of grant funding for natural disasters was due in part to the conservative approach taken to allocations – where only 40-50 percent grant financing was allocated to any one disaster response project, in order to ensure that the funding was not fully used up early on in the IDA13 period.

Table 1: Share of New Commitments Financed with Grants

Categories of Grant Eligibility	Grants as a Share of Total Commitments	
	Estimates in IDA13 Agreement	Actuals
Post-Conflict Countries	1.5-4	5.19
Natural Disaster Reconstruction	1	0.46
HIV/AIDS Projects (IDA-only countries)	4	2.84
HIV/AIDS Projects (IDA blend countries)	1	0.05
Debt-Vulnerable Poorest Countries	8	7.28
Poorest Countries	3-3.5	3.26
Total	18.5 - 21.5	19.08

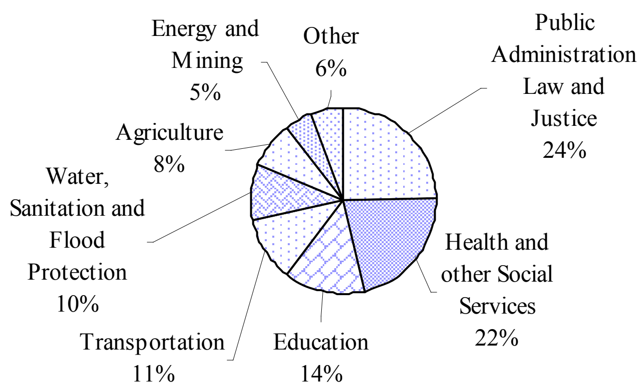
Source: World Bank staff calculations

82. IDA's poorest country members, including the debt-vulnerable poorest countries, utilized more than half (56 percent) of total grants. Post-conflict countries utilized 27 percent of the total grants. HIV/AIDS programs and natural disaster assistance grants accounted for 15 percent and 2 percent respectively. The Africa region received the great majority (76 percent) of IDA13 grant commitments. The South Asia region was the second largest recipient, using 33 percent of the total. Middle East and North African countries received the smallest share, at only 0.3 percent of total grant financing.

83. As per Chart 6, 46 percent of the grant funding went to projects in Health and Other Social Services, Education, and Water, Sanitation and Flood Protection – the sectors for which recipient countries have generally shown preference for the most concessional financing available. This excludes the resources set aside specifically for HIV/AIDS and natural disaster response projects. Operations in support of Law, Justice and Public Administration, which would contribute to improving the quality of institutions, received 24 percent of the grant financing. About one-quarter of grant assistance financed infrastructure.

[52] IDA. 2005d. "Update on Developments Since the Athens Meeting." IDA/SecM2005-74. Washington DC.

Chart 6: Grants by Sector during IDA13**



Source: World Bank staff calculations
** Excludes grants for HIV/AIDS programs and natural disasters.

84. Looking at thematic shares within each IDA13 grant category, Public Sector Governance was the largest category for grant commitments in the 'debt-vulnerable poorest' countries, where operations that supported strengthened public sector governance accounted for more than 25 percent of commitments. Public Sector Governance activities were a close second in the poorest countries as well (21 percent of the total), though Education received a slightly higher emphasis in these countries (21.1 percent). In the post-conflict countries, the largest sector for grant commitments (16 percent of the total) was for Rural Development projects; however Social Protection, Poverty Reduction and Health, Nutrition and Population comprised well over half of the grant funding in those countries (Annex 3).

85. ***Operational Issues.*** During the IDA13 MTR, the need for greater flexibility in the grant program was highlighted to IDA's Deputies.[53] Grant implementation guidelines for FY04-05 took this into account, offering greater flexibility to the regions while ensuring that overall IDA13 grant program guidelines were followed. The use of grants within country programs was governed by the strategic priorities as set out in the CAS or Transitional Support Strategy (TSS) (Section 3.3). Furthermore, other than their financing terms, grants were governed by the usual policies and procedures that applied to IDA credits. It is too early to tell whether the performance of IDA projects financed with grants differs in any significant way from credit-financed operations; this will no doubt be a subject for future analysis.

86. Though the grant resources provided a useful window to enhance IDA's support for the poorest countries, the multiple and special purpose criteria for allocating grants across IDA countries were overly complex and primarily the result of the diverging views among the IDA Deputies at the time of negotiations. As a package, they lacked a comprehensive supporting analytical framework. These criteria were streamlined in IDA14 to focus solely on a country's risk of debt distress to determine grant eligibility. Assessments of risk of debt distress have analytical underpinnings in the joint Bank-Fund debt sustainability framework for low-income countries. While IDA13 had established at the outset a set range for total grants, no such range was established up front for IDA14.[54]

[53] IDA. 2003a. "IDA Grants – Implementation in FY03." IDA/R2003-0196. Washington, DC.
[54] IMF and World Bank. 2004. "Debt Sustainability in Low-Income Countries: Proposal for an Operational Framework and Policy Implications." SecM2004-0035; IDA/SecM2004-0051. Washington, DC.

3. STRENGTHENING THE COUNTRY-DRIVEN MODEL OF DEVELOPMENT

87. IDA13 was an important time to sharpen the focus of IDA's assistance in line with the Monterrey Consensus, including consolidating IDA support for the country-driven model of development. This meant strengthening the Poverty Reduction Strategy (PRS) process and approach – through which borrowers outline their development priorities to help increase the effectiveness of resources used for development. This prioritization in turn helps to focus IDA's efforts – with greater reliance on the CAS as the primary instrument for managing IDA assistance to borrowers and supporting their PRSPs.

3.1 Sharpening the Focus of IDA Assistance

88. To consolidate progress on key mandates, the IDA Deputies called for *increased selectivity* in IDA's work, with IDA concentrating on areas of its comparative advantage, clarifying its priorities and directing more assistance to countries with sound policy environments. Increased selectivity and effective implementation of PRSPs and CASs all require greater donor coordination and harmonization, alignment of IDA's budget with its program priorities to ensure appropriate funding of its efforts, and systematic monitoring and evaluation of results and the MDGs. A matrix of the actions envisioned in these areas, including the recommendations that arose from IEG's comprehensive review of the IDA10-12 replenishments, is attached as Annex 7.[55] The annex also outlines IDA's performance in implementing each of the actions emphasized by the Deputies for the IDA13 period.

Donor Harmonization and Alignment

89. Greater harmonization of policies and practices in international development can reduce duplication and the transaction costs of aid, freeing up additional resources for low-income countries. Though the IDA13 framework recognized that efforts to forge development partnerships should start at the country level, using the PRS process as the main tool (Section 3.2), it also stressed the need for greater harmonization and alignment at the agency level. At a February 2004 meeting, the IDA Deputies emphasized again that more cooperation is needed between IDA and other donor agencies.

90. During IDA13, the WBG made a major effort in the global harmonization and alignment agenda, along with the Regional Multilateral Development Banks (RMDBs), the OECD-DAC, bilateral aid agencies and some developing countries. As part of this effort, IDA conducted a thematic review, *Working Together at the Country Level: The Role of IDA*, in September 2004.[56] The review found that significant change is underway in the working relationship between the WBG, the UN and other multilateral and bilateral agencies, with major efforts to strengthen institutional links in recent years.

91. Efforts were initially focused on building international consensus around a set of specific actions that donors could take to facilitate country-level implementation. The High Level Forum on Harmonization in Rome in February 2003 agreed on an ambitious program of action, which emphasized country ownership and government leadership, and recognized the importance of capacity building and diverse aid modalities.[57]

[55] OED. 2001. *IDA Partnership for Poverty Reduction (FY94-FY00)—An Independent Evaluation*. Washington, DC.
[56] IDA. 2004i. "Working Together at the Country Level: The Role of IDA." IDA/SecM2004-0654. Washington, DC.
[57] February 25, 2003. *Rome Declaration on Harmonization*. Rome. Available online at http://www.aidharmonization.org.

92. The High Level Forum on Aid Effectiveness assessed progress as of March 2005. The outcome of this meeting was the Paris Declaration on Aid Effectiveness, which was endorsed by over 100 partner and donor countries and international agencies, including the WBG.[58] The Declaration includes a detailed framework of commitments with respect to ownership, alignment, harmonization, managing for results and mutual accountability. In addition, the Paris Declaration identified 12 specific indicators and global targets to track progress on implementation through 2010.

93. These efforts to generate strong international commitments to the harmonization and alignment agenda were mirrored with reforms in the way that IDA operates. The reforms included: (i) aligning the Bank's audit policy with international auditing standards, relying increasingly on country audit processes, and promoting harmonized audit requirements among donors; (ii) opening up bidding eligibility to all countries and harmonizing procurement requirements; and (iii) developing new policies and guidelines on DPOs that recognize the importance of country ownership and of collaboration among donors to set the triggers and conditions for new financing. In addition, as agreed with Deputies during IDA14, two indicators from the Paris Declaration were added to the set of 'key performance indicators' that the WBG uses to manage its internal units. The first of these indicators measures the share of analytical work prepared jointly with partners; the second tracks the share of financing that uses harmonized approaches. A third indicator, to measure the use of country systems in procurement and financial management, is under development.

94. The harmonization agenda appears to be having an impact at the country level, as IDA's ability to leverage its resources with the financing and work of other development partners has greatly expanded. In fact, in addition to the US$24.9 billion which IDA directly committed, IDA13 operations received more than twice the amount of donor co-financing and parallel financing than seen in IDA12 – about US$10 billion overall.[59] The use of financing approaches that facilitate coordination with donors has become more wide-spread. A growing number of sector-wide approaches (SWAps) are being used as a mechanism for consensus-building and donor coordination around a common framework for an entire sector. At least 18 IDA operations in FY04 and FY05, accounting for more than US$1.3 billion of IDA13 commitments, were either SWAps, or had SWAp-like elements. The use of Poverty Reduction Support Credits (PRSCs) was also robust, with approvals reaching about US$3.0 billion, for 33 PRSCs, in total from FY01 to March of 2005 (Section 3.3).[60] Lastly, as noted in Section 1.3, more analytical work has been prepared jointly with other donors. For instance, in FY05, 26 percent of the Bank's major ESW was done jointly (38 percent in the Africa Region) and 38 percent of the CPARs finalized in FY03 and FY04 involved other partners.[61]

3.2 Supporting the PRSP Process

95. In 1999 IDA helped to establish the PRS approach, which places the responsibility for identifying a country's development priorities, and its needs for external assistance, in the hands of the recipient countries. The primary focus of the IDA13 replenishment was how IDA should engage with countries and with development partners to strengthen and consolidate this approach, assisting countries in preparing their poverty strategies and shifting IDA programs to align with the priorities outlined by each country in its PRSP.

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[58] *Paris Declaration on Aid Effectiveness*. Issued at the Paris High Level Forum. February 28-March 2, 2005. Paris. Available online at http://www.aidharmonization.org.
[59] World Bank Business Warehouse database and World Bank staff estimates.
[60] OPCS. 2005d. *Poverty Reduction Support Credits—A Stocktaking*. IDA/SecM2005-0238. Washington, DC.
[61] World Bank staff estimates, OPCS.

96. The PRS approach has now become widespread, with 49 countries completing PRSPs by the end of FY05 and IDA13. According to the most recent review of the PRS process, prepared jointly by the World Bank and the IMF and finalized in September of 2005, 29 of these countries had also completed at least one Annual Progress Report (APR), and, on average, countries are more than two and a half years into implementation of their strategies.[62] More than half of the countries are in Sub-Saharan Africa, and many participate in the HIPC program as well. Eleven more countries have produced interim strategies (I-PRSPs), and ten have initiated processes that could result in a PRSP (Annex 6). The premise of a country-led comprehensive poverty reduction strategy is now the basis for program planning throughout the development community.

97. After five years of implementation overall, there is evidence in many countries that the PRS approach is helping to put poverty reduction at the center of public debate. It has heightened awareness of the need for sound analysis to underpin policy choices, while reinforcing incentives to monitor the results of public actions. But the Bank-Fund review also notes that the PRS approach presents a major challenge, particularly since it requires a range of institutions, systems and underlying analysis that is often lacking in low-income countries. While some progress is being made in establishing country development priorities through the PRS approach, greater attention is needed in tailoring activities to country conditions and better sequencing their implementation to be in line with country capacity.[63]

Country Ownership and IDA's Role

98. It is well understood that country ownership of the PRS process is essential to having effective development programs that address each country's needs and priorities. An underlying premise of the PRS approach is that a highly participatory process, involving all parts of society early on, is central to developing a strategy that is owned by the country stakeholders beyond the government officials involved in PRS development. This broad support is needed to ensure that the PRS reflects national priorities, and for successful implementation and poverty reduction over the long term.

99. In most countries there is evidence that the PRS approach has strengthened participatory approaches in PRS countries, opening space for different stakeholders to engage in a national dialogue on economic policy and poverty reduction. However, recent reviews have found that participation in PRS formulation has tended to be broad, rather than deep – with a wide range of stakeholders engaged, but to only a limited extent, and primarily in the strategy formulation phase. At this stage, IDA's contributions will need to focus more on assisting countries to deepen the participatory approaches of both strategy formulation – and implementation and monitoring of the strategies. In many cases, stakeholders also have been found to carry very different expectations regarding the participatory process, pointing to the need to better communicate goals and objectives of the participatory process up front.[64]

100. Though country ownership is the foundation of the process, experience has shown that country strategies often have not paid in-depth attention to issues that are also important for sustainable development – such as the role of women, environmental management, fiduciary controls, and analysis of the social impacts of policy reforms. To help countries address weaknesses in these areas, while maintaining their ownership of the process, IDA focused on conducting country-specific analytic work to strengthen the knowledge base that informs the countries' design of their PRSPs.

[62] IMF and World Bank. 2005a. *2005 Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling Up Results*. IDA-SecM2005-443. Washington, DC.
[63] Ibid.
[64] Ibid.

101. For example, IDA worked jointly with many national statistical offices and PRS units to enhance diagnostics on poverty trends and the distributional impacts of policy reforms. In eight countries in Europe and Central Asia, IDA adopted a programmatic approach to poverty assessments, providing a series of analytical inputs timed with the country's PRSP and budget cycle. The 2002 PRS Review[65] pointed to the potential of Poverty and Social Impact Analysis (PSIA) to inform the design and sequencing of policy reform. In response, IDA ramped up its PSIAs, providing analysis of the distributional impacts of policy reforms. Nearly half of the PRSC programs active in FY05 have benefited from PSIAs or PSIA-type analysis.[66] The poverty analysis and poverty focus of PRSPs has been significantly strengthened during IDA13.

102. Products such as CFAAs, PERs, and CPARs, along with IDA's participation in the Public Expenditure and Financial Accountability (PEFA) program (Section 4.2), have also helped to strengthen the diagnosis of important fiduciary and financial management issues in PRSPs. However, there are other sectors and themes which are perhaps still not as prominent in poverty strategies as they ought to be, given their importance in the development agenda. For example, sector-specific analytic work such as gender and environmental analyses feed increasingly into PRSPs, but there is still considerable scope for improvement. A total of 22 Country Gender Assessments (CGAs) were completed for IDA countries by the end of IDA13. Preparation of the CGAs has involved extensive consultations with stakeholders in the countries, and Bank partnerships with clients, other donors and civil society

Box 3: Increasing Aid Effectiveness with the PRS Process

The Governments of Japan and the United Kingdom prepared a joint paper "Increasing Aid Effectiveness and the Role of IDA: Learning Lessons from the Vietnam Experience", to highlight a country program where IDA has worked well with the Government and donors in the context of a strong government-led PRS.

Support for the PRS: IDA and other donors have supported the Government's own national planning documents and processes as the basis for the Vietnam PRS, welcoming the Government's Comprehensive Poverty Reduction and Growth Strategy as the first Vietnam PRS in 2002. The growth analysis underpinning the PRS was later strengthened, and the Government has worked with many donors and NGOs to integrate the principles and approach into the upcoming Socio-Economic Development Plan (SEDP), 2006-2010. The SEDP is likely to be adopted as the new PRS, serving as the primary document for coordination and further strengthening Government ownership by using the national planning systems and maintaining the PRS as a 'living document'.

Active promotion of aid effectiveness: The Government of Vietnam has taken strong ownership of the aid effectiveness agenda in the country. A Partnership Group for Aid Effectiveness functions well, and many initiatives are underway to improve effectiveness. IDA has played an important role in this area, including convening donors to strengthen cooperation, and jointly supporting operations.

Leveraging IDA funds: IDA has played a leading role on some multi-donor programs, including a comprehensive capacity building plan for ODA management, a multi-donor trust fund for public financial management and Vietnam's series of PRSCs. A wide range of donors (the United Kingdom, Japan, Asian Development Bank, France, Denmark, the Netherlands, the European Commission, Canada, Spain and Ireland) joined the PRSC 4 in 2005, greatly leveraging IDA's financing of US$100 m., and bringing financing to US$225m. IDA helped bring the different donors on board and facilitated agreement on the Government's matrix of policy actions for the PRSC. Ultimately, the PRSC served as both a vehicle for financial support and a useful forum for policy dialogue on a wide range of issues, including the policy and reform agenda of the PRS.

Joint analytical work: IDA's analytical work in Vietnam is often prepared in consultation with the Government and partners, and has generally covered the Government's priority issues. For example, in 2003, IDA coordinated a series of regional participatory poverty assessments carried out by several donors, NGOs and research institutes. These became inputs to the Government's poverty report, with results disseminated across the country. The IDA team is now coordinating discussions that have enabled the Government to take the lead on the poverty update, with donors playing a supporting role.
Source: DFID and Government of Japan. 2004. "Increasing Aid Effectiveness and the Role of IDA: Learning Lessons from the Vietnam Experience."

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[65] IMF and World Bank. 2002. *Poverty Reduction Strategy Papers—Progress in Implementation*. IDA/SecM2002-453. Washington, DC.
[66] *Poverty Reduction Support Credits—A Stocktaking*, op. cit.

groups. While covering 27 percent of IDA countries, progress during IDA13 was slower than anticipated in the gender mainstreaming strategy.[67] With the lower capacity and resource constrained environment of many IDA countries, CGAs have not always received the priority attention in PRSPs and country programs that was originally foreseen. In light of this, a recent trend has been to prepare this type of work within an integrated Poverty, Social and Gender Assessment.

103. The 2005 PRSP review reaffirmed the importance of IDA's analytical work in better understanding country-specific constraints in the PRS process.[68] Though it pointed to the continued integration of such analytical support into the process, it also emphasized that greater attention needs to be placed on building the local and regional research capacity for this work, to ensure the sustainability of the process into the future.

104. The Joint Staff Assessment/Joint Staff Advisory Note has also served as an important mechanism for advocating good policies in PRSPs. (In FY05, the Joint Staff Advisory Note, or JSAN, of the World Bank and IMF replaced the previous Joint Staff Assessment of the PRSP.) Once a country prepares a PRSP, Bank and IMF experts prepare an advisory note that provides candid feedback on priority areas for strengthening the PRS and its implementation.

Implementation of PRSPs

105. For a PRSP to be implemented, its components need to be translated into budget allocations and expenditures. However, as the PRS process has unfolded across many countries, the links between the PRSP and the annual budget process of each country have in some cases been weak. An instrument which has proven to be useful in strengthening these linkages is the public expenditure management (PEM) program. Measures to improve public expenditures are increasingly part of strategies, with a shift towards more attention for budget execution and reporting. As a result, there has been moderate, but steady, improvement in the treatment of PEM issues in PRSPs during the last few years. Evidence also suggests some increase in the transparency, openness and pro-poor character of budgeting processes.[69]

106. An important concern going forward is to assist countries in establishing and maintaining priorities. Strengthening the institutional link between the PRS and a country's regular budget processes and medium term expenditure framework, can help foster this prioritization. Most PRSPs have made progress in setting concrete targets focused on budgetary or expenditure analysis (input indicators) and survey-based measures of well-being (impact indicators). However, identifying the intermediate measures of progress remains particularly challenging; the result is mixed progress to date in linking a government's medium-term development program to its longer term development goals. Many PRSPs would benefit from a more explicit link between such goals and targets and the policies that are needed now to achieve them.[70]

107. The PRS approach is also seen to have strengthened the focus on results within low-income countries, creating a substantial incremental demand for data and underscoring the need for effective national monitoring systems. However, major improvements are needed for policy makers in PRS countries to have the requisite tools to inform policy choices and measure development results, particularly in developing well coordinated monitoring systems (Section 2.1).[71]

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[67] World Bank. 2002b. *Integrating Gender into the World Bank's Work: A Strategy for Action*. Washington, DC.
[68] *2005 Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling Up Results*, op. cit.
[69] Ibid.
[70] Ibid.
[71] Ibid.

Aid Coordination

108. The PRSP has become an important platform for aid coordination at the country level, and more effective use of external resources by developing countries. It creates a single, coherent country development strategy to inform donor programs. As such, donors are increasingly relying on the PRSP as their assessment of country needs, rather than developing their own separate assessments. In April 2003, for example, IDA and the European Commission developed a "Joint Note Supporting the PRSP Process in Africa", calling for all donor support to be based on the PRSP. In September 2004, the Governments of Japan and the United Kingdom also presented a joint note to the IDA Deputies, on the lessons of the strong government-led PRS in Vietnam (Box 3).

109. In addition to creating a country-owned strategy for development, PRSPs have fostered collaboration in the timing and substance of donors' assistance strategies. IDA has increased its discussions with other donors and in some cases developed joint strategies, including in Cambodia, Mongolia, Sri Lanka, Tanzania, and Uganda. Increasingly, donors cooperate to provide budget support to implement PRSPs – driving the use of comprehensive mechanisms such as PRSCs and SWAps – and are jointly financing a number of programs under Adaptable Program Loans. For instance, the Bolivia Health Sector Reform Program is financed together with the Inter-American Development Bank and the United Kingdom Department for International Development, and the Uganda Roads Improvement project is financed together with the Nordic Development Fund (Section 3.1).[72]

110. However, while there have been successes, IEG and joint Bank-Fund reviews note that the successes are only a beginning and significant scope remains to better align aid around PRSPs and harmonize donor practices. Going forward, this is particularly relevant for implementation of donor programs beyond budget support.[73]

3.3 Improving IDA Country Assistance Strategies

111. The CAS remains the main tool for guiding WBG strategy and operations, identifying the key areas in which the Bank can best support a country's PRS, and setting out the proposed program of lending and non-lending activities. In IDA13, 45 new CASs were prepared for IDA countries. Five of these CASs were for IDA/IBRD blend countries, and four were for regional and sub-regional groupings of countries (e.g., the Africa region and Pacific Islands.) Thirteen CAS Progress Reports were also prepared to review IDA country programs. Annex 6 lists all such strategy documents prepared.

112. In order to increase its effectiveness in addressing country needs, there were two major changes to the CAS during IDA13. The first was development of the results-based CAS. The results-based CAS was piloted and evaluated from FY03 through early-FY05, and as of the end of 2004, all CASs are required to follow the results-based approach. The 2003 CAS Retrospective had suggested that a greater focus on results was needed to strengthen the effectiveness of the CAS by better defining the link between Bank interventions and country outcome goals, and outlining indicators to monitor progress, evaluate success or failure, and make corresponding adjustments to World Bank programs.[74] After piloting the new CAS, the July 2005 stocktaking of the results-based approach concluded that "the results-based CAS constitutes a significant evolutionary step forward in taking results more seriously", though it noted that

[72] "Working Together at the Country Level: The Role of IDA," op. cit.
[73] *2005 Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling Up Results*, op. cit.; and OED. 2004d. *The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank's Support Through 2003*. Washington, DC: World Bank.
[74] OPCS. 2003a. *Country Assistance Strategies: Retrospective and Future Directions*. CODE 2003-0010. Washington, DC.

there are still several challenges to be met (Annex 7).[75] In general, though results frameworks have been introduced in all new CASs and in investment projects and DPOs during IDA13, these are very much in the early stages of development and implementation at the World Bank, and ongoing efforts are focused on improving their quality and use by both the World Bank and its borrowers.

113. The second innovation, in June of 2003, changed the practice of the three-year CAS. The CAS is now developed for borrowing countries every four years, with a CAS Progress Report approximately two years into the cycle. The new cycle means a longer-term development horizon and allows for mid-course corrections as necessary. There is now greater flexibility also built into the CAS process so it can align with such relevant country conditions as election cycles and PRSP preparations. For examples, in cases when a full CAS cannot be prepared due to country conditions, an Interim Strategy Note covering a period of 12-24 months can be undertaken instead. For LICUS or 'fragile states', a TSS is prepared to guide Bank assistance, and often the Bank's re-engagement with the country (Section 5.2).

CAS Alignment with PRSPs

114. According to the 2005 PRS Review, "the Bank has been undertaking a substantial set of internal reforms to facilitate harmonization and alignment – these include requiring that CASs for IDA countries be based on the PRSP and country priorities and take into account other donor programs; [as well as] policy reforms governing procurement, development policy lending, eligible expenditures for financing, [and] audit requirements."[76] Since July 1, 2002, it is expected that CASs for IDA borrowers be preceded by a PRSP. For IDA borrowers that have not yet completed a PRSP, the assistance program is normally updated in an Interim Strategy Note focused on how IDA would support the country's preparation of its PRSP. In several cases – Benin, Cape Verde, Kyrgyz Republic, Malawi, Moldova, and Niger – CAS Progress Reports were prepared pending the preparation of the PRSP, with the expectation that a full CAS would be prepared after the PRSP was completed.[77]

115. As part of efforts to bring its support into alignment with the PRS process, in 2001 the World Bank introduced the PRSC, a programmatic approach to development policy lending in low-income countries carrying out policy reforms. The PRSC provides budget support to a country to assist with PRSP implementation, while using the country's financial management systems and budget procedures.

116. After four years of experience with PRSCs, the June 2005 report *Poverty Reduction Support Credits: A Stocktaking,* found that PRSCs have generally been used in well performing countries with above average CPIAs and good performance and commitment, and have been underpinned by strong analytic assessments of public financial management systems, policies, and poverty and social impact. Building on these foundations, PRSCs have reinforced country ownership by supporting the PRSP process and helped to 'operationalize' the PRSP. They have also increased resource predictability through medium-term annual commitments.[78] However, the track record and impact of PRSCs in handling sectoral reforms has been mixed, and further attention in this area will be needed.

117. PRSCs have facilitated donor coordination and harmonization by providing a framework for working together around the PRSP. For example, donors are increasingly using PRSCs as a platform for traditional coordination activities such as exchanging information and identifying areas of comparative advantage (e.g., in Albania, Pakistan, Honduras, and Benin), parallel donor financing (e.g. in Vietnam,

[75] OPCS. 2005e. *Results Focus in Country Assistance Strategies: A Stocktaking of Results-Based CASs*. R2005-0042. Washington, DC.
[76] *2005 Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling Up Results*, op. cit.
[77] *Country Assistance Strategies: Retrospective and Future Directions*, op. cit.
[78] *Poverty Reduction Support Credits—A Stocktaking*, op. cit.

Armenia, Nicaragua, and several countries throughout Africa) and donor harmonization at the country level, through signed Memoranda of Understanding. The stocktaking report concluded that the PRSC "has emerged as a robust and effective lending instrument…that has broadly delivered on its promises." The main challenges in enhancing PRSCs going forward include the need for closer donor harmonization and alignment with country processes, and the need to build strong results frameworks that link implementation of PRSCs with development outcomes.[79] *(Annex 8 details a PRSC in Sierra Leone.)*

Performance-Based Allocations and the CAS

118. Consensus in the international development community is that the quality of a country's policies and institutions is a critical ingredient for using aid effectively, as well as achieving sustainable growth and poverty reduction. Accordingly, the IDA Deputies recommended that the PBA system continue to be used to distribute IDA resources in IDA13. The PBA system has evolved over the different replenishments of IDA, reflecting new analytical work and changing donor priorities. The current system was put in place at the beginning of the IDA13 period.

119. The PBA system allocates resources to countries based on their performance. Country Performance Ratings (CPRs) are calculated using the CPIA, which assess a country's policy and institutional framework for fostering growth and reducing poverty.[80] The CPIA underpins the CPR, but is not its only determinant. The CPR also comprises two additional factors to capture the important dimensions of the quality of project implementation and the quality of governance in a country (Section 4.3). In addition to the CPR, which is the primary determinant of IDA allocations, a country's population and GNI per capita are taken into account in the allocations. Countries with higher populations have proportionally higher allocations. Given IDA's poverty focus, there is also a modest bias in favor of the IDA-eligible countries with a lower GNI per capita.[81]

120. Reflecting IDA's performance orientation, Table 2 shows that countries in the top performance quintile received on average 4.4 times as much aid per capita as those in the lowest quintile – a sharp increase from 2.8, the comparative figure for IDA12. A more detailed discussion of the CPIA, CPR and PBA system can be found in the original IDA13 Replenishment report, and subsequent papers prepared for the Deputies. In addition, some important exceptions to the PBA were applied in IDA13 for countries emerging from severe conflict, or experiencing recovery (Section 5.2).

121. Issues surrounding the impact of governance ratings on IDA allocations were reviewed by the Deputies during IDA13 and remain an important area for discussion in IDA14. It may be of interest to note that,

Table 2: IDA12 and IDA13 Commitments by Performance Quintile [a/]

Quintile	Average IDA12 Performance	IDA Commitments per capita (SDR)	Average IDA13 Performance	IDA Commitments per capita (SDR)
Top	4.0	7.6	4.2	8.4
Upper	3.6	6.1	3.5	7.3
Middle	3.3	3.3	3.2	5.3
Lower	3.2	3.5	2.8	3.5
Lowest	2.1	2.7	1.9	1.9
Total	**3.3**	**4.4**	**2.9**	**4.6**
Ratio 1st/5th Quintile		**2.8**		**4.4**

a/ Quintiles based on IDA Country Performance Ratings
Population weighted average for all active countries
Excludes inactive, fixed blend, post-conflict and non-accrual countries

[79] *Poverty Reduction Support Credits—A Stocktaking*, op. cit.
[80] During IDA13, the CPIA was modified and consolidated to 16 criteria. Deputies were kept closely informed through several papers prepared on CPIA and PBA linkages in 2004.
[81] There was considerable discussion and analysis of the balance between the poverty and performance weightings in IDA's allocations – both leading up to IDA13 and during the period.

while some Regional Multilateral Development Banks (RMDBs) utilize similar performance-based allocation systems, the weight of governance is somewhat lower in those systems.[82]

122. Given the focus on allocating resources based on performance, there was an increasing need to reconcile older CASs, prepared either at the end of IDA12 or early in IDA13, with allocations from the PBA. While CASs utilized various performance triggers to shift between low, base and high case financing scenarios in a country, at times the increases in IDA allocations were not validated by subsequent improvements in CPIA ratings. In fact, in some cases, movement to the high case scenario of a CAS was followed by declines in the CPIA. This signals the difficulty in capturing, with a few triggers, the full range of factors driving changes in a CPIA score. This was one reason why the African and Asian Development Banks moved away from triggers and scenarios, in addition to the difficulty in establishing comparable triggers across countries and making additional resources available for high case scenarios.

123. In light of this tension, toward the end of IDA13, new IDA CASs began to emphasize the indicative nature of IDA allocations for outer years of the CAS period since they are subject to a number of uncertainties, especially the country's performance.[83] In IDA14, new CASs are being prepared without the low/base/high case scenarios guided by triggers. Instead, they show a firm envelope for the first year (where the full use of IDA funds depends on the quality of the project pipeline and possible performance benchmarks), with indicative amounts for the outer years.

124. IDA's collaboration with the RMDBs – particularly the Asian Development Bank and the African Development Bank – in the areas of performance assessment and allocations, was intensified in IDA13. As a result, the country allocation systems of the three organizations are quite similar: with primary emphasis on performance, secondary emphasis on population, and a minor emphasis on per capita income. In addition, the Inter-American Development Bank took steps towards a performance-based allocation system for its five soft loan borrowers and some donors called on the International Fund for Agriculture and Development, the Caribbean Development Bank and the GEF to also consider a performance-based approach. The multilateral agencies either using, or considering, a PBA process, launched a formal working group in IDA13 and several bilateral donors interested in the possibility of using performance criteria for their allocations are participating as well.

Consultations and Disclosure

125. IDA develops the CAS in partnership with client governments, as well as with non-government stakeholders such as civil society and the private sector, as appropriate. This can both increase World Bank understanding of country conditions and promote public ownership of IDA programs. With the advent of PRSPs in IDA countries, CAS consultations build on the stakeholder consultations that the government conducts as part of the preparation of its PRSP, and focus particularly on how IDA can best support the programs set out in the PRSP, in line with other partners' activities.[84]

126. The Operations Policy and Country Services unit of the Bank conducted self-evaluations of CASs approved during the IDA13 period, and gave IDA13 CASs high scores for donor coordination and

[82] In the context of their review of the CPIA methodology and process, an external expert panel convened in early 2004 by Management also observed that, while governance needs to be stressed, its current weighting in IDA allocations may be excessive compared to the weight of other relevant factors – World Bank. 2004a. "Country Policy and Institutional Assessments: An External Panel Review – Panel Recommendations and Management Follow-Up." Memorandum SecM2004-0304, World Bank, Washington, DC.

[83] Though individual country performance is the primary factor, the allocations can be affected by the relative performance of other countries, shifts in eligibility for grant assistance, possible changes over time in the number of IDA-eligible countries and/or shifts in the overall IDA financing envelope.

[84] Bank Policy 2.11, paragraph 7 details the role of consultations in the development of CASs.

consultation in the development of the CAS and its performance benchmarks.[85] In addition, the Bank's Civil Society team evaluated recent efforts to promote external consultations in the report *World Bank - Civil Society Engagement, Review of Fiscal Years 2002-2004,* which outlines the extent of civil society consultation for each of the CASs prepared during FY02-04.[86] The report concludes that much progress has been made in World Bank efforts to reach out and engage with civil society. Among the remaining challenges is the need to close the gap between disclosure and practice, and to increase the efficiency of stakeholder consultations in order to reduce 'consultation fatigue.'

127. Participation can be meaningless without disclosure and access to information. The *World Bank Policy on Disclosure of Information* was revised in 2002. It makes an enormous amount of operational information available to the public – ranging from project and policy documents, to strategy and evaluation documents, to Board documents and minutes. A CAS, in particular – or, if the government prefers, a CAS Project Information Note prepared by the World Bank Country Director – may be released after it is discussed by the Board, with the written consent of the government.

128. A 2003 report on implementation of the disclosure policy reported that policy compliance has been good, including 100 percent compliance in 2002 with respect to a wide range of documents, ranging from CASs to project documents, Sector Strategy Papers, environmental and social safeguards reports and the evaluations of IEG.[87] Furthermore, in April 2003, the Bank disclosed for the first time the annual report entitled *Status of Projects in Execution*, which serves as the main vehicle for providing information on the implementation status of each project in the IDA portfolio.[88] The scope of the Bank's disclosure policy was further expanded in March 2005 when revisions were made to extend and simplify the 2002 policy. Other important changes during FY04-05 included a new policy on disclosing information relating to investigations of fraud and corruption and imposition of sanctions, a more proactive disclosure policy for documents relating to DPOs, and a revised disclosure policy for IEG documents (Annex 7).

129. One of the most important recent changes has been the move towards greater transparency and disclosure of IDA country ratings. During IDA13, World Bank country teams were required to share the detailed CPIA ratings to counterparts in IDA countries and the overall CPIA ratings by quintile were posted on the IDA external website. During IDA14, this trend has continued, and starting in 2006, the World Bank will fully disclose the CPIA scores of all IDA-eligible countries, including ratings for each of the 16 criteria of the CPIA, the country's portfolio ratings, governance score and the overall IDA CPR.

130. ***The Role of Borrowers in IDA13.*** For the first time, borrowers and other development partners were actively involved in the IDA13 Replenishment discussions. Six Borrower Representatives from IDA recipient countries were appointed to participate in the Deputies' meetings. Also for the first time, all non-financial replenishment papers were made publicly available and the draft IDA13 Deputies' Report was posted on a public website for comment. Comments posted on the website were summarized and distributed to the Deputies. In the lead-up to IDA13, a full-day meeting was held in Addis Ababa, organized by the UN Economic Commission for Africa, with African experts from the public and private sectors and the IDA Deputies. In addition, a survey of stakeholders in borrowing countries was conducted to gather data on borrowers' views about the relevance of IDA's policies. The subsequent report *Sounding out Borrowers about IDA's Policy Framework* was publicly disseminated.[89]

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[85] These self-evaluations were conducted as background material to be included in an upcoming CAS Retrospective Report.
[86] World Bank. 2005j. *World Bank-Civil Society Engagement, Review of Fiscal Years 2002-2004*. Washington, DC: World Bank.
[87] OPCS. 2003c. "World Bank Disclosure Policy: Progress Report on Implementation." R2003-112/1; IDA/R2003-128/1. Washington, DC.
[88] OPCS. 2004b. "Status of Projects in Execution – FY03." Washington, DC; OPCS. 2004c. "Status of Projects in Execution – FY04." Washington, DC; and OPCS. 2005g. "Status of Projects in Execution – FY05." Washington, DC.
[89] IDA. 2001. *Sounding out Borrowers about IDA's Policy Framework: Report on a Survey.* Washington, DC.

4. POLICY PRIORITIES FOR POVERTY REDUCTION

131. The IDA13 replenishment had a strong focus on accelerating and sustaining economic growth in low-income countries, as a necessary condition and a potentially powerful instrument for reducing poverty. While economic growth performance in IDA countries had improved during the 1990s and continued during the period just before IDA13, progress was uneven among regions and countries. Most of the growth occurred in Asia.[90] At the same time, in terms of poverty, most countries in Africa (Section 5.4) and Latin America have seen poverty indicators stagnate or worsen.[91]

132. Growth in low-income countries has since accelerated, although it is again uneven, with higher levels of growth in Asia. In the past five years, however, several countries in Sub-Saharan Africa have experienced a remarkable growth recovery, with consecutive increases in per capita incomes, after nearly two decades of general decline.[92] In terms of poverty reduction, however many countries in Africa and Latin America in particular have seen poverty stagnate or worsen; poverty and poor social indicators have also persisted in countries of South Asia and other regions of the world.

133. The disparities in country growth and poverty reduction experiences prompted a series of World Bank studies to deepen understanding of the growth experience and lessons for country policy advice during IDA13. Two major analytical reports focused specifically on the growth experience of the 1990s. One study examined the underlying factors and lessons from the growth process.[93] The other examined the growth-poverty nexus and the question of pro-poor growth.[94] Several country cases studies[95] and thematic papers were produced covering pro-poor growth and gender, inequality, institutions, labor productivity, public expenditures and rural and agricultural development. In addition World Development Reports prepared in 2003,[96] 2004[97] and 2005[98] focused on specific aspects of the growth and poverty question, such as service delivery to the poor, the environment and sustainable growth and the investment climate.

134. The studies have emphasized the importance of ensuring that growth is equitable and that poor people are empowered to participate in development. Some of the lessons learned from recent growth experience also point to the importance of country-driven policies, informed by specific country growth diagnostics, as well as the quality of institutions for policy formulation and implementation in each country. Adoption of the PRS approach has been emphasized as a means for strengthening country leadership in formulating effective development strategies (Section 3.2).

135. However, daunting challenges persist– requiring IDA and its development partners to redouble their efforts in support of policy reforms and activities outlined in poverty reduction strategies. The

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[90] Agence Française de Développement, Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung, U.K. Department for International Development, and the World Bank. 2005. *Pro-poor Growth in the 1990s, Lessons and Insights from 14 Countries*. Washington, DC: World Bank.

[91] *Global Monitoring Report 2006*, op. cit.

[92] World Bank. 2006b. *World Development Indicators 2006*. Washington, DC: World Bank.

[93] PREM. 2004. "The Growth Experience: What Have We Learned from the 1990s?" Background note, Washington, DC.

[94] *Pro-poor Growth in the 1990s, Lessons and Insights from 14 Countries*, op. cit.

[95] Countries covered include: Bangladesh, Bolivia Brazil, Burkina Faso, EL Salvador, Ghana, India, Indonesia, Romania, Senegal, Tunisia, Uganda, Vietnam and Zambia.

[96] World Bank. *2002. World Development Report 2003: Sustainable Development in a Dynamic World*. New York: Oxford University Press.

[97] World Bank. *2003d. World Development Report 2004: Making Services Work for Poor People*. New York: Oxford University Press.

[98] World Bank. 2005m. *World Development Report 2005: A Better Investment Climate for Everyone*. New York: Oxford University Press.

expansion of private investment remains limited in many low-income countries and the institutional environment is often characterized by poor governance and political instability. Infrastructural bottlenecks continue to impede service delivery and access to markets. Slow progress in liberalizing global agricultural markets remains a challenge. The stock of human capital acquired in the last decades is at risk of being eroded by the HIV/AIDS epidemic, though some countries did recognize the potential devastating impact early and have mounted innovative programs to respond. Improved access to high quality data and enhanced analytical work remain essential to strengthening the design of appropriate policies and evaluation of results.[99]

136. Within the framework of country-driven poverty strategies, IDA directs its assistance to such policy priorities where it is best equipped to help countries achieve their goals. IDA's approach to poverty reduction emphasizes the activities and policies that countries can implement to accelerate and sustain growth, with the private sector as the primary engine of that growth. IDA invests in people by helping to improve the quality and reach of social services and raise standards of living in poor countries. These investments are complemented by efforts to improve governance and combat corruption, which are essential for using public funds effectively. In addition, IDA pays close attention to the constraints on development in rural areas – where the majority of poor people live – and to environmental management, to ensure that growth and development are sustainable and lasting.

4.1 Growth and Private Sector Development

Infrastructure

137. IDA has traditionally supported growth and private sector development by financing infrastructure projects. Numerous studies have demonstrated that economic returns to investments in infrastructure services are high, and infrastructure services can make significant contributions to the growth of an economy. This link is stronger in the early stages of country development, when infrastructure is scarce and basic networks have not been completed.[100] And though demand for infrastructure in low income countries has grown significantly, its supply has not kept pace. Both access to, and the quality of, infrastructure are insufficient in most developing countries.

138. The 2003 Infrastructure Action Plan renewed emphasis on infrastructure financing and advisory services across the World Bank during IDA13.[101] Though the Plan responded in large part to the decline in World Bank infrastructure lending to middle-income countries, it also re-emphasized the key contributions of infrastructure to economic growth, reducing poverty and meeting the human development MDGs in IDA countries. As a result, there is now an enhanced focus on infrastructure in country programs – with a trend in recent CASs towards more in-depth treatment of the growth agenda, and infrastructure's contribution to this agenda.[102] During the latter part of IDA13, the emphasis also translated into new financing commitments in certain infrastructure sectors (Section 1.2). Efforts are also underway to bring in private financing with new mechanisms and closer collaboration between IDA and IFC. Given the needs, there is considerable scope for a greater IDA response in this area.[103] More clearly needs to be done to increase both public and private finance for infrastructure investments in IDA countries, to better target those investments to poor populations, and to accelerate sector reform and

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[99] "Growth in IDA Countries," op. cit.
[100] Ibid.
[101] World Bank. 2003c. "Infrastructure Action Plan." SecM2003-0302. Washington, DC.
[102] Ibid.
[103] Ibid.

strengthen governance and institutional capacity. *(Annex 8 details some infrastructure-related projects in Tanzania, Albania, Uganda, Mozambique and Malawi.)*

Improving the Environment for Private Sector Development

139. IDA also moved forward more broadly with implementation of its Private Sector Development (PSD) strategy[104] during FY03-05.[105] The PSD strategy has two broad objectives: opportunity and empowerment. It aims to create opportunity for poor people by extending the reach of markets through investment climate reform and support of small and medium enterprises (SMEs) through market-based delivery systems. It aims for empowerment, in part, by improving people's access to basic infrastructure and services through private participation.

140. IDA worked with more countries on improving the investment climate in IDA13. This has included, in the first instance, work on designing and implementing rigorous and standardized diagnostic tools to identify priority investment climate constraints as the basis for dialogue with governments, strategy development and operations financed by IDA and IFC. With the diagnostic tools now developed, the emphasis is shifting to developing best practice guidelines on solutions design and implementation processes.

141. Ongoing efforts at the country-level to assess the conditions for PSD include: the Doing Business project (Box 7), ICAs and Country Corporate Governance Assessments. ICAs are detailed assessments of a single country's investment climate, based on surveys of hundreds of firms and publicly available indicators and studies – and about 26 were completed in IDA countries during the IDA13 period.[106] ICAs provide broader and more detailed assessments of a single country's investment climate, drawing on data from Doing Business, country-focused business enterprise surveys, with other publicly available indicators and studies. Country Corporate Governance Assessments[107] were completed in five IDA countries. Dissemination of findings of these diagnostic studies facilitates business-government dialogue that often leads to successful reform outcomes. Findings of the diagnostics are also being incorporated into CASs and PRSPs.

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[104] Articulated in the April 2002 document *Private Sector Development Strategy – Directions for the World Bank Group*. This was followed by an *Implementation Progress Report* in June 2003.

[105] Discussion of private sector development issues in this section is based largely on: IDA. 2004h. "Strengthening the Private Sector in IDA Countries: Status of World Bank Group Collaboration." IDA/SecM2004-769. Washington, DC.

[106] ICAs got a significant boost through the IDA13 replenishment process, which stipulated that Investment Climate Surveys should be initiated in a majority of IDA countries by the end of the IDA13 period (Annex 1).

[107] The Bank conducts Country Corporate Governance Assessments under the ROSC initiative at the invitation of the country authorities. This is a joint exercise with the IMF in which the two institutions undertake a large number of summary assessments of the observance of selected standards relevant to private and financial sector development and stability. These assessments are collected as modules. Under this modular approach, the IMF takes the lead in preparing modules in the area of data dissemination and fiscal transparency. Modules for the financial sector (monetary and financial policy transparency, banking supervision, securities market regulation, payment systems, and deposit insurance) are mostly derived from the parallel Bank-Fund FSAP program. The World Bank has been asked to take the lead in three areas covered by ROSCs: (i) corporate governance, (ii) accounting and auditing, and (iii) insolvency regimes and creditor rights.

Box 4: Global Ranking Spurs Investment Climate Improvements

The World Bank Group's first annual *Doing Business* report*,* measuring the ease of doing business and global business regulations and reforms, was released in 2003. Today, the Doing Business database (http://www.doingbusiness.org) provides indicators on 155 economies across 10 topics: starting a business, dealing with licenses, hiring and firing workers, registering property, getting credit, protecting investors, enforcing contracts, trading across borders, paying taxes and closing a business. This year's report will increase the number of economies measured to 175.

Doing more to improve regulations and help entrepreneurs is key to creating more jobs and more growth. According to *Doing Business 2006*, 99 countries introduced 185 reforms to make it easier to do business in 2004. They simplified some aspect of business regulations, strengthened property rights, reduced exporting and importing costs, eased tax burdens and increased access to credit. There were five IDA countries among the top 12 reformers: Serbia and Montenegro, Georgia, Vietnam, Pakistan and Rwanda.

Every country in Eastern Europe improved at least one aspect of the business environment over the previous year, but African nations still impose the most regulatory obstacles on entrepreneurs and have been the slowest reformers, with three notable exceptions. Rwanda is among the biggest recent reformers and Mauritius and South Africa are, according to the report, among the countries with the most business-friendly conditions. Yet, for every three African countries that improved business regulations, another one made them more costly.

The report reinforces the overwhelming need for reform in poor countries. Poor countries levy the highest business taxes in the world. These high taxes create incentives to evade, driving many firms into the underground economy, and do not translate to higher revenues. Similarly, the analysis shows that reforming the administrative costs of trading can remove significant obstacles to exporting and importing. Contrary to popular belief, customs paperwork and other red tape cause the most delays for exporting and importing firms. Less than a quarter of the delays are caused by problems with "hard infrastructure" such as poor ports or roads. For manufacturers in developing countries, the administrative burdens of trading can pose larger costs than tariffs and quotas.

Doing Business gives policymakers the ability to measure regulatory performance in comparison to other countries, learn from best practices globally and prioritize reforms. Increasingly, it is inspiring countries to do better.

Doing Business has contributed to reform efforts in more than 20 IDA countries. In Ethiopia, the cost of starting a business was cut by 70 percent directly as a result of using the Doing Business indicators in monitoring work for the IDA13 round of funding. Cambodia cut its minimum capital requirement following publication of the *Doing Business* report. Governments in Indonesia, Sao Tome, and Yemen have used *Doing Business* to help design improvements to their business start-up procedures. Afghanistan, Burkina Faso, Timor-Leste, Georgia, India, Madagascar, Mali, Mozambique, Samoa, Serbia and Montenegro are using *Doing Business* to inform reform work in areas from credit bureaus to licensing, labor law and property registration. The Doing Business Report team received requests to include countries ranging from Bhutan, Cape Verde, Swaziland, Tajikistan and Timor-Leste in the report.received requests to include countries ranging from Bhutan, Cape Verde, Swaziland, Tajikistan and Timor-Leste in the report.

Source: Doing Business report series. IFC and World Bank. http://www.doingbusiness.org.

Small and Medium Enterprises (SMEs)

142. Consistent with the PSD strategy for SMEs, the last few years have seen a reorientation of SME support from providing direct assistance to individual firms to supporting institutions that service such businesses, including training firms, business associations, local consultants and financial institutions. IFC delivers technical assistance support to SMEs through its Project Development Facilities and Project

Enterprise Partnerships. An important focus of the Project Development Facilities is improving the difficult business environment for SMEs in IDA countries, often following up on or extending IDA investment climate diagnostic work. Meanwhile, the IFC-IDA SME department continues to provide expertise and dissemination of best practices. Some of the challenges encountered in working with governments and local authorities to improve the business environment for SMEs, have included limited knowledge of the SME sector in IDA countries, particularly the informal components, and obtaining the government buy-in needed to implement changes for the sector.

143. During IDA13, IDA and IFC also undertook a Micro, Small, and Medium Enterprise (MSME) pilot initiative in Africa. The program works to improve access to financial services and business development services as well as the business environment for MSMEs. Six projects in Africa were approved in the period, using US$120 million of IDA resources. A review of this pilot initiative will be completed in time for the Mid-Term Review of IDA14.

Output-Based Aid (OBA) Approaches

144. The PSD strategy proposed scaling up the use of output-based aid (OBA) mechanisms to improve infrastructure delivery to low-income communities. The approach uses public-private partnerships to reach the poorest segments of the population in the poorest countries, while increasing accountability for results. During IDA13, about 50 World Bank projects (more than 30 of which are in IDA countries) with OBA components were under preparation or implementation. Most of these were pilots supported by trust funds for Global Partnership on Output Based Aid.

145. Preliminary findings from evaluations of OBA projects suggest that OBA approaches could be an effective mechanism for improving service delivery to poor households. However, the number and size of OBA projects under consideration for IDA financing is still relatively small. Using OBA approaches in the World Bank was initially challenging, because they require a different design approach than traditional input-based projects, and a mechanism to use subsidies to help achieve project objectives. However the Bank is gaining more experience in using OBA approaches in project design.

146. At this time, OBA approaches have worked well in the information and communications technology sector, and are also being used in the transport sector in the form of output and performance-based contracts. But in the water, sanitation, and energy sectors, which have been most affected by a slowdown in private investment, most OBA projects are still in the design or early implementation stages. A more detailed review of OBA projects will be presented at the time of the IDA14 MTR.

IDA Guarantees Pilot

147. In 1997, IDA's Executive Directors approved a Guarantees Pilot Program, to test a new instrument for facilitating private capital flows in IDA countries.[108] The pilot was initially limited to US$300 million in size and subsequently increased to US$500 million in December 2000. IDA guarantees are limited to partial risk guarantees and, as is the case of IBRD guarantees, require a sovereign counter-guarantee. Guarantees are now available for IDA-only countries to support projects for which IBRD enclave guarantees are not available, and where MIGA and IFC support is insufficient and to blend countries where IBRD exposure cannot be increased.

148. IDA's Executive Directors approved three policy amendments to the IDA guarantees pilot program during IDA13. The first amendment reduced the 'commitment authority' amount and country allocation required to back new guarantees from 100 percent to a minimum of 25 percent of the face value

[108] World Bank. 1997. "A Proposal for IDA Guarantees in IDA-Only Countries." IDA/R97-135. October 31. Washington, DC.

of the guarantee, thus increasing the incentives for countries to use IDA guarantees. The second amendment allows IDA guarantees to be offered to blend countries where IBRD exposure cannot be increased and neither MIGA nor IFC can provide sufficient support.[109] The third amendment simplified the pricing structure and realigned charges on IDA guarantees to the level of charges on IDA credits.[110]

149. A review of the IDA Guarantees Pilot Program was conducted during FY05. The review concluded that the IDA guarantee plays a unique role in mobilizing private resources for public infrastructure projects in IDA countries. It also concluded that the limited use of IDA guarantees to date is not indicative of a structural product deficiency, but primarily a result of the limited availability of new and suitable projects in poor countries, caused by a reduced market interest and the fact that Bank guarantees, in general, constitute instruments of last resort.[111]

150. From FY03-FY05, the Board approved six new guarantee operations.[112] In addition, the Board approved a guarantee structure using a contingent credit, for the Uganda Electricity Board Privatization.[113] This brings the total number of IDA-guarantee supported projects approved by the Board by the end of IDA13 to ten.[114] The focus of IDA guarantee operations has been, and remains, principally in Sub-Saharan Africa. Indeed, in order to attract private investment into infrastructure projects in the region, policy risks must be mitigated through suitable instruments. In the absence of other long-term financing sources to support private sector investments, African governments have been more receptive to providing the counter-guarantees required for IDA guarantees.

151. The sector focus for IDA guarantees is expanding beyond power generation. In 2004, the Board approved a guarantee facility for the WAEMU Capital Market Development Project supporting long-term lending to private sector projects in a variety of sectors.

4.2 Investing in People

Health

152. Progress toward the health MDGs remains slow overall, and in some countries, particularly in Africa, life expectancy has continued to decline due largely to the impact of HIV/AIDS.

153. More than 10.5 million children under the age of five die each year from preventable and treatable causes. Simple, known, and low-cost treatments for childhood respiratory and diarrheal diseases could keep an estimated two-thirds of these children alive. The MDG for child mortality calls on countries to put these interventions to work to achieve a two-thirds decline from the 1990 baseline by 2015, a reduction of 4.3 percent a year. Most low-income countries are not making enough progress to

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[109] World Bank. 2004c. "IDA Guarantees Amendments to Pilot Program." IDA/R2004/0057. Washington, DC.
[110] World Bank. 2005h. "Realigning IDA Guarantee Fees with IDA Credits." IDA/R2005-0233. November 28. Washington, DC.
[111] World Bank. 2005i. "Review of the IDA Guarantees Pilot Program." IDA/SecM2005-0220. Washington, DC.
[112] These operations are: Phu My 2/2 Power (Vietnam), West Africa Gas Pipeline (Ghana), Nam Theun Power (Lao PDR), phase II, West African Capital Market (West Africa), Kounoune Power (Senegal) and Bumbuna Power (Sierra Leone).
[113] A Partial Risk Guarantee structure using an existing credit was used. See World Bank. 2004e. "Republic of Uganda - Privatization and Utility Sector Reform Project: Proposed Amendment to the Legal Agreements." IDA/R2004-0285, Washington, DC.
[114] Of these, the partial risk guarantee in support of the Bujagali Power Project in Uganda which was approved by the Board in December 2001 was cancelled in August 2003 following the withdrawal of the project's sponsor.

reach this goal. And in some countries – primarily those affected by conflict or HIV/AIDS – the share of children who die before the age of five had increased.[115]

154. Still, some low-income countries are showing sharp increases in child survival – Vietnam, Timor-Leste, Bhutan, Mongolia, Lao PDR, Eritrea, Comoros, Cape Verde, Mozambique, and Guinea for example – and the expansion of immunization coverage more broadly over the past few years is also an encouraging sign. Whether these shifts can be attributed to health investments, to rising levels of education or some other factors is not fully known, but the progress is encouraging.

155. The latest data show strong progress in East Asia and the Pacific since 1990 on maternal mortality rates, based on the indicator of the share of women with access to trained birth attendants at delivery, and good coverage in Latin America and the Caribbean. But in Sub-Saharan Africa there has been almost no improvement, and in South Asia the coverage levels remain low, despite significant improvement, driven primarily by Bangladesh.[116]

156. Making gains in the Health, Nutrition and Population (HNP) sector remained one of the biggest challenges for IDA countries during IDA13. The main constraint has been the overall weakness of the health systems of IDA countries, a problem that persisted during the IDA13 period despite the greater availability overall of donor resources for the health sector, including those from such new sources such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) (Section 5.6). Poor performance of country health systems, due to weak governance, limited accountability in achieving outcomes, and instances of corruption, has undermined health investments.

157. IDA, therefore, continued to shift its emphasis to strengthening country health systems, increasing accountability and harmonizing aid in order to accelerate progress in the health MDGs. That process will require time and persistent investments to build the institutional base for better performance in low-income countries. In particular, IDA projects focused on improving the overall performance of health systems in terms of financing, results management and improved service delivery. Complementing the emphasis on systemic issues was an increased effort to include health sector issues in policy based operations – including PRSCs – to place these issues at the center of IDA's policy dialogue with countries and give health sector financing needs greater prominence in national discussions about budget priorities. Going forward, PRSCs will need to be further strengthened in this area. *(Annex 8 details three health-related projects in Tanzania, Senegal and Cote d'Ivoire)*

158. Health issues also featured prominently in IDA CASs. A review of FY05 IDA CASs showed that all identified issues in the HNP sector as a major priority. Four out of five CASs included specific HNP lending activities and over half included non-lending activities. New commitments rose during IDA13 to US$2.3 billion, compared to US$1.8 billion during IDA12, although the overall size of the health portfolio has been in decline since the beginning of IDA12. In addition to support for strengthened health systems, IDA ramped up its support for communicable diseases, in particular for HIV/AIDS, but also tuberculosis, malaria and polio (Box 4).

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[115] *Global Monitoring Report 2006*, op. cit.
[116] Ibid.

Box 5: Innovative Approaches in IDA Operations – Credit Buy-Downs

IDA credit buy-downs are designed to reduce the cost of borrowing from IDA for activities with significant positive cross-border benefits such as communicable disease control. For each buy-down operation, donors provide resources that effectively are used to offset total debt service from the borrower, once it is determined that the project has reached agreed-upon performance goals. In this way, credit buy-downs can provide borrowers with a financial incentive to address health issues where a significant portion of the benefits are enjoyed in other countries.

The credit buy-down mechanism was developed in collaboration with such partners as the Bill & Melinda Gates Foundation, Rotary International, the United Nations Foundation, World Health Organization and UNICEF. So far, US$51 million have been raised from donors to finance and implement polio eradication projects in Nigeria and Pakistan. The credit buy-down mechanism demonstrates the type of gains that can be achieved from intensive cooperation between civil society and multilateral agencies in order to create innovative financial solutions to pressing global problems. A second round of IDA buy-downs for Nigeria and Pakistan were approved in FY05. In addition, there is growing momentum for an expanded IDA buy-down pilot for several new projects that address a broader range of efforts to control communicable diseases.

Fighting HIV/AIDS

159. The first signs of decline in HIV/AIDS infection rates are emerging in high-prevalence countries such as Haiti, Kenya, Uganda, and Zimbabwe. Evidence is growing that prevention programs work when they are intensive and sustained. The number of AIDS patients under treatment in developing countries has scaled up rapidly, approaching one million in 2005, from less than 100,000 in 2000.[117]

160. IDA increased its support for HIV/AIDS prevention and treatment efforts during IDA13, committing US$793.3 million across 33 projects. The decision in IDA13 to provide support for HIV/AIDS projects in IDA countries on a grant basis (Section 2.2) helped IDA to respond to the strong demand for resources posed by the global pandemic. Nearly 80 percent of the resources went to the Multi-Country HIV/AIDS Program (MAP) in Africa, mostly for country-based projects, but also for innovative sub-regional projects such as the Abidjan-Lagos Transport Corridor Project and the Regional HIV/AIDS Treatment Acceleration Program.

161. In response to country needs, IDA provided substantial support for implementation – not just on the implementation of IDA-financed programs, but also increasingly ensuring that countries are in a position to effectively use resources provided by other donors. IDA typically targeted its support in areas where country systems have been the weakest, especially financial management and disbursement, procurement, and monitoring and evaluation. As a co-sponsor of the Joint United Program on HIV/AIDS (UNAIDS), IDA has specific responsibility for strengthening country monitoring and evaluation system, reflected in increased activities by the Global HIV/AIDS Monitoring and Evaluation Team (GAMET) during IDA13 to ensure coordinated country support.

162. To build an increasingly effective response to the HIV/AIDS epidemic, the Bank established a continuous process of learning about what works and what does not work at the country level. In 2004, IDA's partners in the Africa MAP program (UNAIDS, DFID, MAP International) helped to assess progress made in the MAP objectives, design and implementation progress. In 2005, IEG carried out a

[117] *Global Monitoring Report 2006*, op. cit.

review of the Bank's HIV/AIDS work.[118] Key lessons include the need for countries to own and lead their own programs, for HIV/AIDS interventions to be part of overall development planning, for programs to be evidence-based and for more effective evaluation and monitoring to add continuously to the existing evidence and guide program improvements.

163. These lessons informed the FY05 Global HIV/AIDS Program of Action, which sets out the following key action areas:

- Support for *strengthening national HIV/AIDS strategies*, to ensure they are truly prioritized and strategic, integrated into development planning and linked to gender and equity issues;
- Continued *World Bank funding for national and regional HIV/AIDS programs*, and for strengthening health systems, to support responses that are of sufficient scale and scope;
- *Accelerating implementation*, to increase the scope and quality of priority activities, through harmonized, well aligned actions;
- Strengthening *country monitoring and evaluation systems* and evidence-informed responses, to enable countries to assess and improve their programs;
- *Knowledge generation and sharing and impact evaluation* about what works, as well as other analytical work to improve program performance.[119]

Education

164. In keeping with IDA's overall focus on Education for All, and the MDGs, a majority of the 44 new education projects approved under IDA13 focused on accelerating progress toward universal primary education, including the quality of teaching and learning. IDA commitments to all levels of education almost doubled – to US$3 billion in IDA13, from US$1.7 billion during IDA12. The amount for basic education more than doubled to US$2 billion in IDA13, from US$946 million in IDA12. *(Annex 8 details six education-related projects in Mali, Kenya, Cambodia, Azerbaijan, Bosnia and Yemen.)*

165. There is encouraging evidence that earlier investments in increased access to primary education are beginning to pay off. Of particular note is the increase in the gross enrollment rate for countries in Sub-Saharan Africa, from 79 percent in 1998 to 95 percent in 2002. A survey of some large African countries that have enrollment data available for the 2000 to 2004 period suggests that this trend may have continued well into the IDA13 period, with strong double digit growth in the following countries: Ethiopia (63.4 to 77 percent), Madagascar (99.7 – 133.5 percent), Mozambique (74.2 – 94.9 percent), Senegal (64.6 – 76 percent), Tanzania (66 – 100.9 percent) and Zambia (74.7 – 98.8 percent).[120] These rates are impressive, but will necessarily taper off as the most difficult and costly children to reach are in the last 10-20 percent of out-of-school children.

166. The number of countries that have achieved or are on track to achieving the universal primary education completion goal and the pace of progress has also increased since 2000. Gender disparities in primary and secondary education are narrowing, with girls' enrollment rates growing faster than boys' enrollment in all regions, although the target of achieving gender parity by 2005 was not met.[121] The challenges of ensuring good governance and learning remain, however, and will need continued emphasis even when enrollment and completion goals are reached.

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[118] The *Interim Review of the Multi-Country HIV/AIDS Program for Africa* was conducted in January and February 2004 by a team from UNAIDS, DFID, MAP International and the World Bank, that visited six MAP project countries; a summary of the findings was published in October 2004. The IEG (OED) review is the 2005 *Committing to Results: Improving the Effectiveness of HIV/AIDS Assistance—An OED Evaluation of the World Bank's Assistance for HIV/AIDS Control.*
[119] World Bank. 2005j. *The World Bank's Global HIV/AIDS Program of Action*. Washington, DC: World Bank.
[120] EdStats database. World Bank. http://sima.worldbank.org/edstats/cd.asp.
[121] *Global Monitoring Report 2006,* op. cit.

167. Building on progress at the primary level, the Bank also expanded its work in secondary and tertiary education. Policy studies for both secondary and tertiary education were undertaken, and the Education Sector Strategy from 1999 was updated in FY05.[122] The update focused on three overall themes: (i) integrating education in a country-wide perspective; (ii) broadening the strategic agenda through a system-wide approach; and (iii) becoming more results oriented. It also puts forward a range of policy options to support developing countries and transition economies to respond to the challenges presented by globalization and the knowledge-based economy.

168. IDA worked closely with donors and countries to help implement the Education for All-Fast Track Initiative (FTI), which aims to improve the effectiveness of education sector support by strengthening donor coordination and better aligning global commitments with country level action. The IDA13 goal of having Education Action Plans (EAPs), which form the basis for increased donor support, completed for the majority of active IDA countries, was not met. Only 15 such plans were completed by the end of FY05, though five more were completed in FY06. A key reason for the delay was low in-country capacity to prepare such plans. In response, a donor supported Education Program Development Fund (EPDF) was established to help countries prepare plans. The EDPF has so far supported 54 countries in developing EAPs. Since the IDA13 period a further five countries have prepared EAPs and another 40 IDA countries are expected to join the FTI partnership during IDA14. IDA also administered a Catalytic Fund to help finance EAPs in countries with little ongoing donor support and hosted the FTI Secretariat.

Box 6: Nicaragua On the Fast Track

Nicaragua has increased its net primary enrollment rate from 79% in 1993 to 83% in 2001, but school completion remains a problem. The country's education sector has been constrained by inadequate resources, as evidenced by the spending per student which is amongst the lowest in the Latin America and Caribbean region.

In response, Nicaragua has been on the forefront in the effort to establish a results-oriented framework for the education sector and has been securing commitments from donors regarding aid alignment and harmonization. Local donors have recently endorsed the Government's four-year education Common Work Program, which establishes clear performance benchmarks for the education sector.

The Fast Track Initiative's Catalytic Fund provided Nicaragua with an initial US$7.0 million to help bridge its financing gap. The first installment of US$3.5 million helped pay for improvements in teacher facilities and an increase in the number of children receiving meals in school – from 200,000 kids in 2004 to 400,000 in 2005. In addition, an IDA credit of US$15 million was provided to support an education sector-wide approach (SWAp). It is expected that other donors will announce major programs of support to finance remaining portions. As such, donors have cooperated intensively to develop harmonized financial management and disbursement procedures, so that the Government will face much lower transaction costs in working with different donors.

Source: FTI Secretariat.

Social Protection, Risk Management and Empowerment

169. IDA financial support to Social Protection and Risk Management – a 'thematic' view of IDA's work – totaled US$2.1 billion in IDA13, up 45 percent from IDA12. More than half of the financing was driven by the demand for social fund operations in Africa and the Europe and Central Asia region *(Annex 8 details a project in St. Lucia)*. Originally conceived as emergency measures, social funds have become

[122] World Bank. 2005a. *Education Sector Strategy Update: Achieving Education For All (EFA), Broadening our Perspective, Maximizing our Effectiveness*. SecM2005-0655; IDA/SecM2005-0662. Washington, DC.

an integral part of the Bank's social risk management work and of the Bank's long-term poverty alleviation strategies because they provide quick, efficient, and cost-effective services to poor communities in a demand-driven, transparent and flexible manner. The remaining IDA13 financing was distributed among multi-sectoral operations with large safety net, pension and labor market components.

170. Demand for related analytical products is also on the rise in IDA countries. During IDA13, the share of the Bank's social protection AAA that examined IDA countries rose from 61 percent (or 28 AAA products) in FY03 to 70 percent (38 products) in FY05. This support ranged from strengthening country systems (e.g., pension reform) to developing national action plans (e.g. the Senegal Disabled Development Action Plan) and national strategies (e.g. the Yemen National Strategy on Children and Youth). The bulk of the increase in AAA, however, represented IDA-focused economic and sector work which rose considerably from 66 percent (19 products) of the Bank-wide total in FY03 to 76 percent (32 products) in FY05. The increase in these tools represents Bank's response to operational priorities in labor markets, pensions, safety nets and cross-cutting themes (such as orphans and vulnerable children, youth development, disability, and child labor) and increased attention in country dialogue to the role of social protection in achieving the MDGs.

171. The start of IDA13 was also the beginning of the Global Partnership for Disability and Development, to encourage governments and international agencies to integrate disabled people into their poverty alleviation efforts. On its part, the WBG created a new post and office of the Disability Advisor, and disability issues are increasingly being mainstreamed into IDA financed operations. The WBG continued its ongoing dialogue and collaboration with the ILO and the trade union movement at the international level as well as within IDA countries, and partnerships with the ILO and UNICEF continue to underpin work and operational knowledge on Child Labor, with the Bank and ILO collaborating on analytical and country pilots targeting youth in the labor market, within the framework of the Youth Employment Network. One highlight of recent collaboration with the ILO includes a German trust-funded program, *Job Creation, Core Labor Standards and Poverty in Africa*, which included cross-country research, capacity building, and country-level work in three African countries and which is laying the groundwork and directly supporting labor market related operations.

172. The World Bank also developed a new integrative development framework for social fund mobilization and community driven development (CDD) to improve access to social services and risk management instruments at the local level. In recent years the trend in CDD support has been towards inter-governmental and related reforms to strengthen decentralized local governance. However, a recent IEG evaluation of these approaches found that the Bank's approach to promoting government decentralization under these projects has not always been consistent in the past, and in some cases ad hoc parallel arrangements set up to implement Bank projects have hindered the long-run enhancement of local government capacity.[123]

173. Over 60 percent of the current CDD portfolio is in South Asia and Africa. This portfolio proved to be especially critical as part of the emergency response to the tsunami, where existing or expanded CDD programs are being relied upon for fast impact recovery programs, to help ensure that resources are used effectively and transparently and that affected communities are fully engaged in assessing their needs and designing programs. Such work has been underway in IDA countries, including Indonesia, India, and Sri Lanka. However, none of these more recent interventions have been independently evaluated so far for their effectiveness and efficiency.

[123] OED. 2005d. The Effectiveness of World Bank Support for Community-Based and-Driven Development. Washington, DC: World Bank.

Box 7: Investing in Self-Help Groups and Grass-Roots Development in Southern India

The Andhra Pradesh District Poverty Initiatives (a US$111 million IDA credit) and Rural Poverty Reduction Projects (a US$150 million IDA credit) are CDD projects underway in the rural areas of one of the poorest states of India. Building on investments made over the last ten years by the Government of Andhra Pradesh, the projects support development of women's 'self-help' groups at the grass-roots level, and help to create federations of these groups – with the goals of raising incomes and empowering rural women both economically and socially.

The IDA projects invest in: institution building, capacity building and strengthening local leadership of community organizations; an investment risk fund in key livelihood sectors; and livelihood support services for the poor. They are also financing seed capital through the federations – which have emerged as community-managed financial institutions, leveraging resources from commercial banks. These investments have mobilized more than 6 million rural poor women in some 29,000 villages over the last five years.

Participation in self-help groups has offered an opportunity for poor women, especially from disadvantaged communities, to become a force for development in their villages. The groups have provided women with initial loans, enabling them to buy assets such as cattle and land and increasing their self-reliance. Well-functioning groups have used their internal savings and the community investment fund for negotiating and leveraging credit lines from commercial banks and other private sector organizations, resulting in increased access to financing. In some key rural livelihood sectors (e.g., agriculture, horticulture and the services sector), investments have been made in local level value addition and developing market linkages with the private and public sectors – providing higher prices for goods and services produced by the groups and tilting the terms of trade in favor of the poor.

Many of the groups have succeeded in collectively addressing social concerns, including better access to health and education, giving their children and families a brighter future. And the groups have provided a means to empower women from India's most disempowered populations – widows, leprosy patients, the disabled, and India's lower-most castes – while helping build confidence among the women and enabling them to campaign in some villages against social practices such as the barring of certain castes from entering temples.

The initiatives of Andhra Pradesh have demonstrated the considerable progress that can be achieved from incorporating women into the development process. The self-help groups are being scaled up, with an emphasis on capacity building through training and an eye to ensuring that the economic opportunities created by the groups are integrated with contributions to social and economic infrastructure.

Source: IDA project documents.

4.3 Improving Governance and Fighting Corruption

174. Good governance is an essential component of the mutual accountability framework agreed upon in the Monterrey Consensus (Box 8). During the IDA13 replenishment process, donors stressed the important role of IDA in providing both financial and analytic inputs to support improved governance – focusing IDA resources in areas such as building public sector capacity and fighting corruption.

175. There are strong links between the quality of a country's governance and its development performance. For instance, there is evidence that public spending on programs related to child and infant mortality, and on education, has greater impact in countries with better governance.[124] Effective development requires that resources reach their intended purpose, that the investment climate is good, that

[124] Swaroop, Vinaya and Rajkumar, Andrew Sunil, *Public Spending and Outcomes: Does Governance Matter?* (May 7, 2002), World Bank Policy Research Working Paper No. 2840.

there is institutional capacity to implement and sustain programs and that there are appropriate incentives and accountabilities in place.[125]

176. Because of the correlation between good governance and effectiveness, measures of good governance have been prominent in the PBA system – with an effective weight of 67 percent in the CPR and a 63 percent weight in IDA country allocations on a per capita basis. This is due to the fact that governance figures prominently in the CPIA (with five out of the sixteen criteria of the CPIA focused on aspects of governance) and the addition of a 'governance factor', which is derived from these criteria plus a procurement indicator from IDA's portfolio performance assessment. One of the CPIA's governance criteria focuses explicitly on the quality of budgetary and financial management in a country; this criterion alone weighs more than ten percent in the IDA country allocation.

177. IDA assists borrowing countries in focusing attention on the key factors that enable appropriate use of both public and private resources to achieve development objectives: the quality of institutions in formulating and implementing development policies; delivery of basic public goods and administrative services needed by households and businesses; investment in basic infrastructure services; an overall attractive climate for private investments; and combating corruption.[126] On a thematic basis, IDA commitments for Public Sector Governance rose 28 percent from IDA12 to IDA13 (Annex 3).

178. IDA's focus on improved governance helps to shape its country strategies and its assistance in most sectors. Public sector governance concerns were raised in all CASs reviewed in FY05, and one of the first CASs with governance as its central theme was prepared for Indonesia in FY04. Public sector governance and capacity building is also a key pillar in Africa CASs and in the overall Africa regional strategy.[127] Action Plans prepared by 23 African HIPC countries involved a focus on public sector management. Governance reforms in Ethiopia, Malawi, Rwanda and Sierra Leone involved local level governance and decentralization. In South Asia, governance reforms are at the heart of CASs in Afghanistan, Bangladesh, Nepal and Pakistan.

179. Various governance-related AAA products and diagnostics tools have also been used by IDA to track performance and inform appropriate interventions. For instance, during IDA13, IDA helped countries to design public financial management (PFM) reforms based on an extensive set of core diagnostic studies.[128] (Sections 1.3 and 2.1) However, with the increased use of budget support operations to deliver donor assistance – a channel that relies heavily on well-functioning systems for budget development – there has been greater demand for a common and consistent platform for dialogue between governments and the donors, and among donors.

180. As part of a strengthened approach[129] to supporting PFM reforms, the World Bank, working with the IMF and other PEFA organizations[130], developed a PFM performance measurement framework. The framework includes a set of 28 high level indicators to measure the performance of country PFM systems and institutions, and a performance report on these indicators. The 28 indicators extend and replace the set of 16 expenditure tracking indicators of the HIPC initiative. For donors, the framework can supplant

[125] *Global Monitoring Report 2006*, op. cit.
[126] OPCS. 2006b. *Sector Strategy Implementation Update FY05*. SecM2006-125. Washington, DC.
[127] World Bank. 2005f. "Meeting the Challenge of Africa's Development: A World Bank Group Action Plan." SecM2005-0445. Africa Region. Washington, DC.
[128] These include the World Bank's CFAAs, CPARs, and PERs, the EC's Compliance Tests, and the IMF's fiscal ROSCs.
[129] The strengthened approach has three components: (i) a country-led PFM reform strategy and action plan; (ii) a coordinated donor integrated, multi-year program of PFM work that is aligned with the country's PFM reform strategy; and (iii) a shared information pool. The PFM framework is a tool for achieving the third objective.
[130] PEFA is a multi-agency partnership program sponsored by the World Bank, the IMF, the European Commission, the United Kingdom Department for International Development, The French Ministry of Foreign Affairs, The Royal Norwegian Ministry of Foreign Affairs, The Swiss State Secretariat for Economic Affairs, and the SPA Strategic Partnership for Africa.

duplicative diagnostic work, provide evidence of PFM system performance and direction of change, and form a basis for learning what interventions, reforms and aid modalities work.

181. More broadly, World Bank support to improved governance, summarized in the Public Sector Strategy of 2000, takes into consideration the length of time it takes institutions to develop, the internal factors that play a critical role in how they evolve and the sustained assistance required.[131] A combination of civic participation and internal rules and restraint is stressed; building on institutional and political realities of the country; long-term institution building; and strengthening the capacity through skilled staff, incentives and external relations.[132] In addition to the PFM work, other areas of support include:

- **Public administration**: Involving reform of the civil service through restructuring of departments; changes in staffing, skills and pay reform, leadership training and organizational changes, including decentralization.
- **Legal and judicial reforms**: Involving measures to achieve an efficient judicial management and to extend access to justice by investing in court infrastructure, providing legal training, supporting a transparent legal framework and an independent judiciary.
- **Strengthen public accountability**: Providing support to legislatures, media civil and society organizations to enable access to public information and to aid the performance over-sight functions.
- **Anti-corruption:** Involves combating corruption through a coherent framework that is integrated with other governance interventions.

Box 8: Global Monitoring Report (GMR) 2006: Strengthening Mutual Accountability

The most recent World Bank/IMF Global Monitoring Report, which tracks progress in meeting the MDGs from a policy perspective – argues for monitoring of governance as part of ongoing MDG monitoring in order to clarify options for scaling-up external aid and to support broader efforts to strengthen accountability both nationally and globally.

While it may be difficult to get more than a subjective measure of political governance, the report argues that the capability of a country's bureaucracy, the strength of checks and balances and some aspects of service delivery can be measured more objectively. The GMR looks at two approaches to governance measurement: first, broad measures of aggregate governance—such as the Kaufmann-Kraay indicators, Transparency International Indicators and the CPIA—and, second, narrow measures of the quality of specific governance subsystems. Between the broad and narrow approaches, the report identifies the 14 governance measures that can provide a useful baseline for regular governance monitoring.

Sources: Global Monitoring Report 2006.

182. Difficult challenges remain and the agenda for reforms in these areas is daunting in many IDA countries. While overall the CPIA shows a slight improvement in public sector management practices in 2004 relative to 2000, more progress was made with IBRD borrowers than with IDA countries.[133] At the same time, governance-related projects, almost US$4 billion and 16 percent of new commitments in IDA13, generally tend to face greater implementation risks in the IDA portfolio *(Annex 8 details some governance-related projects in China, Sao Tome and Principe, Chad, Pakistan, Bolivia and the Democratic Republic of the Congo)*. Some governance institutions, such as anti-corruption agencies, are susceptible to interest group capture. Future progress will require innovative ways of engaging countries plagued by endemic weaknesses in governance, along with deeper IDA and partner engagement.

[131] World Bank. 2000. "Reforming Public Institutions and Strengthening Governance: A World Bank Strategy." R2000-91/1. Washington, DC; and *Global Monitoring Report 2006*, op. cit.
[132] *Sector Strategy Implementation Update FY05*, op. cit.
[133] Ibid.

Anti-Money Laundering

183. Money laundering and the financing of terrorism are global problems that not only threaten security, but also compromise the stability, transparency, and efficiency of financial systems, thus undermining economic prosperity.

184. The World Bank and the IMF contribute to the global 'anti-money laundering and combating the financing of terrorism' (AML/CFT) effort with technical assistance and with their Financial Sector Assessment Program (FSAP) – assessments of compliance with international standards for fighting money laundering and terrorist financing in member countries. The assessments lead to the development of Reports on Observance of Standard and Codes (ROSCs). As of end-August 2005, the Bank and the IMF had completed field work for 12 assessments, of which six are in IDA countries (Annex 7).

185. Several aspects of the work program on AML/CFT are yielding results. Synergies between assessments, technical assistance and policy developments have made it possible for staff to respond flexibly. There are, however, several challenges. Countries are finding that their current regimes fall short of revised standards. Moreover, there are several implementation challenges arising from corruption, weak governance, insufficient political commitment, resource constraints and the extensive nature of the standards. The demanding reform agenda calls for a sequenced approach and increased delivery of technical assistance. [134]

4.4 Rural Development and Managing the Environment

Agriculture and Rural Development

186. Agriculture and rural development are important components of IDA's poverty reduction programs, given the large share of the world's poor located in rural areas that depend mostly on agriculture for their livelihoods. In many IDA countries, especially in Africa, agriculture still contributes upwards of 30-50 percent of overall GDP, employs about 60 percent of the rural labor force and generates about 30 percent of export earnings.

187. The Bank's Agricultural and Rural Development Strategy was instrumental in reenergizing rural development programs during the IDA13 period.[135] The strategy aimed at promoting broad-based growth, raising agricultural productivity and competitiveness; improving social well-being; and strengthening environmental management. There were four specific thrusts to: (a) integrate the needs of the rural poor in national policy dialogue; (b) increase investments in agriculture, (c) improve the quality of operations and (d) implement global priorities and strengthen partnerships. The strategy proved robust for engaging innovations in the international development community. Consensus on the MDGs, emphasis on service delivery to the poor, who are mostly rural residents, and governance reforms stressing empowerment created synergies with implementation of the strategy. Introduction of the results framework provided a basis for tracking implementation of the strategy.

[134] IMF and World Bank. 2005. *Anti-Money Laundering and Combating the Financing of Terrorism: Observations from the Work Program and Implications Going Forward*. SecM2005-0511. Washington, DC.
[135] World Bank. 2003g. *Reaching the Rural Poor: A Renewed Strategy for Rural Development*. Washington, DC: World Bank.

188. Implementation of the strategy helped to achieve some results.[136] IDA lending commitments in Rural Development rebounded in FY05 to US$1.5 billion from a low of US$894 million in FY04 and US$938 million in FY03, reflecting a sharp increase in the South Asia Region, especially India. *(Annex 8 details two agriculture and forestry-related projects in Comoros and India)* IDA supported the preparation of national rural development strategies to help raise the profile of rural poor in national policies and over 90 percent of the 17 PRSPs, including those for Armenia and Nigeria, proposed investment programs aligned with the rural development strategy. Agricultural projects, scaled up through increased lending volumes and innovative projects, accounted for a quarter of investment projects. The quality of rural development projects has improved across most major portfolio indicators of IEG and QAG. There are indications of increased agricultural productivity, though uneven performance across countries.

189. The World Bank participated in partnerships with bilateral donors and agencies, such as FAO, IFAD and World Food Program to aid the implementation of the strategy. Complementary partner activities included support for land reform, land administration, community driven development, and private sector participation in delivering agriculture services. Financial support for the Consultative Group for International Agricultural Research was also sustained, to help build scientific knowledge and making it accessible for production by the rural poor.

190. Various challenges still remain. A review of the treatment of rural themes in 48 PRSPs in FY05 found that a significant share of PRSP rural priorities (29 percent) were not followed up at all in either PRSCs, or through other Bank, donor or government programs. The same review found that a lower share of agriculture actions in PRSCs are legally binding compared to other sectors, suggesting the lower priority accorded to the agricultural sector. IDA efforts will also need to focus on empowering rural people, including farmers, to help retain agricultural and rural development issues in the agenda for national policy dialogue, and pressing for action on various policy fronts, including removal of trade distortions.

Managing the Environment

191. Implementation of the Bank's 2001 Environment Strategy *"Making Sustainable Commitments"*, continued in FY03-05.[137] The strategy identified three main interfaces for the poverty reduction and environmental management efforts of the Bank: strengthening natural resources management to improve livelihoods, mitigating the risks of a polluted environment that weigh most heavily on the poor and adaptation to natural hazards.

192. Within that strategic context, IDA financing for environment and natural resources objectives (ENRM) increased significantly. New commitments to IDA countries that financed elements of ENRM increased to almost US$2 billion in FY05, with a net amount of more than US$0.4 billion focused directly on ENRM. At the end of FY05, the portfolio of ongoing projects with some ENRM content in IDA countries amounted to almost US$3 billion, with projects directly coded to ENRM of US$1.2 billion.[138] Generally, environmental concerns are addressed as a component of a more holistic approach to poverty reduction: water and sanitation projects include water quality management, watershed projects include sustainable natural resources management, and urban projects include wastewater and solid waste management. A few projects were specifically devoted to environmental management and capacity

[136] *Sector Strategy Implementation Update FY05,* op. cit.
[137] World Bank. 2001. *Making Sustainable Commitments: An Environment Strategy for the World Bank*. Washington, DC: World Bank.
[138] World Bank. 2005b. *Environment Matters at the World Bank: Annual Review, 2005*. Washington, DC: World Bank, Environment Department; and World Bank Business Warehouse database.

building, and attached to major infrastructure investment. The Lao PDR Environment and Social Development Project, attached to the Nam Theun 2 Hydropower Project, is one example. *(Annex 8 details an environment project in Madagascar).*

193. Similarly, the Bank's analytical work on managing the environment increased during IDA13. In FY05, the Bank completed 60 pieces of ESW focused primarily on environmental themes; 34 of these were associated with IDA countries. Part of the analytical work helped to mainstream environmental considerations into PRSPs, CASs and PRSCs. However, the progress on mainstreaming environmental issues into such work is mixed, with uneven integration across countries, but with an improving trend.[139] A series of Country Environmental Analyses, directed towards better treatment of the environment in development strategies and projects, were also completed or launched. Several poverty-environment studies were also launched to analyze the detailed relationships between poverty indicators and environmental variables.

194. The WBG takes a leading role in addressing global environmental issues in partnership with other stakeholders. IDA and GEF funds are often combined to achieve both local and global benefits simultaneously. Examples include combating greenhouse gas emissions while improving local air quality, and protecting globally significant biodiversity while encouraging productive landscape use. Partnerships include the Critical Ecosystem Partnership Fund, the Global Program for Sustainable Fisheries, the World Wildlife Fund/World Bank Alliance for sustainable forestry, and the Poverty-Environment Partnership (Section 5.6).

195. The WBG also continues to play a leading role internationally in development and implementation of environmental and social safeguard policies, as well as harmonization of environmental assessment procedures among development organizations. This includes the Inspection Panel, which has become a model for accountability mechanisms at a number of major international financial institutions, including the Japan Bank of International Cooperation. A new Operational Policy on *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguards Issues in Bank-Supported Projects* was also approved during IDA13. The new policy will test approaches to scaling up development impact and increasing country ownership through 14 pilot operations. Three Operational Directives were converted to Operational Policies to provide more clarity and improve their application: on *Involuntary Resettlement,* on *Indigenous Peoples,* and on *Physical Cultural Resources*. Training in safeguards has continued to increase, and in FY05 over 650 Bank staff and consultants were trained on individual safeguard policies and their application to various sectors and themes.

[139] *Environment Matters at the World Bank: Annual Review, 2005*, op. cit.; and World Bank Business Warehouse database.

5. GLOBAL AND REGIONAL PRIORITIES OF IDA13

196. With its global reach and concessional financing, IDA is uniquely positioned to link global issues to country level development. While IDA works primarily on a country basis, it works actively as well to address some of the major global and regional priorities of international development – debt sustainability, post-conflict reconstruction, response to natural disasters, and global public goods among them.

197. Country vulnerability can arise from unsustainable debt stocks that have accumulated over time, crowding out the investments necessary to move people out of poverty. It can also arise from conflict and external shocks. IDA's early response in post-conflict countries, assistance to fragile states, and ability to help countries rebuild after natural disasters strike, have remained important hallmarks of its work during IDA13. In addition, IDA committed to directing half of its credit and grant resources to sub-Saharan Africa and to building the local, national, and regional capacity for sound economic management to ensure that assistance is used efficiently. The creation by African nations of the New Partnership for African Development (NEPAD) provided a starting point for defining priorities by African countries themselves and aligning IDA efforts accordingly.

5.1 Support for the Enhanced HIPC Debt Initiative

198. IDA continues to take a lead role in the enhanced HIPC Initiative, a comprehensive approach of the international community to reduce the heavy debt burdens of the world's poorest countries – and provide these countries with a fresh start. The initiative has been an important step forward in placing debt relief within an overall framework of poverty reduction. In order to reach 'decision point' – the point at which a country begins to receive interim relief on debt service falling due – a country must prepare a satisfactory interim-PRSP, demonstrate a good track record of reforms, and clear any outstanding arrears. Later, to reach 'completion point' – at which time debt relief is provided irrevocably by the country's creditors – the country must maintain macroeconomic stability, carry out key structural and social reforms, and implement its PRSP for one year.

199. IDA13 was a very active period of the HIPC initiative. By the end of FY05, a total of 18 IDA countries had reached completion point and ten more had reached decision point.[140] Twelve of the completion point HIPCs reached this milestone during IDA13, and one country – the Democratic Republic of Congo – reached decision point during this period.[141] The average debt relief provided by IDA during the period was US$497 million a year. As of end-June 2005, IDA delivered debt relief in the amount of US$3.3 billion in nominal terms to the 28 decision point HIPCs, of which US$2.6 billion was provided to the 18 completion point countries. The total cost of the HIPC initiative for the 28 HIPCs that have reached the decision point is estimated at US$56.4 billion in nominal terms.[142]

[140] In September 2004, the Boards of the IDA and IMF decided to extend the 'sunset clause' of the enhanced HIPC Initiative until the end of 2006, which would limit its application to countries that met the HIPC criteria at end-2004. The staffs of IDA and the IMF have identified four new eligible HIPCs under this extended sunset clause – Eritrea, Haiti, the Kyrgyz Republic and Nepal – which will raise the costs of providing debt relief under the initiative. IMF and World Bank. 2006b. "HIPC Initiative: List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at end-2004." IDA/R2006-000412. Washington, DC.

[141] The 12 countries that reached completion point during IDA13 are Benin, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Nicaragua, Niger, Rwanda, Senegal, and Zambia.

[142] IMF and World Bank. 2005d. *Heavily Indebted Poor Countries (HIPC) Initiative - Status of Implementation*. IDA/SecM2005-442. Washington, DC.

200. Importantly, this debt relief has led to increases in the countries' expenditures to reduce poverty. In particular, debt service costs for the 12 HIPCs that reached completion point during IDA13 were reduced by almost one third, while poverty-reducing expenditures rose by almost 30 percent. The September 2005 *Status of Implementation report on the HIPC Initiative* projects that, over time, HIPC relief will help to reduce the overall debt stock of the 28 decision and completion point countries by about two-thirds, and lower the debt service-to-export ratio to below ten percent.[143] However a note of caution – that debt relief needs to be accompanied by other efforts to improve repayment capacity, in order to ensure debt sustainability – was emphasized in IEG's evaluation update of the HIPC program in 2006. The report noted that the debt ratios of some HIPC completion point countries have increased since decision point, and in 8 countries again exceed HIPC thresholds.[144]

201. During IDA13, IDA also addressed the needs of debt-vulnerable countries through the use of grants. More than US$2 billion in grant funding was provided to debt-vulnerable countries, accounting for forty-six percent of all IDA13 commitments to these countries (including financing for HIV/AIDS and natural disaster projects.) (Section 2.2)

202. An important evolution of the initiative took place during IDA13. Beyond providing debt relief and grants, long-term debt sustainability requires efforts by the HIPCs and the international community to ensure that these countries, and other low-income countries, do not *reacquire* heavy debt burdens. With this in mind, a new joint Bank-Fund Low-Income Country Debt Sustainability Framework was developed and became operational in FY05, to help countries meet their development objectives, while maintaining sustainable levels of external debt.[145] The new framework runs concurrently with the HIPC in IDA-only countries, and builds on one of the key lessons of the initiative: that debt sustainability must be assessed in a forward looking manner, not just by using the backward looking debt indicators that are used to determine HIPC relief.

203. Overall, the framework asserts that governments in low-income countries bear the primary responsibility of maintaining debt sustainability, implying that these countries must adopt policies and institutions to increase growth, manage debt cautiously and take measures to increase resilience to external shocks. Based on an on-going assessment of the completed Debt Sustainability Assessments, implementation of the framework has permitted the staffs of the Bank and the IMF to identify a number of post-completion point HIPCs where there are new concerns about debt sustainability.[146] This framework is being used during IDA14 to determine if and when IDA should provide grants instead of credits, in the hope of preventing unsustainable debt accumulation into the future.

204. At the end of FY05, donor countries began to discuss establishing the Multilateral Debt Relief Initiative (MDRI). The financing and implementation details of the MDRI were ultimately approved in March of 2006.[147] The MDRI will significantly reduce debts to IDA, the African Development Bank and IMF for all HIPC countries that reach the completion point – with debt relief from IDA alone expected to amount to more than US$37 billion over 40 years.

[143] Further information on the HIPC process and HIPC financing issues during IDA13 can be found in the annual "HIPC Initiative – Status of Implementation Report," the annual "HIPC Initiative – Statistical Update," and OED's May 2003 *Debt Relief for the Poorest: An OED Review of the HIPC Initiative*.
[144] IEG. 2006a. Debt Relief for the Poorest: An Evaluation Update of the HIPC Initiative. Washington, DC: World Bank.
[145] "Debt Sustainability in Low-Income Countries: Proposal for an Operational Framework and Policy Implications," op. cit.
[146] Based on preliminary work for the joint Bank-Fund review of the Low-Income Country Debt Sustainability Framework.
[147] IDA. 2006. "IDA's Implementation of the Multilateral Debt Relief Initiative." 3 vols. IDA/R2006-0042/6. Washington, DC.

5.2 Post-Conflict Reconstruction and IDA's Evolving Role in Fragile States

205. The World Bank's role in post-conflict reconstruction is historic – the first loans of IBRD supported Western European countries devastated by World War II. Post-conflict reconstruction still plays a significant role in the portfolio, notably today in IDA countries. IDA's capacity in this area and its range of instruments expanded significantly during IDA13, to include a special allocation mechanism for countries emerging from conflict, an increasing focus on conflict prevention and greater emphasis on differentiated strategies and tools for LICUS or 'fragile' states more generally.

206. ***Assistance to countries emerging from conflict.*** The main objectives of IDA's reengagement with a country affected by conflict are to facilitate the country's transition to a sustainable peace after hostilities have ended, and help the country to resume its social and economic development. However, for a long-term development institution such as IDA, there are difficult judgments to be made on the timing, level and composition of IDA assistance that can be effectively used in such countries. There is also an inherent tension between the usual performance basis of IDA allocations (Section 3.3), and the

Box 9: Post-Conflict Support in Sierra Leone

War had exacerbated already high levels of extreme poverty in Sierra Leone. By 2000, 80 percent of the population lived on less than US$1 a day. In addition to the loss of life, devastation of the economy and large-scale social disruption resulting from the war, 1.2 million people of the country's total population of 4.7 million were internally displaced—mostly people from rural areas living in urban slum conditions. The civil war—and a coup d'etat in 1997—were both symptoms and causes of the weakness of the Sierra Leonean state. The recovery process needed to address the underlying socio-economic causes of the war if the country was to have peaceful and democratic social and economic development. One of these was long-standing government neglect of the rural areas with a decline of social services and infrastructure.

IDA assisted Sierra Leone in its recovery efforts with a US$25 million project in Sierra Leone from 2000 to 2003, one of the first efforts by the World Bank to address post-conflict reintegration and rehabilitation issues. The objective of the Community Reintegration and Rehabilitation project was to support the peace process and expedite the return to stability in Sierra Leone through the support of two initiatives—one that helped reintegrate demobilized combatants into social and economic life (Training and Employment Program) and another that sought to restore basic socioeconomic infrastructure and services in the communities most affected by the war (the Emergency Recovery Support Fund). Successful implementation of the project was also a precondition for any other IDA investment in Sierra Leone, including an Economic Recovery Credit being planned to address short-term balance of payment and budgetary support.

Given their special role in responding to global conflicts, the United Nations Development Program (UNDP) and UN agencies were important partners in this effort. Contributions were also made by the African Development Bank, the Islamic Development Bank and the United Kingdom Department for International Development. By the end of the project, every US$1 invested by IDA in the Sierra Leone rehabilitation project had leveraged 36 cents from other donors.

According to the report of a 2003 World Bank staff visit to 13 of Sierra Leone's districts after project completion, all internally displaced people had left camps, villagers were rebuilding their homes and basic community infrastructure, families were producing their own food instead of relying on hand-outs. In many communities, ex-combatants from both sides of the war were living again side-by-side.

With trust fund and IDA funding, more than 72,000 combatants had been disarmed and demobilized (significantly more than the original goal). Of these 56,000 had received reintegration assistance. Of the 48,000 of them who had also participated in the Training and Employment Program, a year later half were employed or operating their own businesses.

The Emergency Recovery and Support Fund financed 269 community projects in all districts: 84 schools were reopened; 28 health centers went back into operation; 200,000 people gained access to clean water; 9,000 hectares of land were put back under cultivation and production improved on close to one million hectares. In the end, 220,000 internally displaced people returned to their areas of origin, and peace has been sustained for the last four years. (The final Declaration of the End of the War—after which no significant outbreaks of violence occurred—was signed in January 2002.)

Based on the ICR of December 22, 2003 and Technical Annex of October 21, 1999.

goal of ensuring that countries emerging from conflict have the best chance possible for recovery, peace and stability. To help address these challenges, a new allocation mechanism for post-conflict countries was adopted in IDA13, after being piloted in IDA12.

207. This allocation mechanism allows eligible countries to receive extra IDA allocations for up to four years, plus a three year phase out period – essentially up to seven years during which their performance ratings have time to recover. Allocations are typically on the order of twice the regular performance-based allocation, but determined by scores on the country post-conflict progress indicators (PCPI), as well as by portfolio ratings. The PCPI includes twelve criteria, derived from the CPIA but adapted to be more relevant to countries emerging from conflict – focusing on issues such as public security, demobilization and reintegration. Eligibility for the post-conflict program is limited to countries that have been recently and severely impacted by conflict and have now reached a credible window of opportunity for peace.

208. IDA commitments for post-conflict countries totaled US$3.0 billion and covered Afghanistan, Angola, Burundi, DRC, Republic of Congo, Cote d'Ivoire, Eritrea, and Sierra Leone, with special grants from IBRD surplus to West Bank and Gaza, Kosovo, Liberia and Timor-Leste, in IDA13. Since IDA allocations to such countries were made on a more ad hoc basis in the past, the new allocation process has provided a framework for assessing resource needs, improving the predictability of resources for post-conflict countries and ensuring equity of treatment across countries and regions. Preliminary findings from IEG's LICUS Review indicate that IDA's post-conflict assistance has helped to contribute to both macroeconomic stability and delivering important physical

Box 10: Peace-building in Afghanistan and Timor-Leste

World Bank programs in Timor-Leste and Afghanistan demonstrate the range of elements that come into play in fragile states: supporting basic services that contribute to the peace, creating or strengthening core functions of the state, demonstrating institutional flexibility and working with other international partners.

When the Timorese voted in favor of independence from Indonesia in 1999, the ballot was met with a campaign of violence in which more than a thousand people died and a third of the population was displaced. About 70 percent of all infrastructure was destroyed, including homes, public offices, bridges and power lines. The telecommunications system was inoperable. Public records, including land and property titles were also destroyed. Following a referendum, most Indonesian citizens left the territory, resulting in a severe shortage of qualified and experienced professionals.

In late-2001, when the Bank and others in the international community reengaged with Afghanistan, years of conflict had left millions of people displaced and infrastructure destroyed. The economy was in a dismal state and the human resource base was depleted through loss and flight of educated people, as well as lack of access to education and health services. The health status of Afghans, particularly women and children, was – and still is – among the worst in the world.

Both World Bank programs emphasized a rapid response and results – using non-governmental mechanisms such as community block grants to reach isolated areas – combined with longer term rebuilding of the state. The programs are making substantial investments in capacity building for public financial management and supporting sectors with a focus on strengthening the core functions of the state, either through a gradual transition from non-government to government service delivery, or through contracting out services with strengthened government oversight.

Supporting Timor-Leste and Afghanistan has challenged the World Bank to work flexibly and creatively in very difficult circumstances. In Timor-Leste, initial post-conflict programs were prepared and negotiated in an average of 3.5 months. In Afghanistan, the urgent need to rebuild infrastructure inspired streamlined procurement and implementation methods that serve as an example to other post-conflict reconstruction teams.

In both countries, there have been coordination challenges – particularly in the early phases of reconstruction and given the differing procedures of partner organizations. However, the Bank administers multi-donor trust funds that help anchor donor coordination processes and reduce transaction costs (the Trust for East Timor and Afghanistan Reconstruction Trust Fund). Strong partnerships have also been fostered with other international actors on the links between security and development. In Afghanistan, this includes support to a Law and Order Trust Fund on a fiscal agency basis and collaboration on customs modernization in insecure border areas. In Timor-Leste, the Bank has worked with the UN transitional administration on a set of benchmarks covering political, security, economic and social concerns and incorporated police capacity-building into a multi-donor support operation.

infrastructure in these countries.[148] But preliminary findings are also that the Bank has been less successful after the initial reforms and needs to improve its effectiveness in the period that follows post-conflict reconstruction when easy reforms have been exhausted and structural change (such as in institutions or governance) is required.[149]

209. Increasingly, under both IDA12 and IDA13, IDA's assistance in these countries has evolved from the primary objective of infrastructure reconstruction to an increased emphasis on human and institutional capital, social cohesion and state-building. IDA plays a key role in coordinating post-conflict needs assessments, administering multi-donor trust funds and mobilizing resources for reconstruction. Many conflict-affected countries have had arrears which must be cleared before IDA can engage with them; IDA Management and staff worked with the governments, the IMF and other donors to develop arrears clearance plans and, in some cases, pre-arrears clearance grants to avoid delays in financing early recovery efforts. Since the late 1990s, IDA has also become more involved in work on conflict prevention, developing tools for conflict analysis in the operations it finances and commissioning substantial research on the links between conflict and development.

210. ***Conflict prevention work and the fragile states framework.*** Since 'fragility' can describe a wide range of country situations, in 2002 IDA established the LICUS initiative to strengthen its response to a range of fragile countries with weak institutions and high vulnerability to conflict – approximately thirty countries. In these countries in particular, neglect can perpetuate poverty, constrain any progress towards the MDGs and contribute to neighborhood spillovers of conflict, refugee flows, organized crime or epidemic diseases. The LICUS Update discussed by IDA's Board in January 2006 focuses on the importance of recognizing peace, security and development linkages; strengthening state capacity and accountability; donor harmonization; and institutional flexibility to improve the Bank's engagement in these situations.[150]

211. The LICUS/fragile states program is predicated on the view that engagement (and sometimes reengagement) with fragile states through analytical work, technical assistance, policy dialogue and, in some cases, limited financial assistance, can be effective in supporting nascent efforts towards reform. Except for the countries emerging from recent and severe conflict, many fragile states are poor performers, regularly comprising the lowest performers on the CPIA index and receiving correspondingly low IDA funding allocations. Their ability to effectively use sizeable external financing for development is quite low. The LICUS initiative therefore aims to strengthen IDA's analytic support and advice, build capacity for selected, realistic reforms and foster service delivery to the poor in these countries. IDA's Board also discussed in January 2006 a new framework for assisting fragile states, with a differentiated response provided in situations of deteriorating governance, prolonged crisis, political and post-conflict transition and gradual improvement.[151]

212. In the difficult context of these fragile countries, partnerships are essential to IDA's work. Support rests on the tools and expertise of different actors and the countries themselves do not have the capacity to manage fragmented donor programs. As a result, IDA CASs in fragile states have generally involved collaboration with the UN system and bilateral donors, including joint strategies in situations of prolonged crisis (Somalia, Togo) and jointly-led post-conflict needs assessments and transitional recovery frameworks (Liberia, Haiti, Sudan). Partnerships with regional organizations have also proved crucial at the country level (CAR, Liberia, Guinea-Bissau) and cooperation agreements have been developed with

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[148] IEG. Forthcoming. "World Bank Support To Low-Income Countries Under Stress: An IEG Review." Washington, DC: World Bank.
[149] "World Bank Support To Low-Income Countries Under Stress: An IEG Review," op. cit.
[150] OPCS. 2005c. "Low-Income Countries Under Stress: Update." IDA/R2005-0251. Washington, DC.
[151] OPCS. 2005b. "Fragile States—Good Practice in Country Assistance Strategies." IDA/R2005-0252. Washington, DC.

the African Development Bank, the United Nations Development Program (UNDP) and UN Department of Peacekeeping Operations to facilitate collaborative learning on fragile states and post-conflict reconstruction.

213. The World Bank has supported development and application of the OECD-DAC Principles for Good Engagement in Fragile States and is currently undertaking an evaluation of its experience in administering multi-donor trust funds in cooperation with bilateral donors. The Bank has also participated actively in discussions facilitated by member states on the UN Peace-Building Commission. However, early findings from IEG's review suggest that, while there has been significant progress on donor coordination for fragile states at the global policy level, experiences at the country level have been more mixed, with examples still of duplication such as multiple agencies providing capacity development to the same organization using different procedures.[152]

214. The preliminary findings from IEG also indicate that the World Bank has improved its operational readiness to support these countries, including expanding its analytical support and technical assistance and allowing for early engagement in the recovery process of a number of fragile states. Increased administrative budget resources for LICUS indicate a higher IDA effort, but their full effect will only be seen over time as development outcomes are achieved and measured.[153] However, as noted in the ARPP, the rate of satisfactory development outcomes achieved with projects in LICUS countries are the lowest for all country groupings, at about 60 percent satisfactory. More recently there has been an improving trend, with development outcomes at about 65 percent satisfactory in FY04 and an improving trend as well in quality-at-entry.[154] These development outcome indicators, and the higher risk ratings of the LICUS portfolio, reflect the extremely difficult context of fragile states, and the need to exercise continued caution, closely monitoring IDA's programs and activities in each country to ensure that they are effective.

215. ***Maintaining flexibility to reengage with fragile states.*** By design, the allocation mechanism for post-conflict countries excludes inactive IDA countries that are perennial poor performers, suffering from lower levels of conflict, from political instability and weak governance. Such countries can nonetheless have important resource needs, and may be able to effectively use IDA financing, if they have stabilized sufficiently to reengage with IDA and the broader international community and have launched a credible program of change and recovery.

216. This became particularly evident in the case of Haiti, a poorly performing country that did not fit the profile of a post-conflict country, with a political situation that began to show signs of stabilizing in the early part of 2004 after prolonged turmoil. Haiti had entered non-accrual status on its debts to IDA in September of 2001, and by March of 2004 arrears had mounted to US$41 million, far in excess of its annual performance-based allocation. This left Haiti in a 'gray zone' in the sense that there was no specific allocation metric that would allow an IDA allocation sufficient to both clear Haiti's arrears and provide some additional resources to support the government's recovery program. At the same time, there was considerable sentiment in the international community that the country had reached an important turning point, requiring IDA's presence and support to the government recovery program consistent with the IDA13 framework, which also recognized the need for IDA to be able to respond to special country circumstances and extraordinary needs. IDA Management therefore proposed, on an

[152] "World Bank Support To Low-Income Countries Under Stress: An IEG Review," op. cit.
[153] Ibid.
[154] *Annual Report on Portfolio Performance – Fiscal Year 2005*, op. cit.

exceptional basis, an allocation over and above Haiti's PBA amount, as detailed in the Transitional Support Strategy (TSS) for the Republic of Haiti dated December 10, 2004.[155]

217. In order to ensure that IDA retains the ability to respond in such exceptional circumstances, where a turning point of political stability and development is seen by the international community, IDA14 allows for "additional allocations to be provided on a one time basis to countries that are in the process of reengaging with IDA after a prolonged period of inactivity on the basis of a strong transition plan with concerted donors support."[156] The IDA donors agreed that this exception will be used on a very limited basis – mainly because the opportunities for such reengagement in fragile states are rare – and the level of resources provided will be lower than for the post-conflict assistance. However, the exception nevertheless brings clarity to IDA's ability to assist countries in this difficult category.

5.3 Responding to Natural Disasters

218. Natural disasters – floods, cyclones, earthquakes, drought, volcanic eruptions, and landslides, among them – are occurring more often and are having an ever more dramatic impact. In 2005, there were 360 natural disasters, an 18 percent increase over 2004, killing more than 90,000 people and affected another 157 million.[157]

219. According to a 2005 World Bank report, *Natural Disaster Hotspots: A Global Risk Analysis*, more than half the world's population lives in an area that is highly exposed to at least one hazard.[158] Poor people are disproportionately vulnerable to natural hazards: they are more likely to live in dangerous areas and in weakly constructed buildings. According to the International Federal of Red Cross and Red Crescent Societies, a country's level of development (using UNDP's Human Development Index) closely correlates to the number of deaths caused by disasters. Least developed countries accounted for 49 percent (328,138 people) of disaster-related deaths from 1994-2003. (The highest third of countries in terms of human development accounted for 9 percent of disaster-related deaths or 58,664 people.)[159]

220. Developing country economies have a harder time absorbing disaster-related losses. Wealthy countries rank higher than poor countries in terms of economic losses from disasters, due to higher insured values of property. However, when looked at as a share of GDP, poorer countries rank higher in terms of the economic impacts. Even the 1995 Kobe earthquake, one of the most expensive disasters in history (about US$159 billion), represented less than three percent of Japan's GDP – compared to the earthquake that shook Guatemala in 1976, which cost almost 25 percent of GDP.[160]

221. The World Bank has been the largest source of funding for disaster reconstruction and recovery in the world. Since 1984 the Bank has financed 528 projects that addressed natural disasters, representing

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[155] World Bank Group. 2004b. "Transitional Support Strategy for the Republic of Haiti." World Bank Caribbean Country Management Unit, Latin America and the Caribbean Region. Washington, DC.
[156] See IDA14 Agreement, Annex 1, para 9.
[157] Centre for Research on the Epidemiology of Disasters (CRED, Department of Public Health, Université Catholique de Louvain), and International Strategy for Disaster Reduction (UN/ISDR). 2006. "2005 Disasters in Numbers." Brussels, Belgium.
[158] Arnold, Margaret, Jonathan Agwe, Uwe Deichmann, Piet Buys, Robert S. Chen, Maxx Dilley, Oddvar Kjevstad, Arthur L. Lerner-Lam, Bradfield Lyon, and Gregory Yetman. 2005. *Natural Disaster Hotspots: A Global Risk Analysis.* World Bank Disaster Risk Management Series No. 5. Washington, DC: World Bank.
[159] International Federation of Red Cross and Red Crescent Societies. 2003. *World Disasters Report 2003: Focus on Ethics in Aid*. Bloomfield, Connecticut: International Federation of Red Cross and Red Crescent Societies.
[160] Guha-Sapir, Debarati, David Hargitt, and Philippe Hoyois. 2004. *Thirty Years of Natural Disasters 1974-2003: The Numbers*. Center for Research on the Epidemiology of Disasters (CRED). Louvain-la-Neuve, Belgium: Presses Universitaires de Louvain.

more than US$26 billion in lending; almost US$11 billion of which came from IDA. According to IEG, disaster projects have a higher success rate than the overall portfolio, at 80 percent.[161]

222. During IDA13, the world witnessed the worst rapid-onset disaster in recent memory: the tsunami in the Indian Ocean triggered by a December 26, 2004 earthquake. An estimated 300,000 people were killed and 1.5 million were left homeless. Within the first 18 weeks after the disaster, the World Bank helped put in place a range of instruments, including financing and technical assistance, to support rehabilitation and reconstruction of infrastructure and restoration of communities and livelihoods of survivors (Box 11).

Box 11: IDA Support for Tsunami Recovery

The World Bank worked quickly in the aftermath of the December 26, 2004 Indian Ocean tsunami, to provide funds for reconstruction to four of the affected countries. In total, IDA provided US$810 million of financing – US$232 million in new financing and US$578 from project restructuring.

In ***India***, an estimated 2.7 million survivors were affected by the tsunami. In addition to homes and villages destroyed, this includes 645,000 households which lost their source of livelihood, in 80 percent of cases from fishing.

IDA provided a US$465 million Emergency Recovery Credit, in largest part through reallocation from the existing portfolio. The Emergency Reconstruction Program covers 13 coastal districts and the majority of the financing is being used to build houses and community buildings. Public infrastructure works – 143 schools, 13 hospitals, 120 cyclones centers, among them – are also underway. A US$36 million component is focused on livelihood recovery and an effort to not just restore, but upgrade the fisheries sector; a US$2.5 million grant (provided out of the net income of IBRD) is being used for extensive policy work in the sectors. The World Bank is funding studies to help local governments create long-term strategies for coastal management.

Among those affected in ***Sri Lanka*** were half a million internally displaced people and 150,000 people who lost their source of livelihood, representing 75 percent of the total fishing fleet. Emergency recovery financing from IDA includes a US$30 million grant and a US$45 million credit. Another US$75 million was made available through portfolio restructuring. The majority of the financing has gone toward the rebuilding of some 50,000 homes, cash grants for affected families, rehabilitation of the coastal road, and support for the health sector.

Of the US$14 million provided by IDA to ***the Maldives***, US$5.6 million was in the form of grants. This money has been used to help the government provide cash grants to 40,000 seriously affected families. Financing of US$5 million is directed toward reconstruction and expansion of schools in tsunami-affected areas.

In ***Indonesia*****,** which suffered the greatest number of fatalities, the number of internally displaced people was just below 200,000 and the number of houses lost was estimated at just above 200,000. The Bank is the trustee of the Indonesia Multi-Donor Fund for Aceh and Nias (MDF) with grant pledges of US$526 million from 15 donors. Indonesia also received a US$25 million grant from the net income of IBRD. The Bank is supervising six of the MDF's 12 projects, providing assistance for housing, roads, water supply, health, livelihood support, capacity building in housing reconstruction as well as coastal management, and project implementation.

223. Overall from FY03 to FY05, IDA approved more than a dozen new Emergency Recovery projects and more than US$800 million of financing in the aftermath of natural disasters. In addition to the credits for tsunami-affected countries, emergency operations included drought-related relief in Malawi, Zambia and Ethiopia; a regional project to address the locust emergency in Africa; post-cyclone recovery in Samoa; the aftermath of hurricane Ivan in Grenada; aid to Haiti for flooding and mudslides; and recovery from floods in Georgia and Djibouti and from an earthquake in Georgia and Azerbaijan.

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[161] IEG. 2006b. *Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters*. Washington, DC: World Bank; and World Bank staff estimates.

For most of these operations, part of IDA's support came from the grant financing made available through the special grant window (Section 2.2). The spread of avian flu across the globe has also led to continued IDA support and financing in several countries now in IDA14. *(Annex 8 details projects in Bangladesh and the Caribbean.)*

224. With the undeniable links between poverty and disasters, risk reduction is gaining importance as a priority for IDA countries, though a lot more can and should be done. More than 100 projects in the current portfolio have some disaster mitigation components. Several new projects approved during IDA13 – in Georgia, Kenya, Kyrgyz Republic and St. Lucia – were specifically for disaster prevention. However, IEG has advised that the Bank's disaster responses have tended to be reactive and tactical, when a more proactive and strategic approach is needed in vulnerable countries.[162]

225. IDA donors have also expressed interest in analyzing the impact of natural disasters, and more broadly, external shocks in poor countries and evaluating how IDA might enhance its role in reducing the vulnerability of poor people and communities, by preventing and/or mitigating their impacts. During the IDA13 period two Board papers analyzed the impact of external shocks (defined primarily as natural hazards and terms-of-trade shocks) on low-income countries.[163] These papers looked at the debt risks that arise from such shocks and the role of the international community in mitigating and responding to shocks. The papers pointed out that while IDA is able to provide assistance in the aftermath of an external shock, much of IDA's regular development assistance is already aimed at increasing the resilience of countries to manage the impact of shocks through a diverse range of projects, including those aimed at export-diversification, sound fiscal management, irrigation, social protection and risk management.

5.4 Emphasis on Africa

226. IDA is by far the largest provider of development assistance to Africa, and responsible for 13 percent of all foreign aid to the region. US$11.6 billion in new commitments financed more than 200 new operations, primarily in Public Administration, Justice and Law (US$2.8 billion), Health and other Social Services (US$2.1 billion) and Transportation (US$1.9 billion).

227. As significant as the share size is the steep rate at which IDA assistance to Africa has increased in recent years. FY05 commitments represented an increase of more than 80 percent over FY00. Combined with relatively strong growth rates for many countries on the sub-continent, credible steps to strengthen governance and institutional capacity, greater commitments of other official development assistance, and deeper debt relief – this expansion provides reason for hope that the region is indeed at a crossroads.

228. With creation of the New Partnership for Africa's Development (NEPAD) – launched by leaders in the region to define African-owned priorities and to redefine relationships between governments and development partners – and incorporation of the PRS process into national development strategies, African countries have taken more effective ownership of their own growth and development.[164] Both NEPAD and the PRS process are based on effective partnerships with donors, dependable financial flows,

[162] *Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters*, op. cit.
[163] dePlaa, Angelique, Vikram Nehru, Panos Varangis, and Sona Varma. 2004. "Exogenous Shocks in Low Income Countries: Economic Policy Issues and the Role of the International Community." Background paper OM2004-0016 prepared for the report "Managing the Debt Risk of Exogenous Shocks in Low-Income Countries," World Bank, Washington, DC; and IDA. 2005c. "Managing the Debt Risk of Exogenous Shocks in Low-Income Countries." SecM2005-0112. Washington, DC.
[164] *The New Partnership for Africa's Development.* Adopted at the 37th Summit of the Organisation of African Unity (OAU). 2001. Abuja, Nigeria. Available online at http://www.nepad.org/2005/files/home.php.

a new focus on measurable results, greater participation by civil society and local communities and stronger accountability of governments to their own people.

229. However, Africa's track record in economic growth and poverty reduction has clearly been mixed. African economies grew on average by 4.7 percent in 2005 (preliminary, simple average), similar to the 4.8 percent growth rate of 2004 (simple average), with all but two countries (Zimbabwe and the Seychelles) recording positive growth rates. Years of hard-won structural reforms, a fall in the incidence of conflicts and greater intra-regional trade, have been key contributing factors to this expansion. Notwithstanding this progress, the number of Africans living on US$1 a day has almost doubled, with the doubling of its population since 1981, to 314 million people. All but three of the 32 countries with the lowest human development, according to the UNDP Human Development Index, are in Africa (the other three are Djibouti, Yemen, and Haiti).[165]

230. On current trends, Africa is the only region off-track to meet any of the MDGs. Nonetheless, there are notable achievements. There has been, for example, accelerated progress on the universal primary education goal in a number of countries—Niger, Guinea, Ethiopia, Mozambique, Benin and Rwanda. While conflict and HIV/AIDS are actually worsening child mortality rates in some countries, a number of countries are experiencing sharp increases in child survival, with Madagascar on track to meet this MDG. And, while Africa remains the world's most AIDS-affected region, there are signs that prevention programs begun some time ago may be paying off—in Zimbabwe, Tanzania, and across the Uganda-Kenya border.[166]

231. In view of the considerable development challenges, the WBG has made Africa its top priority – with Africa receiving the largest share of IDA13 resources (47 percent) and with adoption of the Africa Action Plan in September 2005. The plan sets out how, through a series of concrete actions and partnership with others, the WBG will support the shared growth and development of African countries.[167] To help Africa make progress towards the MDGs, the Action Plan provides a results-oriented framework that is focused in large part on reducing conflict and building honest and capable states through governance reforms and strengthened institutional capacity.

232. ***Reducing conflict.*** Conflict, which affects about one-third of African countries, is estimated to cost affected African countries 2.2 percentage points of economic growth each year. During IDA13, the World Bank worked to foster peace in Africa, aware that peace and stability are key requirements if countries in the region are to implement development programs, attract foreign investment, sustain growth, and increase their exports. In FY05, the Bank provided assistance to 17 conflict-affected countries and low-income countries under stress in Africa. It also worked to increase transparency and reduce incentives for illegal trade in commodities linked to conflict, such as oil, gas, diamonds, timber, and precious metals.

233. ***Improving governance and strengthening institutional capacity.*** A key objective of NEPAD is to build capable and effective states that provide basic services, promote equity and security, and create an enabling environment for investment, wealth creation, and wealth sharing. In support of this objective, IDA directs almost 20 percent of its new lending toward public sector governance. Interventions cover expenditure management, civil service reform, decentralization, accountability mechanisms, and legal and judicial reform. Africa has also taken steps toward improved governance and anti-corruption. So far, 25 countries have formally acceded to NEPAD's African Peer Review Mechanism, with two reviews

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[165] United Nations Development Programme. 2005. *Human Development Report 2005*. New York, United Nations Development Programme.
[166] *Global Monitoring Report 2006*, op. cit.
[167] "Meeting the Challenge of Africa's Development: A World Bank Group Action Plan," op. cit.

completed and about ten others underway. Adopted in 2003, the comprehensive African Union Convention on Preventing and Combating Corruption has been ratified by ten countries. More than a dozen countries are participating in the Extractive Industries Transparency Initiative.

234. ***Expanding economic growth, trade and economic competitiveness.*** Fifteen African countries averaged economic growth of 5 percent a year over the past decade, but their success was not enough to offset the continuing drop in Africa's share of world trade. While trade expansion will be boosted by liberalized access to foreign markets, Africa will also need continued structural and institutional reforms 'behind the border', to be competitive. A prime example is the need to strengthen the agriculture sector, which employs 70 percent of the region's labor force and accounts for 40 percent of its exports. IDA is promoting efforts to meet the objective of NEPAD's Comprehensive African Agricultural Development Program of increasing agricultural output by 6 percent a year through 2015. It is working to facilitate intra-regional trade, foster development of capital markets, eliminate cascading tariffs that penalize African products and help ensure the successful conclusion of the Doha Round of trade negotiations.

235. ***Anchoring action on regional integration initiatives.*** With 15 landlocked economies and a gross domestic product the size of Belgium's, Africa needs more effective regional integration to prosper. In July 2004, the World Bank established a regional integration department that will fund multi-country pilot projects worth about US$500 million by FY07, taking the lead from 11 highly effective regional projects funded since 2001. During IDA13, such regional projects translated to US$638 million of IDA commitments; more than US$550 million came from the IDA Regional Projects Pilot (Section 5.5).

5.5 Promoting Trade and Regional Integration

Fostering Trade

236. An important emphasis of IDA13 was to do more to increase trade – a powerful engine for growth in IDA countries. Progress was made in helping countries to implement stronger growth strategies linked to trade.[168] WBG efforts ranged from helping countries reform trade policy to helping shape bilateral trade agreements and providing analysis to facilitate negotiations with country authorities and regional or multilateral bodies. These activities involved an active WBG role in developing and sharing analytical information, and undertaking high level dialogue with country authorities and trade organizations. In terms of finance, while Trade and Integration accounted for a relatively small share of IDA commitments (less than four percent of total commitments on a thematic basis), the amount of IDA financing for Trade and Integration increased at least in nominal terms, from US$553 million in IDA12 to US$924 million in IDA13. *(Annex 8 details a trade-related project in Senegal.)*

237. A key component of IDA's work is the Diagnostic Trade Integration Study (DTIS). In FY05 alone, 13 DTIS were completed for IDA countries, including ten in Africa. In Africa, information from the DTIS has enabled implementation of the Integrated Framework for trade related technical assistance, designed to help mainstream trade into poverty reduction strategies and accelerate economic performance in the least developed countries. In addition, seven CEMs with chapters on trade were prepared for IDA countries. Several other reports covered WTO Accession Technical Assistance, growth and competition,

[168] World Bank. 2005k. "Trade Progress Report: Focus on Country Trade Policy." R2005-0052. Washington, DC.

and export diversification. Various regional reports and policy notes analyzed issues on migration, agricultural exports and standards, and rules of origin review.[169]

238. WBG support for trade also involves addressing infrastructure constraints through regional programs, customs reforms, trade facilitation, and capacity building. There are continuing efforts to refine analytical work on the poverty impact of trade reforms. The World Bank is responding to demands for capacity building related to food safety standards in agricultural exports; work in this area has been planned or is in progress in 12 countries, including Armenia, Ethiopia, and Vietnam.

239. As part of efforts to accelerate the Doha Round, a new book – *Global Agricultural Trade and Developing Countries* – was launched in January 2005, focused on the structure of specific commodity markets and consequences for country policies and trade negotiations.[170] While progress on Doha is limited, other trade arrangements, including preferential trade agreements, bilateral trade and regional trade are proliferating. The WBG is helping to deepen understanding of these other arrangements and to help clients design informed measures. The Bank is working with 28 countries currently in the WTO accession process to help them manage the process effectively, including taking requisite reforms.

240. Much more remains to be done to make trade policy an effective tool for growth in the poorest countries. While the Integrated Framework has helped to increase the knowledge base and strengthen dialogue on trade policy issues, the lessons from diagnostics are entering PRS more slowly, because of the limited capacity and inadequate follow-up in poor countries.

Encouraging Regional Integration

241. With its global reach, IDA is well positioned to help address those cross-border challenges of greatest relevance to poor countries, such as ensuring clean and sustainable regional water resources and preventing the spread of infectious disease. From an individual country perspective, there can be considerable advantage to working with regional partners, but the hurdles to doing so in an effective and efficient way also need to be overcome. This is particularly true in Africa, where it is evident that working on a regional basis can help to leverage the efforts of numerous countries in order to achieve greater economies of scale. A separate funding envelope was established during IDA13 to pilot the IDA Regional Projects program.[171] The pilot allowed for up to US$450 million per year of financing to be set aside for regional projects in FY04 and FY05, with additional funds provided in FY06 under IDA14. This pilot program is to be reviewed and evaluated for its merits as part of the IDA14 midterm review process, to help the IDA Deputies determine whether any changes to the program are needed.

242. The Regional Projects pilot requires that individual IDA country allocations cover one-third of regional project costs that could be attributed to each country, so as to ensure that any proposed regional effort has real ownership from the countries involved. To increase the incentives for countries to work in concert with regional partners (usually neighboring countries), the remaining two-thirds of the project costs are allocated from the separate funding envelope. This approach allows IDA to recognize the significant cross-border benefits involved in regional projects, by providing additional funding for working regionally, while maintaining an important link with the PBA system.

[169] IMF and World Bank. 2005d. "Trade Progress Report: Doha Development Agenda and Aid for Trade." SecM2005-0450. Washington, DC.
[170] Aksoy, M. Ataman, and John C. Beghin, eds. 2005. *Global Agricultural Trade and Developing Countries*. Washington, DC: World Bank.
[171] IDA. 2003h. "Pilot Program for Regional Projects." IDA/SecM2003-0532. World Bank Resource Mobilization Department. Washington, DC.

243. In FY04 and FY05 combined, US$638 million in regional projects were approved, including one IDA guarantee operation (US$421 million in FY04 and US$217 million in FY05). During the IDA13 period, 88 percent of the regional projects were in Africa, 11 percent in Europe and Central Asia and 1 percent in Latin America and the Caribbean. The projects covered a range of sectors, primarily energy, and regional HIV/AIDS projects.

244. In FY04, all the regional projects approved were in Africa. A US$178.6 million first phase of the Southern Africa Power Market Project was approved, to connect the electricity grid of the Democratic Republic of Congo to Zambia, and eventually to connect all the Southern African countries to a regional energy market. The second largest project was the West African Economic and Monetary Union Capital Market Development Project, with US$96.4 million in IDA financing, and US$70 million in IDA guarantees (with additional financing, total resources for the project came to more than US$400 million). The project provided financing through the West African Development Bank to improve the financial sectors for its eight members. In addition, two small regional HIV/AIDS projects were approved on grant terms in the Africa region.

245. In FY05, the level of regional project lending was significantly below the originally approved envelope, primarily due to resource constraints that arose in the last year of the IDA13 replenishment. In FY05, the largest regional project was the Africa Emergency Locust Project, which provided emergency funding to seven affected African Countries. Energy projects accounted for most of the lending in FY05, including funding for the West Africa Power Market Development Project, and two Adaptable Program credits for Albania and Serbia and Montenegro under the strategy of the Energy Community of South East Europe. Four regional HIV/AIDS project were also approved, including the ARCAN Project for Tanzania, Kenya and Ethiopia, the Great lakes Initiative on HIV/AIDS, the Central Asia AIDS control project, and the Central America AIDS program. Finally a small supplement was approved for the Regional Trade Facilitation project, a regional project originally approved prior to the availability of a regional pilot program for Africa.

246. Early experience from the pilot program is encouraging, since the demand from IDA countries for collaborative approaches across country borders has increased and the pipeline of projects is strengthening. However, preparation of regional projects was relatively slow, and their disbursements by the end of IDA13 were also low (at about US$25 million), showing the difficulty of working on a regional basis. Lessons from the Bank's previous experiences with regional projects and the increased attention being given to regional projects are yielding some results in improving implementation performance. While efforts are underway to review individual projects and accelerate implementation, the midterm review of IDA14 will focus on the steps necessary to improve project performance overall.

5.6 Reducing Poverty through Global Public Goods

247. With the IDA13 replenishment, donors agreed to five areas for increased IDA collaboration with partners on global programs and global public goods: communicable disease, environmental commons, economic governance and financial stability, trade integration, and the knowledge revolution. In these areas, the World Bank is in a good position to provide policy advice, serve as a catalyst of funds from other donors, and act as a contributor, coordinator, implementation partner and financial manager among partners.

248. The amount of Bank disbursements and expenditures associated with global programs and partnerships increased from an estimated US$1.0 billion in FY03 to US$2.1 billion in FY05. Of this

amount, health, nutrition and population financing rose from approximately US$194 million in FY03 to US$1.1 billion in FY05, primarily through GFATM. Disbursements and expenditures associated with environmental initiatives rose from US$498 million to US$658 million, driven primarily by growth in GEF and carbon fund activities.

249. IDA encourages global initiatives that serve the interests of both poor countries and the global community. The Bank supports these programs in a number of ways, such as through acting as trustee for several multi-donor programs for global public goods – including major global initiatives such as the GFATM and GEF. In the case of GFATM, the Bank played a key role in setting up the fund in 2002, and has since continued its involvement, working, for example with the Global Alliance for Vaccines and Immunization, the OECD, bilateral donors and beneficiary countries to establish procedures for performance-based disbursements of GFATM's resources.

250. With some types of global programs, it has been more appropriate for IDA to increase its involvement in other ways. Of particular note is IDA's role in the global campaign for final eradication of polio (Box 4). Also, though disbursements and expenditures under global programs and partnerships for economic policy, public sector governance and financial management increased from US$33.8 million in FY03 to US$70.8 million in FY05, this level of financial support was significantly less than spending on global health and environmental programs. In these areas, most of the Bank's work is focused on country-level processes and systems, where reforms can be most effective. The Bank does work in close partnership with others at the country level, for instance conducting joint analytical work with other donors (Section 1.3), working with the IMF in the Financial Sector Assessment Program (Section 4.2), with the RMDBs on performance-based allocation of resources (Section 3.3), and with the IMF, other MDBs, the European Commission and donors in PEFA (Section 4.2).

251. A similar approach is taken with respect to trade integration, for example with the Bank working with the IMF, UN agencies, and WTO through the Integrated Framework for Trade-Related Technical Assistance described in Section 5.5. The Bank has also strengthened its efforts to share and promote effective use of knowledge for development through analytical work. For example, during IDA13, the Bank conducted business environment and investment climate studies with the European Bank for Reconstruction and Development and the Asian Development Bank in common countries, and has worked together with the African Development Bank in Nile River Basin management efforts and a joint regional water sector study. The Bank has also managed the global grant program Information for Development (*info*Dev), prepared Knowledge Economy studies, tools, and advice, and expanded its Global Development Learning Network, an initiative of distance learning centers which grew from 11 affiliates from its start in IDA12 to over 70 affiliates at the end of IDA13.

252. As emphasized in *Working Together at the Country Level: the Role of IDA*, prepared for the IDA14 replenishment discussions, global public goods raise difficult issues for the aid community, including tensions between country-driven priorities and global objectives. While there are many positive examples of IDA participation or leadership in global programs, there is also a continuing need to balance global and country level programs within the international development architecture. IDA priorities are clearly on country-focused, and increasingly country-driven, development. Global programs can play a helpful role in some areas – for example in combating disease pandemics or cross-border environmental degradation. However, IDA can "most usefully contribute policy advice and dialogue to help ensure stronger and more productive linkages between global action and poor countries' priorities…encouraging global initiatives which have potentially big pay-offs for both poor countries and the global community."[172]

[172] "Working Together at the Country Level: the Role of IDA," op cit.

6. IDA13: CHALLENGES GOING FORWARD

253. The thirteenth replenishment of IDA provided an unprecedented level of new financing to support the international effort to reduce poverty and achieve the MDGs in the poorest countries of the world. An enhanced program of analytical and advisory support, driven increasingly by country priorities, was provided to IDA countries to strengthen efforts as well. The period was notable for the improving quality of IDA's work, though there is clearly scope for continued improvement.

254. IDA13 was an important time to sharpen the focus of the operational framework of IDA, in line with the global commitments of the Monterrey Consensus. A major emphasis of the period was consolidation of the country-driven model of development as the basis for IDA assistance. Considerable progress was made in this area, with a much greater number of IDA countries identifying their own development priorities and taking ownership of the PRS process. The PRS approach and other initiatives have strengthened the focus on mutual accountability between the aid community and developing countries, providing new impetus for improved aid effectiveness and for both achieving, and measuring, development results.

255. While there is considerable positive news to report, and clear evidence that the historic consensus reached in Monterrey is translating into increased resources for poverty reduction, improved aid effectiveness and measurable progress in many countries – neither IDA nor the rest of the international community are where they need to be. Progress towards reducing poverty and improving the lives of the *billions* of people that would benefit from achieving the MDGs, needs to be greatly accelerated, particularly in Africa.

256. As highlighted in this Retrospective, numerous challenges came into clearer focus during the IDA13 period. Important among them is the need to ensure that economic growth is further accelerated in the poorest countries, with the private sector, trade, investment and provision of infrastructure helping to drive that growth. Sustained economic and structural reforms on the part of governments, including improvements in governance, are essential if countries are to improve their economic performance and their ability to provide basic services to their citizens.

257. For IDA to help countries overcome these challenges, it will need to sustain recent improvements in the quality of its own work and enhance quality further (e.g., strengthening timely delivery of IDA's analytic and advisory support), to maximize the positive impact of IDA resources. And while considerable effort went into developing the results framework of IDA, strong implementation, through new tools such as the results-based CAS, will be key to ensuring that the activities undertaken by IDA are focused to the greatest extent possible on supporting achievement of country development outcomes.

258. Implementation issues will also continue to be central to the PRS process. The PRS process has now become widespread in IDA countries, and there is evidence that PRSPs are helping to put poverty reduction at the center of public debate, increasing expenditures for poverty programs and improving donor coordination. However, the process is a major challenge to low-income countries, which often do not have the institutions and capacity for such a comprehensive undertaking. Going forward, greater attention to prioritizing and sequencing actions will need to be emphasized. Substantial improvement is also needed in building statistical capacity, to provide the information required for effective monitoring of PRSPs, results and progress towards the MDGs.

259. Working with fragile states and countries emerging from conflict will continue to be a concern for IDA. Engaging with these countries remains an uncertain and risky undertaking, but can also produce considerable returns, witness Sierra Leone's successful transition to peace. Over the past two

replenishment periods there has been considerable innovation that allows for a flexible and substantial response from IDA, in particular in post-conflict countries. Going forward IDA will continue to support the efforts of these countries to resume social and economic development, while recognizing that this involves complex judgments regarding the level, timing and composition of IDA's involvement, as well as the strong and concerted backing of the international community.

260. Though there has been progress on the harmonization and alignment agenda, and the PBA ensures selectivity in IDA's resource allocations, it is clear that much more can be done. Pushing ahead on the harmonization and alignment agenda will help to reduce the duplication and complexity of working with many different donors and vertical global programs, currently faced by developing countries. Given the prospect of increases in bilateral aid post-Monterrey, the capacity of already over-burdened ministries in low-income countries may be further stretched. Hence, the harmonization and alignment agenda will require strong implementation efforts to meet the commitments made in the last few years by the donor community. Within the World Bank, it will require that staff have the appropriate incentives, time and resources to work closely together with others as well.

261. Lastly, one of the major challenges will be maintaining IDA's own financial strength and capacity to respond. While the internal resources of IDA, including credit reflows, provided a sizeable share of the new IDA financing to poor countries during IDA13, the availability of credit reflows to support future IDA replenishments cannot be taken for granted. The MDRI, which was approved by IDA shareholders in the Spring of 2006, will cause IDA to write off about 25 percent of its credit assets. Combined with the HIPC Initiative, IDA credits will be reduced by more than one third. This will have a substantial negative impact on the availability of IDA credit reflows to support future replenishments.

262. The IDA donors have committed to replace, over time, IDA's forgone credit reflows due to debt relief under the HIPC Initiative and the MDRI. For the MDRI in particular, a separate IDA replenishment has been established, involving multi-year donor pledges. However, debt relief initiatives, combined with the impact from forgone credit reflows from the provision of IDA grants, will significantly increase the dependence of IDA and its poor client countries on the future ability and willingness of donor countries to provide new financing for economic development and poverty reduction, via multilateral development assistance. Over time, the trends of today could impact IDA's role in the global aid architecture, affecting in turn both the predictability of aid and IDA's ability to provide the country level and global services that both donors and developing countries have come to expect.

263. The many challenges of IDA13 have already carried forward into IDA's current replenishment. In IDA14, the Deputies emphasized five special themes for IDA's work, which echo several of them. They are: (i) accelerating growth in IDA countries; (ii) private sector development; (iii) allocating grant financing in IDA countries as a means to ensure debt sustainability; (iv) implementing the IDA14 RMS; and (v) continuing to improve how IDA works with partners.

Financing of IDA13

1. Discussions for the thirteenth replenishment of IDA began about a year and a half before the start of the IDA13 period. Representatives of 39 donor governments[1] (including Singapore as a new donor in IDA13), the IDA Deputies, and representatives of borrowing countries from different regions met six times to negotiate the replenishment. Among the issues discussed at these meetings were the policy framework of the replenishment as well as the size and relative burden sharing among donors. These discussions are embodied in the IDA13 Deputies Report, which was approved by IDA's Executive Directors on July 25, 2002. Subsequently, IDA's Executive Directors forwarded this report, together with a draft Resolution authorizing the increase in IDA resources, to the Board of Governors for adoption. The Board of Governors adopted the IDA13 Resolution on September 29, 2002.

2. To ensure that most of the donor financing, including contributions by major donors, is in place on time, the IDA13 Resolution provides for an effectiveness condition. This condition, met on April 8, 2003, states that IDA should receive Instruments of Commitment from donors whose contributions amount to 60 percent of total donor contributions. However, some donors agreed that a share of their contributions could be used before the replenishment became effective. To permit donors to make their contributions at an early stage, the IDA13 Resolution also provided for an advance contribution scheme which would become effective upon receipt of Instruments of Commitment accounting for 20 percent of total donor contributions. This advance contribution scheme became effective on December 13, 2002.

3. The original IDA13 financing framework was based on total resources amounting to SDR18.1[2] billion (about US$22.9 billion, using the official exchange rate of US$1.26502 to SDR1, agreed by the donors for replenishment purposes.) Of this amount, new contributions from donors were expected to be SDR10.0 billion, or 55 percent of the total IDA13 financing – and a higher level of donor contributions than the SDR8.6 billion provided during IDA12. Internal resources – essentially the repayments by IDA borrowers for past credits and income from investments – provided about SDR7.3 billion (40 percent of the total financing framework.) The framework also included SDR0.7 billion (4 percent of the total) in transfers from the net income of IBRD, and a small carry-over from IDA12 of SDR0.1 billion.

4. Within the original financing framework, the SDR10.0 billion of projected donor contributions included a financing gap of SDR0.3 billion, that the donors had hoped to fill during IDA13. Ultimately, the donors were unable to finance this structural gap by the end of the IDA13 period. As a result, total donor contributions amounted to SDR9.7 billion. In addition, within that SDR9.7 billion, about SDR0.3 billion did not become available in time for commitment during IDA13, bringing the total donor contributions available for commitment to SDR9.4 billion. This SDR0.3 billion was carried-over to support IDA14 commitments, and mainly reflects unpaid donor contributions by the United States (US$328 million), plus a share of contributions from other donors that exercised their right to withhold a portion of their contributions in proportion to the payment shortfall of the United States. As a result, the net resources available for commitment during the IDA13 period amounted to SDR17.6 billion (Table 1). Given the reduced resources available for commitment and the heavy demand for IDA financing towards the end of IDA13, three projects – with total financing needs of about SDR0.3 billion – received conditional approval from IDA until the funds could be made available in IDA14.

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1 Not all donor countries listed in Table 2 attended the replenishment meetings.

2 IDA financing is denominated in Special Drawing Rights, or SDRs, comprised of various donor currencies.

Table 1: IDA13 Funding Sources - SDR billions 1/

	Original Framework	Actual Outcome
Donor contributions		
From current replenishment	10.0	9.4
Carry-over from IDA12	0.1	0.2
Total donor contributions	10.1	9.6
Internal resources	7.3	7.3
IBRD transfers	0.7	0.7
Total funding	**18.1**	**17.6**

1/ Valued at historical exchange rates agreed for IDA13 replenishment

5. At the end of IDA13, resources from thirty-six[3] donor countries were received (Table 2).[4] Several countries increased their basic shares from those in IDA12. These include Iceland (a 33 percent increase), Norway (7 percent), Spain (29 percent), and the United Kingdom (39 percent).

6. ***Financing Grants.*** The IDA13 grants program has had a direct impact on IDA finances. Provision of grants entails lost credit reflows to IDA from forgone principal repayments and charge income. This can adversely affect IDA's ability to finance poverty reduction programs and assist countries into the future. To safeguard IDA's financial strength, the Deputies agreed to fully compensate IDA for the cost of IDA13 grants as follows: (i) forgone principal reflows (repayments) will be financed as they arise, i.e., on a pay-as-you-go basis; and (ii) charge income will be financed in present value terms through an upfront contribution of SDR470 million during the IDA14 period[5], determined based on a 5 percent discount rate[6] and an assumed IDA13 commitment authority size of SDR17.5 billion.

7. There are risks associated with these safeguard measures. Most importantly, there is inherent uncertainty about the level of future donor contributions to IDA which are needed to cover forgone principal reflows from IDA13 grants. The losses from principal reflows for IDA13 grants total about SDR3.5 billion over a 40-year period in nominal terms. If these funds are not provided, the amount of resources available from IDA for poverty reduction programs will be lowered in future replenishments. Even if donors provide these funds over time, there is no assurance that these contributions will be additional to donors' regular contributions to IDA in future replenishments. While donors have recently agreed to a baseline for their future financial support to IDA, at the level of regular donor contributions in IDA14 in real SDR terms, this benchmark applies to the replacement of IDA's forgone credit reflows from debt relief under the Multilateral Debt Relief Initiative (MDRI). Whether the voluntary baseline would also apply in the context of IDA13 grant financing is uncertain.

8. Because of IDA13 grants, IDA will also forgo some SDR0.7 billion of charge income in nominal terms over 40 years. The donors' firm commitment to provide SDR470 million to cover this cost may or may not achieve full financial compensation of IDA over time, depending on future market interest rates and IDA's ability to productively invest the upfront liquidity provided by donors. Unless otherwise recuperated, any shortfalls would have to be covered with IDA's internal resources – further reducing IDA's capacity to finance poverty reduction programs into the future.

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3 Argentina, Barbados and Mexico did not participate in IDA13. The Bahamas and Venezuela are not yet IDA members.
4 Table 2 shows donor contributions as negotiated and agreed during the IDA13 replenishment meetings.
5 The United Kingdom's share of financing foregone charges on IDA13 grants, including the structural gap on such financing, resulted in a total contribution of SDR91.7 million and was provided as part of its IDA13 contribution.
6 The 5 percent discount rate is a proxy for the long-term rate of return of investment on IDA's liquid assets.

Table 2: Contributions to the Thirteenth Replenishment

Contributing Members	Basic Contributions (%)	Basic Contributions SDR Million	Supplemental SDR Million	Incentive SDR Million	Total Contributions SDR Million	Exchange Rates (NC /SDR) **	IDA13 NC Million
Argentina a/	0.05%	5.00			5.00	1.26451	6.32
Australia	1.46%	146.01			146.01382	2.46552	360.00
Austria	0.78%	78.16			78.16	1.43546	112.19
Bahamas, The	0.009%	0.90			0.90	1.25339	1.13
Barbados	0.002%	0.20			0.20	2.51723	0.50
Belgium	1.55%	155.31			155.31	1.43546	222.50
Brazil a/	0.61%	61.12			61.12	3.04319	186.01
Canada	3.75%	375.75	27.05		402.80	1.95189	690.40
Czech Rep.	0.05%	5.01			5.01	49.04147	245.70
Denmark	1.58%	158.32			158.32	10.69731	1,693.56
Finland	0.60%	60.12			60.12	1.43546	86.30
France	6.00%	601.20			601.20	1.43546	863.00
Germany	10.30%	1,032.23			1,032.23		1,032.23
Greece	0.12%	11.59			11.59	1.43546	16.64
Hungary	0.06%	5.95			5.95		5.95
Iceland	0.04%	4.01			4.01	126.13175	505.54
Ireland	0.18%	18.04	16.80		34.83	1.43546	50.00
Israel	0.10%	10.02			10.02	5.31981	53.30
Italy	3.80%	380.76			380.76	1.43546	546.57
Japan	16.00%	1,603.29			1,603.29	154.58522	247,844.40
Korea	0.91%	91.18			91.18	1644.84532	149,980.29
Kuwait	0.14%	14.03			14.03	0.38833	5.45
Luxembourg	0.10%	10.02			10.02	1.43546	14.38
Mexico a/ b/	0.05%	5.01			5.01		5.01
Netherlands	2.60%	260.52			260.52	1.43546	373.97
New Zealand	0.12%	12.02			12.02	3.03567	36.50
Norway	1.52%	152.30	*21.14* e/		173.44	11.49853	1,751.27
Poland a/	0.03%	3.01			3.01	5.19579	15.62
Portugal	0.20%	20.04			20.04	1.43546	28.77
Russia b/	0.08%	8.00	12.00		20.00		20.00
Saudi Arabia c/	0.39%	39.53			39.53	1.26502	50.00
Singapore c/	0.14%	14.03			14.03	1.26502	18.00
Slovak Republic a/	0.01%	1.32			1.32	61.88745	81.85
South Africa	0.08%	8.02			8.02	10.36596	83.09
Spain	1.80%	180.36			180.36	1.43546	258.90
Sweden	2.62%	262.52			262.52	13.29035	3,489.04
Switzerland	2.43%	243.49			243.49	2.17960	530.70
Turkey b/	0.09%	9.02			9.02		9.02
United Kingdom	10.14%	1,016.21			1,016.21	0.88564	900.00
United States	20.12%	2,015.78		237.15	2,252.93	1.26502	2,850.00
Venezuela a/ b/	0.03%	3.01			3.01		3.01
Sub-total	90.64%	9,082.40	55.85	237.15	9,375.40		
Supplemental contributions with attribution d/	0.56%	55.85					
Supplemental contributions without attribution	3.43%	343.88			343.88		
Unallocated gap	5.37%	537.88			300.73		
Total donor contributions	100.00%	10,020.00	55.85	237.15	10,020.00		
Memo item: Contribution from IDA12 carry-over for long-term cost of grants f/		100.00			100.00		

a/ Not yet in a position to commit, figure is indicative.
b/ Contributions of countries with inflation rates greater than 10% per annum during 1998-2000 will be denominated in SDRs.
c/ Assuming contributions denominated in USD.
d/ Supplemental contributions through accelerated encashments and/or additional contributions.
e/ Supplemental contributions through accelerated encashments and/or additional contributions to finance potential additional needs of up to SDR2.0 billion. Does not count towards filling the unallocated gap.
f/ Preliminary indications have been received from some donors of willingness to contribute to an agreed mechanism to meet the long-term cost of grants. The United Kingdom has indicated of willingness to provide up to GBP 100 million (SDR 112.9 million) dependent on the design and funding requirements of the scheme which may be agreed during the mid-term review.
* * Exchange rate averaging period April 1 to September 30, 2001.
Note: Details do not add up due to rounding.

Countries Eligible to Receive IDA Financing During IDA13 [f/]

Africa

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

East Asia and the Pacific

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

South Asia

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

Europe and Central Asia

- Albania
- Armenia
- Azerbaijan [b/]
- Bosnia and Herzegovina [b/]
- Georgia
- Kyrgyz Republic
- Moldova
- Tajikistan
- Uzbekistan [b/]
- Serbia and Montenegro [b/]

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/]

a/ Small island economy exception.

b/ "Blend Countries", which qualified for both IBRD and IDA.

c/ On June 1, 2005, Nigeria was reclassified from a blend country to an IDA-only country.

d/ Kiribati was treated as a small island economy exception in FY03 and FY04 but not in FY05 since its GNI/capital was less than the IDA operational cutoff.

e/ Inactive countries.

f/ This list does not include Kosovo, which is under United Nations interim administration and was eligible for IDA post conflict grants in IDA13.

Table 1. IDA13 Commitments by Country [a/]

Region	Country	2003 Population (million)	Number of Operation	FY03-05 Commitments (US$ million) Dev. Pol. Ops.	Investment	Total
Africa						
	Africa	NA	8	-	468	468
	Angola	14	5	-	176	176
	Benin	7	4	60	95	155
	Burkina Faso	12	10	205	211	416
	Burundi	7	5	54	169	223
	Cameroon	16	4	3	116	119
	Cape Verde	0.5	3	19	31	50
	Chad	9	6	65	140	205
	Comoros	1	1	-	13	13
	Congo, Democratic Republic of	53	8	200	1,132	1,332
	Congo, Republic of	4	4	-	110	110
	Eritrea	4	3	-	134	134
	Ethiopia	69	14	250	924	1,174
	Gambia, The	1	-	-	4	4
	Ghana	20	10	250	444	694
	Guinea	8	4	-	81	81
	Guinea-Bissau	1	2	-	14	14
	Kenya	32	9	0.5	495	495
	Lesotho	2	3	-	40	40
	Madagascar	17	7	125	460	585
	Malawi	11	9	50	250	300
	Mali	12	6	40	167	207
	Mauritania	3	5	-	138	138
	Mozambique	19	7	180	288	468
	Niger	12	6	105	105	210
	Nigeria	136	10	-	881	881
	Rwanda	8	6	150	96	246
	Sao Tome and Principe	0.2	2	-	12	12
	Senegal	10	7	75	122	197
	Sierra Leone	5	8	45	151	196
	Tanzania	36	11	432	624	1,057
	Uganda	25	9	450	474	924
	Western Africa	NA	1	-	40	40
	Zambia	10	6	40	228	268
	Subtotal		**203**	**2799**	**8,831**	**11,630**
East Asia and the Pacific						
	Cambodia	13	7	-	167	167
	Indonesia	214	-	-	437	437
	Lao People's Democratic Republic	6	6	10	84	94
	Mongolia	2	4	-	44	44
	Samoa	0.2	3	-	22	22
	Timor-Leste	1	2	9	0	9
	Tonga	0.1	2	-	12	12
	Vietnam	81	16	300	1,397	1,697
	Subtotal		**40**	**319**	**2,163**	**2,482**

Region	Country	2003 Population (million)	Number of Operation	FY03-05 Commitments (US$ million) Dev. Pol. Ops.	Investment	Total
South Asia						
	Afghanistan	29	15	80	713	793
	Bangladesh	138	14	600	1,081	1,681
	Bhutan	1	3	-	44	44
	India	1064	13	150	2,707	2,857
	Maldives	0.3	2	-	30	30
	Nepal	25	11	70	347	417
	Pakistan	148	14	780	748	1,528
	Sri Lanka	19	11	125	486	611
	Subtotal		**83**	**1805**	**6,157**	**7,962**
Europe and Central Asia						
	Albania	3	9	28	135	163
	Armenia	3	9	60	105	165
	Azerbaijan	8	8	20	123	143
	Bosnia and Herzegovina	4	9	85	92	177
	Central Asia	NA	1	-	25	25
	Georgia	5	7	24	122	146
	Kosovo [b/]	NA	7	5	25	30
	Kyrgyz Republic	5	8	20	77	97
	Moldova	4	7	-	99	99
	Serbia and Montenegro	8	19	238	226	464
	Tajikistan	6	4	-	59	59
	Uzbekistan	26	1	-	65	65
	Subtotal		**89**	**480**	**1,152**	**1,632**
Middle East and North Africa						
	Djibouti	1	2	-	29	29
	Yemen, Republic of	19	7	-	387	387
	Subtotal		**9**	**0**	**417**	**417**
Latin America and the Caribbean						
	Bolivia	9	7	115	62	177
	Caribbean Region	NA	1	-	9	9
	Central America	NA	1	-	8	8
	Dominica	0.1	1	3	0	3
	Grenada	0.1	-	-	12	12
	Guyana	1	3	12	15	27
	Haiti	8	3	61	14	75
	Honduras	7	10	151	118	269
	Nicaragua	5	7	85	69	154
	OECS Countries	NA	-	-	1	1
	St. Lucia	0.2	-	-	11	11
	St. Vincent and the Grenadines	0.1	-	-	7	7
	Subtotal		**33**	**427**	**325**	**752**
Total			**457**	**5,830**	**19,046**	**24,876**

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

a/ Excludes IDA Guarantees for Vietnam $75 million in FY03; IDA Guarantee for WAEMU -- Africa Regional operation for $70 million in FY04, and IDA Guarantee for Ghana West African Gas Pipeline Project ($50 million), Lao Nam Theun 2 Hydroelectric Project ($42 million), Senegal Electricity Sector Project ($7.2 million) and Sierra Leone Bumbuna Hydro Electric Project ($38 million). Includes India recommitments of $410 million and Maldives recommitments of $12 million in FY05.
b/ Kosovo is under United Nations interim administration.

Table 2. Sectoral Distribution of IDA12 and IDA13 Commitments [a/]

	IDA12		IDA13	
	US$m	**Share of Total**	**US$m**	**Share of Total**
Development Policy Operations				
Agricultural, Fishing, and Forestry	183	4%	309	5%
Education	332	7%	781	13%
Energy and Mining	581	12%	229	4%
Finance	498	10%	511	9%
Health and Other Social Services	311	6%	793	14%
Industry and Trade	756	15%	514	9%
Information and Communications	49	1%	96	2%
Public Administration, Law and Justice	2,075	42%	2,404	41%
Transportation	109	2%	53	1%
Water, Sanitation, and Flood Protection	54	1%	140	2%
Total	**4,950**	**100%**	**5,830**	**100%**
Investment Operations				
Agricultural, Fishing, and Forestry	1,138	8%	1,587	8%
Education	1,332	9%	2,288	12%
Energy and Mining	1,458	10%	1,714	9%
Finance	1,050	7%	807	4%
Health and Other Social Services	2,737	19%	3,144	17%
Industry and Trade	545	4%	785	4%
Information and Communications	73	1%	173	1%
Public Administration, Law and Justice	2,581	18%	3,400	18%
Transportation	2,059	14%	3,284	17%
Water, Sanitation, and Flood Protection	1,266	9%	1,864	10%
Total	**14,239**	**100%**	**19,046**	**100%**
Total Commitments				
Agricultural, Fishing, and Forestry	1,321	7%	1,897	8%
Education	1,665	9%	3,069	12%
Energy and Mining	2,040	11%	1,942	8%
Finance	1,548	8%	1,318	5%
Health and Other Social Services	3,048	16%	3,937	16%
Industry and Trade	1,300	7%	1,300	5%
Information and Communications	122	1%	269	1%
Public Administration, Law and Justice	4,656	24%	5,804	23%
Transportation	2,168	11%	3,336	13%
Water, Sanitation, and Flood Protection	1,320	7%	2,004	8%
Total	**19,189**	**100%**	**24,876**	**100%**

a/ Excludes IDA Guarantees.

Table 3. Detailed Sector Breakdown of IDA13 Commitments by Fiscal Year [a/ b/]
(US$ million)

	IDA12	FY03	FY04	FY05	IDA13	% Change IDA12 to IDA13
Agricultural, Fishing, and Forestry	1,321	658	769	469	1,897	44%
Social Sectors	**4,713**	**2,402**	**2,406**	**2,197**	**7,006**	**49%**
Education	1,665	1,023	1,160	885	3,069	84%
Health and Other Social Services	3,048	1,379	1,246	1,312	3,937	29%
Infrastructure Sectors	**5,650**	**2,161**	**2,832**	**2,559**	**7,552**	**34%**
Energy and Mining	2,040	515	620	807	1,942	-5%
Information and Communications	122	66	77	126	269	121%
Transportation	2,168	1,031	1,239	1,066	3,336	54%
Water, Sanitation, and Flood Protection	1,320	549	896	559	2,004	52%
Finance	1,548	348	584	385	1,318	-15%
Industry and Trade	1,300	343	183	774	1,300	0%
Public Administration, Law and Justice	4,656	1,370	2,260	2,174	5,804	25%
Total	**19,189**	**7,283**	**9,034**	**8,559**	**24,876**	**30%**

a/ Excludes IDA Guarantees.
b/ Every IDA-financed operation is classified along both sectoral and thematic dimensions in World Bank systems, with sectors indicating the parts of the economy that receive World Bank support, and themes corresponding to the goals/objectives of the activities. This report focuses primarily on the sector classification. However the thematic classification is included in discussions of important areas of cross-sectoral emphasis from IDA (e.g., public sector governance, social protection and risk management and environment and natural resource management).

Table 4. IDA12 and IDA13 Commitments by Theme [a/]
(US$ million)

Major Theme	IDA12	IDA13	% Change IDA12 to IDA13
Economic Management	646	445	-31%
Public Sector Governance	3,128	3,990	28%
Rule of Law	370	287	-23%
Financial and Private Sector Development	3,620	3,865	7%
Trade and Integration	553	924	67%
Social Protection and Risk Management	1,416	2,060	45%
Social Development, Gender, and Inclusion	2,488	2,491	0%
Human Development	2,133	4,656	118%
Urban Development	1,245	1,417	14%
Rural Development	2,547	3,328	31%
Environment and Nature Resources Management	1,044	1,413	35%
Total	**19,189**	**24,876**	30%

a/ Excludes IDA Guarantees.

Table 5. Grant usage by Theme and Grant Eligibility Category (in percent)

Sector	Post- conflict countries	Debt-vulnerable countries	Poorest countries
Health, nutrition and population	13.3	0.9	12.8
Social development	5.1	3.2	0.6
Social protection	14.8	5.6	14.8
Poverty reduction	13.6	15.3	0.0
Water supply and sanitation	3.0	7.0	7.1
Education	9.2	4.8	21.1
Transport	10.2	12.3	3.9
Public sector governance	5.7	25.2	21.0
Rural sector	16.0	7.1	3.4
Energy and mining	1.9	4.3	4.1
Urban development	6.3	0.6	0.0
Environment	0.0	2.5	4.9
Economic policy	0.4	2.2	0.0
Financial sector	0.0	0.0	0.9
Private sector development	0.5	9.1	5.5
Total	100.0	100.0	100.0

Source: World Bank staff calculations.

Table 1. IDA Disbursements by Region and Instrument [a/]

	IDA12		IDA13 [b/]		% Change IDA12 to IDA13
	US$m	Share of Total	US$m	Share of Total	
Africa	**6,648**	**38%**	**10,529**	**46%**	**58%**
Development Policy Operations	2,222	33%	3,784	36%	
Investment Operations	4,426	67%	6,745	64%	
East Asia and the Pacific	**2,098**	**12%**	**2,316**	**10%**	**10%**
Development Policy Operations	133	6%	437	19%	
Investment Operations	1,965	94%	1,879	81%	
South Asia	**6,024**	**35%**	**6,823**	**30%**	**13%**
Development Policy Operations	1,230	20%	1,843	27%	
Investment Operations	4,794	80%	4,980	73%	
Europe and Central Asia	**1,242**	**7%**	**1,654**	**7%**	**33%**
Development Policy Operations	562	45%	700	42%	
Investment Operations	679	55%	954	58%	
Middle East and North Africa	**471**	**3%**	**514**	**2%**	**9%**
Development Policy Operations	85	18%	6	1%	
Investment Operations	387	82%	509	99%	
Latin America and the Caribbean	**787**	**5%**	**1,085**	**5%**	**38%**
Development Policy Operations	79	10%	392	36%	
Investment Operations	708	90%	693	64%	
Total	**17,269**	**100%**	**22,922**	**100%**	**33%**
Development Policy Operations	4,311	25%	7,162	31%	
Investment Operations	12,958	75%	15,760	69%	

a/ Excludes IDA guarantees.

b/ Adjusted for IDA HIPC developmental grants, HIPC Debt services and Bosnia Trust Fund disbursements in the earlier fiscal years.

Table 2. IDA Disbursements by Sector
(US$ million)

Sector	IDA12	IDA13
Agriculture, Fishing and Forestry	1,939	1,864
Social Sectors	**5,064**	**6,894**
Education	2,044	2,649
Health and other Social Services	3,020	4,245
Infrastructure Sectors	**4,619**	**5,803**
Energy and Mining	1,462	1,608
Information and Communication	111	182
Transportation	1,985	2,686
Water, Sanitation and Flood Protection	1,062	1,327
Finance	958	1,646
Industry and Trade	1,012	1,172
Public Administration, Law and Justice	3,677	5,527
Others c/	0	15
Total	**17,269**	**22,922**

a/ Excludes IDA guarantees.
b/ Adjusted for HIPC developmental grants, HIPC Debt services, and Bosnia Trust Fund disbursements in the earlier fiscal years.
c/ Includes unassigned activities.

* Disbursement figures by sector are estimates based on the sectoral composition of project commitments as assigned prior to Board approval. They may not reflect actual disbursements to each sector.

Table 3. IDA Portfolio By Region
(US$ million)

	End IDA12		End IDA13	
Region	**Net Commitments** [a/]	**As % of total**	**Net Commitments**	**As % of total**
Africa	14,967	40%	16,289	42%
East Asia and the Pacific	6,706	18%	6,181	16%
Europe and Central Asia	2,436	6%	2,481	6%
Latin America and the Caribbean	1,545	4%	1,440	4%
Middle East and North Africa	1,252	3%	1,099	3%
South Asia	10,954	29%	11,413	29%
Total	**37,860**	100%	**38,902**	100%

Table 4. IDA Portfolio By Sector
(US$ million)

	End IDA12		End IDA13	
Sector	**Net Commitments**	**As % of total**	**Net Commitments**	**As % of total**
Agriculture, Fishing and Forestry	4,549	12%	3,581	9%
Social Sectors	**11,046**	**29%**	**11,555**	**30%**
Education	4,196	11%	4,446	11%
Health and Other Social Services	6,850	18%	7,109	18%
Infrastructure Sectors	**11,857**	**31%**	**13,660**	**35%**
Energy and Mining	3,059	8%	3,834	10%
Information and Communications	231	1%	321	1%
Transportation	5,632	15%	5,977	15%
Water, Sanitation, and Flood Protection	2,936	8%	3,527	9%
Finance	1,870	5%	1,517	4%
Industry and trade	1,464	4%	1,356	3%
Public Administration, Law and Justice	7,074	19%	7,234	19%
Total	**37,860**	**100%**	**38,902**	**100%**

a/ Total commitments net of cancellations for all IDA projects in the active portfolio.

Table 1. Delivery of Core ESW in IDA Countries (FY01-FY05)

Region	Country	PER	CEM/DPR	CFAA	CPAR	PA
Africa						
	Angola	1		1	1	
	Benin	1		2		1
	Burkina Faso	1		1	2	1
	Burundi			1	1	
	Cameroon	1	1	1	2	1
	Cape Verde	1	1	1	1	1
	Central African Republic					
	Chad	2		1	1	
	Comoros					
	Congo, Democratic Republic	1		1	1	
	Congo, Republic of	1				
	Cote d'Ivoire	1			1	
	Eritrea		1		1	
	Ethiopia	2	1	1	1	1
	Gambia, The	2	1	1	1	
	Ghana	2	1	2	1	
	Guinea	1		1	1	1
	Guinea-Bissau	1				
	Kenya	1	1	1		
	Lesotho		1			
	Liberia					
	Madagascar	1	1	1	1	
	Malawi	1	1	1	1	
	Mali			1	1	1
	Mauritania	1	1	1	1	
	Mozambique	2		1	1	
	Niger	1		1	1	1
	Nigeria	1		2	1	1
	Rwanda	1		1	1	1
	Sao Tome and Principe		1			1
	Senegal	2	1	1	1	1
	Sierra Leone	1		1	1	
	Somalia		1			
	Sudan		2			
	Tanzania	6		1	1	
	Togo		1		1	1
	Uganda	4	1	2	2	1
	Zambia	2	1	1	1	1
	Zimbabwe					
	Sub Total	42	19	30	30	15
East Asia and the Pacific						
	Cambodia	1		1	1	
	Indonesia	3	3	1	1	2
	Kiribati					
	Lao People's Democratic Republic	1	1	1	1	
	Mongolia	1		1	1	1
	Myanmar					
	Papua New Guinea	1			1	1
	Samoa				1	
	Solomon Islands					
	Timor-Leste	1	1	1	1	1

Table 1. Delivery of Core ESW in IDA Countries (FY01-FY05)

Region	Country	PER	CEM/DPR	CFAA	CPAR	PA
	Tonga				1	
	Vanuatu					
	Vietnam		4	2	2	1
	Sub Total	8	9	7	10	6
South Asia						
	Afghanistan					
	Bangladesh	1	1	1		1
	Bhutan			1		
	India	1	1	3	1	1
	Maldives	1		1		
	Nepal		1	1	1	
	Pakistan	2	2	3		1
	Sri Lanka		1	1		1
	Sub Total	5	6	11	2	4
Europe and Central Asia						
	Albania	1	1	1	1	1
	Armenia	1	1	1	1	1
	Azerbaijan	1		1	1	1
	Bosnia and Herzegovina	1	1	1	1	1
	Georgia	1		1	1	1
	Kyrgyz Republic	1	1	1	1	2
	Moldova	1	1	1	1	1
	Serbia and Montenegro	1	3	1	1	1
	Tajikistan	1		1	1	1
	Uzbekistan	1	1	1	1	1
	Kosovo	1	1	1		2
	Sub Total	11	10	11	10	13
Middle East and North Africa						
	Djibouti	1		1	1	
	Yemen, Republic of	1	1	1	1	1
	Sub Total	2	1	2	2	1
Latin America and the Caribbean						
	Bolivia	1		1	1	1
	Dominica	1		1	1	
	Grenada	1				
	Guyana	1	1	1		
	Haiti					
	Honduras	1	1	1	1	
	Nicaragua	1	1	1	1	1
	St. Lucia	1				
	St. Vincent and the Grenadines	1				
	Sub Total	8	3	5	4	2
	Total	76	48	66	58	41

Table 1. Recent Strategy Documents for IDA Countries (Month, Calendar Year)

			Annual Progress Reports				
	I-PRSP	PRSP	APR 1	APR 2	APR 3	APR 4	PRSP II
Africa							
Angola							
Benin	7/00	**6/03**	**6/05**				
Burkina Faso		6/00	12/01	**11/02**	**3/04**	**5/05**	**5/05**
Burundi	**1/04**						
Cameroon	10/00	**7/03**	**5/05**				
Cape Verde	4/02	**1/05**					
Central African Republic	1/01						
Chad	7/00	**11/03**	**6/05**				
Comoros							
Congo, Democratic Republic	6/02						
Congo, Republic of	**12/04**						
Cote D'Ivoire	3/02						
Eritrea							
Ethiopia	3/01	**9/02**	**2/04**	10/05			
Gambia, The	12/00	**7/02**	**4/05**				
Ghana	8/00	**5/03**	**7/04**				
Guinea	12/00	**7/02**	**8/04**				
Guinea-Bissau	12/00						
Kenya	8/00	**5/04**					
Lesotho	3/01	9/05					
Liberia							
Madagascar	12/00	**11/03**	**10/04**				
Malawi	12/00	**8/02**	**10/03**	8/05			
Mali	9/00	**3/03**	**6/04**	12/05			
Mauritania		2/01	6/02	**7/03**			
Mozambique	4/00	9/01	**7/03**	**7/04**	**6/05**		
Niger	12/00	2/02	**11/03**	**3/05**			
Nigeria		11/05					
Rwanda	12/00	**8/02**	**6/04**	**4/05**			
Sao Tome and Principe	4/00	**4/05**					
Senegal	6/00	**12/02**	**12/04**	11/05			
Sierra Leone	9/01	**5/05**					
Somalia							
Sudan							
Tanzania	4/00	11/00	11/01	**5/03**	**6/04**		
Togo							
Uganda		5/00	5/01	**7/02**	**9/03**		7/05
Zambia	8/00	5/02	**6/04**	**4/05**			
Zimbabwe							
East Asia and the Pacific							
Cambodia	1/01	**2/03**	**9/04**				
Indonesia	**4/03**						
Kiribati							
Lao People's Democratic Republic	4/01	**11/04**					
Mongolia	9/01	**9/03**	9/05				
Myanmar							
Papua New Guinea							
Samoa							
Solomon Islands							
Timor-Leste		**6/05**					

Table 1. Recent Strategy Documents for IDA Countries (Month, Calendar Year)

			Annual Progress Reports				
	I-PRSP	PRSP	APR 1	APR 2	APR 3	APR 4	PRSP II
Tonga							
Vanuatu							
Vietnam	4/01	**7/02**	**2/04**	8/05			
South Asia							
Afghanistan							
Bangladesh	**6/03**	1/06					
Bhutan		**2/05**					
India							
Maldives							
Nepal		**11/03**	12/05				
Pakistan	12/01	**3/04**					
Sri Lanka		**4/03**					
Europe and Central Asia							
Albania	6/00	6/02	**7/03**	**7/04**	7/05		
Armenia	5/01	**11/03**					
Azerbaijan	7/01	**5/03**	**9/04**	8/05			
Bosnia and Herzegovina.	**11/02**	**6/04**					
Georgia	1/01	**11/03**	**6/05**				
Kosovo							
Kyrgyz Republic	12/01	**2/03**	**6/04**				
Moldova	12/00	**11/04**					
Tajikistan	10/00	**12/02**	**6/04**	11/05			
Uzbekistan	**5/05**						
Serbia and Montenegro	**8/02**	**3/04**					
Middle East and North Africa							
Djibouti	11/01	**6/04**					
Yemen, Republic of	2/01	**8/02**					
Latin America and the Caribbean							
Bolivia	1/00	6/01					
Dominica	**12/03**						
Grenada							
Guyana	11/00	9/02	**7/04**				
Haiti							
Honduras	7/00	10/01	**2/04**	**4/05**			
Nicaragua	12/00	9/01	**12/02**	**1/04**			2/06
St. Lucia							
St. Vincent and the Grenadines							

Note: Board discussion dates in bold fall under the IDA13 period

Documents produced during IDA13:	*8*	*35*	*25*	*11*	*4*	*1*	*1*

Table 2. Recent Strategy Documents for IDA Countries (Month, Calendar Year)

	CAS	CAS Progress Report	Transitional Support Strategy	Interim Strategy Note	Country Re-engagement Note	PRSCs (Month/CY)
Africa						
Angola			**3/03,2/05**			
Benin	**1/04**	1/01				**3/04**
Burkina Faso	11/00,**6/05**	**4/03**				**8/01, 7/02, 7/03, 5/04**
Burundi			10/99,3/02,**5/05**			
Cameroon	**9/03**	6/00				
Cape Verde	**2/05**	**8/02**				**2/05**
Central African Republic			12/99		7/05	
Chad	5/00,**12/03**					
Comoros		**3/04**	11/00			
Congo, Democratic Republic			7/01,**2/04**			
Congo, Republic of			1/01,**9/03**			
Cote D'Ivoire		6/02				
Eritrea			11/00	**4/05**		
Ethiopia	**4/03**	**9/04**	12/00			**2/04**
Gambia, The	**3/03**					
Ghana	3/00,**3/04**					**6/03**, **7/04**
Guinea	**6/03**	7/01				
Guinea-Bissau						
Kenya	9/98,**6/04**					
Lesotho						
Liberia					**3/04**	
Madagascar	**11/03**	**11/02**				**7/04**
Malawi	8/98,**6/03**	12/00				
Mali	**7/03**					
Mauritania	6/02					
Mozambique	6/00,**11/03**					**7/04**
Niger	9/00,**1/03**	11/01				
Nigeria	**6/05**	5/00,6/01,**6/04**				
Rwanda	**12/02**	6/99				**10/04**
Sao Tome and Principe	11/00,**6/05**					
Senegal	**4/03**					**12/04**
Sierra Leone	**6/05**	12/99	12/00,3/02			
Somalia					**4/03**	
Sudan					**7/03**	
Tanzania	6/00					**5/03, 7/04**
Togo		6/00			**12/04**	

Table 2. Recent Strategy Documents for IDA Countries (Month, Calendar Year)

	CAS	CAS Progress Report	Transitional Support Strategy	Interim Strategy Note	Country Re-engagement Note	PRSCs (Month/CY)
Uganda	11/00,1/06					5/01, **7/02, 9/03, 9/04**
Zambia	10/99,**03/04**					
Zimbabwe					**3/05**	
East Asia and the Pacific						
Cambodia	2/00,**5/05**					
Indonesia	1/01,**11/03**	3/99,**9/02**				
Kiribati						
Lao People's Democratic Republic	**3/05**					
Mongolia	**4/04**					
Myanmar						
Papua New Guinea	12/99			**4/05**		
Samoa						
Solomon Islands						
Timor-Leste	7/05		11/00			
Tonga						
Vanuatu						
Vietnam	**9/02**	9/98,5/00,10/01,**2/04**				6/01, **6/03, 6/04**
South Asia						
Afghanistan			4/02,**3/03**			
Bangladesh	12/00	**6/03**				
Bhutan	12/99,11/05					
India	4/01,**8/04**	**12/02**				
Maldives	12/00					
Nepal	12/98,**11/03**	**12/02**				**11/03**
Pakistan	6/02	6/01,**4/04**				**9/04**
Sri Lanka	**4/03**	12/05				**6/03**
Europe and Central Asia						
Albania	6/02, 6/06	3/00				6/02, **7/03**, **12/04**
Armenia	5/01,**6/04**					**11/04**
Azerbaijan	9/99,**5/03**					**5/05**
Bosnia and Herzegovina.	5/00,**9/04**	8/98,10/01,**11/02**				
Georgia	9/05					
Kosovo			10/99,7/00,**7/02,4/04**			
Kyrgyz Republic	**5/03**	12/01				

Table 2. Recent Strategy Documents for IDA Countries (Month, Calendar Year)

	CAS	CAS Progress Report	Transitional Support Strategy	Interim Strategy Note	Country Re-engagement Note	PRSCs (Month/CY)
Moldova	5/99,**12/04**	6/02				
Tajikistan	**2/03**,7/05					
Uzbekistan	3/02					
Serbia and Montenegro	**12/04**		5/01,**8/02,3/04**			
Middle East and North Africa						
Djibouti	12/00,**3/05**					
Yemen, Republic of	5/99,**9/02**					
Latin America and Caribbean						
Bolivia	**2/04**	6/01				
Dominica						
Grenada						
Guyana	**9/02**					**12/02**
Haiti			**1/05**		**1/03**	
Honduras	12/99,**6/03**					**6/04**
Nicaragua	**3/03**			8/05		**1/04**
St. Lucia						
St. Vincent and the Grenadines						
Regional						
Africa	8/01,**2/03,7/03**					
OECS Countries	6/01,9/05					
Pacific Islands	5/00,**5/05**					
Documents produced during IDA13:	*45*	*13*	*11*	*2*	*6*	*29*

Note: Board discussion dates in bold fall under the IDA13 period

IDA13 Objectives And Actions (FY03-05)

Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
A. INCREASE IDA'S EFFECTIVENESS **A.1**. Strengthen Development Partnerships			
Ownership and Participation: Work with other donors to help countries make their own policy and program processes more participatory and to support the PRSP process.	CDF Progress Report	Fall 03	CDF Progress Reports were completed in September 2003 and July 2005. The 2005 Report confirms progress in strengthening country ownership and elaborating long-term national strategies or visions, but points particularly to the frequent gap between these long-term visions and the short-to-medium-term Government budgets or expenditure frameworks. This gap can hinder donors from using the country strategy – the PRS – as the basis for their assistance. Guidelines to staff for CAS products issued in August 2005 also require that CASs contain a thorough discussion of the role of the development partners (e.g., IMF, multilateral development banks, bilateral donors, private sector, NGOs), donor coordination mechanisms, enabling measures to improve country-level harmonization of donor procedures (especially in financial management, procurement, and environmental assessment), and Bank support for capacity building for strengthening country-led donor coordination efforts.
***Aid Harmonization*:** • Facilitate harmonization in areas of financial management, procurement, safeguard assessments and country analytic work, and update CAS and JSAN guidelines to cover key harmonization issues. • Implement Action Plan on Harmonization (including production of standardized master bidding documents for civil works pre-qualification, civil works contracts, and consultants by end-2002; and adoption of common principles for environmental assessments by end-2002).	Harmonization Progress Report	MTR	In June 2003, the Bank also issued guidelines to encourage joint work with other donors in the preparation of country analytic work, such as CFAAs and CPARs. As a result, the Bank increasingly carries out ESW jointly with other donors. To promote collaboration, the Bank hosts the Country Analytic Work website at http://www.countryanalyticwork.net, which carries major reports of more than 25 multilateral and bilateral donor agencies. (Section 1.3) The Multilateral Financial Institutions Working Group on Environment is working on, among other issues, harmonization and coordination of approaches to environmental and social issues, and on the provisions of the Paris Declaration on Aid Effectiveness. A common framework for environmental assessment was issued at the 2005 High Level Forum on Development Effectiveness and has been adopted by all MFIs and OECD-DAC. In July 2003 the Bank amended its audit policy to align with international auditing standards, increasingly relying on country audit processes and supporting harmonized audit requirements among donors. In April 2004, the Bank introduced a new expenditure eligibility policy, providing increased flexibility to finance the expenditures needed to meet the development objectives of the operations being supported and giving the Bank more flexibility in working with other donors. New procurement guidelines that took effect in May 2004 opened up bidding eligibility to all countries and allowed harmonization of bidding requirements. MDBs agreed on harmonized procurement guidelines for consultant services, and these were adopted by the WBG in May 2004. For civil works, harmonized master bidding documents were approved by MDBs in October 2004 and have been used by the WBG since May 2005. Executive Directors approved in March 2005 the launch of a pilot program to explore using a country's own environmental and social safeguard systems (where they are assessed as being equivalent to the Bank's systems) in Bank-supported operations. The assessment of equivalence and acceptability of borrower safeguard systems have been completed in two

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Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
• Ensure that IDA-financed projects are in full compliance with the Bank's applicable safeguard, fiduciary and other policies before presentation to IDA's Executive Directors.	Individual operations	On-going	countries (Egypt and Jamaica) and are underway in four more countries. During IDA13, two types of business processes were used by Management to ensure compliance with safeguards and fiduciary policies in IDA projects. These included (i) managing staffing and skills mix, to ensure that project preparation teams have the resources they need to correctly apply operational policies; and (ii) requiring management review and clearance at appropriate points during project preparation, to confirm consistency with the applicable policies. Specifically, before operations are presented to IDA's Executive Directors, Management reviews the proposed projects at two stages: at the concept stage (early in project cycle following project identification) and at decision stage, before project appraisal can be completed. Projects also generally undergo a "quality enhancement review" of technical experts to ensure adequate treatment of important concerns, including any fiduciary and safeguard issues that have been identified. Management is required to confirm the readiness of projects for negotiations and for submission to the Executive Directors for approval.
Aid Coordination: Strengthen collaboration with other MDBs, RDBs, and the OECD-DAC Task Force on Donor Practices. Report annually to Executive Directors on progress made in improving aid coordination.	MDB Cooperation Updates	Annual	*Update on MDB Cooperation* reports were prepared in April 2003, March 2004, and March 2005. The reports show intensified efforts among MDBs and OECD-DAC towards more coordination and partnership building for development, including coordination at the country level and growing use of the PRSP as the basis for assistance. Coordinated CASs, joint analytical work and common documentation in operations are seen more frequently. New challenges – such as Global Monitoring of Actions and Policies, and Global Public Goods – are now addressed in partnership among MDBs and, to a lesser degree, other multilateral agencies. A new joint initiative of MDBs, UNDP and OECD-DAC focuses on aligning global programs and country implementation. Meetings of Consultative Groups are now increasingly held in-country, with an expanded range of country participants, and involve more interaction and dialogue. Other notable new initiatives include work in the private sector, where joint global MDB "business environment and enterprise performance surveys" map the investment and business climate based on surveys among in-country firms. In the area of managing for results, a new initiative is a joint MDB pilot for monitoring results and contributions (COMPAS).
A.2. <u>Increase Selectivity</u> ***Country Selectivity***: • In the CAS, focus on areas of IDA's comparative advantage, and synchronize more closely with strategies of other development partners.	CAS Retrospective	July 03	The CAS Retrospective III (March 2003) showed improvement in the treatment of selectivity, with more than 70% of CASs rated satisfactory or better (compared to 50% in CAS Retrospective II). Discussion of the roles of external partners improved. Assessments of IDA's comparative advantage vis-a-vis other development partners needed further strengthening. The July 2005 Stocktaking of Results-Based CASs (see A.4 below) found that improved selectivity is a "natural by-product" of constructing the results framework. Based on experiences in the pilot phase for the results-based CAS, the discipline of linking Bank activities to PRSPs and to CAS outcomes is leading to a more coherent Bank program, more explicit trade-offs/prioritizing of Bank interventions, and improved donor coordination/harmonization. In many cases, the PRSP is serving as an effective platform for donors to synchronize their strategies. The Stocktaking exercise also noted constraints on selectivity – e.g., instances where the CAS can only bring change at the margin, because large ongoing portfolios dominate the program in the near term. Another constraint on selectivity has come from managerial incentives, where "it remains hard to keep high-quality staff involved in a country's program if there are no activities in their sector; and

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Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
			cancellation of projects is still perceived as a failure." The Stocktaking suggested that such impediments to selectivity in Bank support need to be addressed by other means beyond the CAS.
• Direct IDA resources to countries with sound policies and institutions through the performance-based allocation (PBA) system. Report on experience with implementation of the enhanced PBA system (including the governance factor and the linkage between allocations and actual lending) and assess impact of the current weighting of poverty in the allocation formula. Analyze and report on the impact of allocation caps and targets.	IDA Performance-Based Allocation/Lending Strategy Review Enhanced PBA Implementation Report	Annual MTR	Implementation of the PBA system is ongoing. As during previous replenishment periods, modest changes in the system were adopted in the context of the IDA14 negotiations: (i) use of the new CPIA (consolidated to 16 criteria); and (ii) use of a 3-year moving average for the procurement rating. A number of discussion papers were prepared in 2004 to support deliberations of the IDA Deputies, which described experience with the implementation of the enhanced PBA system (discussion papers are available at http://www.worldbank.org/ida). A recalibration and simplification of the governance factor was considered by the IDA Deputies. It was decided to return to this topic at the time of the IDA14 mid-term review meeting, when the discussion would be informed by more extensive experience with the governance factor and its impact on the IDA Country Performance ratings and allocations. Several papers included a discussion of the issue of poverty weighting in the allocation formula; however, in the end, the Deputies decided to leave this weighting unchanged. Blend allocation caps and the objective of a 50% AFR allocation share were also discussed and left unchanged for IDA14. Governance continued to play a dominant role in the PBA, with an effective weight of 67% in the IDA Country Performance rating and, as a result, a 63% weight in the determination of the IDA country's per capita allocation (Sections 3.3 and 4.2). IDA also worked closely with RMDBs (especially the AfDB and Asian Development Bank), other IFIs and bilaterals on issues related to the PBA (Section 3.3).
• Explore ways to share CPIA ratings/methodology with other partners, with the goal of public disclosure of individual country ratings.	Report on Readiness and Timing for Disclosure	MTR	During IDA13, country teams have been required to disclose CPIA ratings and IDA allocation to counterparts in IDA countries. Quintile-based outcomes of the annual rating exercise have continued to be posted on the IDA external website. In addition, a paper on the next steps towards full disclosure of the ratings was prepared for the MTR and publicly disseminated. Further preparatory steps have been taken to prepare for this full disclosure of the IDA country performance ratings, with the 2005 numbers – CPIA scores of all IDA-eligible countries, including ratings of each of the 16 criteria for the CPIA, along with the country portfolio ratings, the country governance scores, and the overall IDA CPRs – planned for public disclosure in the Spring of 2006.
***Program Selectivity*:** Strengthen the implementation of SSPs, and integrate their lessons into CASs. Monitor impact of sector strategies in achieving greater selectivity in program priorities	SSP Stocktaking Report	Fall 04	The Sector Strategy Paper (SSP) Stocktaking was completed in October 2003 and laid the foundation for a new approach to SSPs – with fewer new ones to be undertaken by the Bank and introduction of the Sector Strategy Implementation Update, or SSIU, as a new consolidated reporting instrument. The first SSIU was finalized in February 2005. It reviewed key aspects of work – outcomes, project outputs, sectoral challenges – across 17 sectors and sub-sectors. The SSIU concluded that most recent CASs and CAS updates gave evidence of strategic selectivity: the depth of coverage of cross-cutting themes such as gender, governance, environment and private sector development varied according to the countries' income level and other characteristics. A comparison of FY04 with FY00 CASs showed progress in balancing global and country priorities in several sectors/themes. However, certain important cross-sectoral issues highlighted in SSPs – e.g., the energy sector's role in rural income

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Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
***Institutional Selectivity*:** Concentrate on areas of IDA's comparative advantage which lie at the strategic level in helping countries improve their economic management and policy framework, set sector strategies, and implement sector-wide and economy-wide reforms, and in analyzing policy options and sharing knowledge through economic and sector work (ESW). Report on progress.	Selectivity progress Report	MTR	generation, the impact of nutrition on education – remained underrepresented in CASs. The second SSIU, dated December, 2005, focused specifically on four key sectors for the MDGs – HNP, water supply and sanitation, rural development and private sector development. Two detailed reports were prepared for the MTR: (i) Selectivity in the Replenishment Process (October 2003) and (ii) The Role of Selectivity in Enhancing IDA's Effectiveness (October 2003). While IDA's mandate is expanding, an analysis of 15 CASs that went to the Board in FY03 and the first quarter of FY04, showed greater concentration and focusing of IDA's interventions at the country level, based on selected pillars of the PRSP, specific sector and sub-sector requirements and taking advantage of the role and activities of development partners. CASs for Malawi, Vietnam, Azerbaijan and Yemen, provided good examples. At the same time, the tensions between (i) a comprehensive framework approach to development and (ii) the practical need for IDA to be focused on the basis of comparative advantage and resource limitations, have remained. On progress regarding ESW see Section D1.
A.3. Align IDA's budgetary resources and program priorities ***Poverty Focus*:** Include country poverty levels as a factor in determining the allocation of the Bank's administrative budget. ***Adequate Funding*:** Ensure that: (a) CASs are costed with realism and are fully funded; and (b) adequate funding is provided for analytical and advisory activities (AAA).	Budget CAS	On-going On-going	The Bank increased the poverty focus of its administrative resource allocation during IDA13 using, among other tools, a set of country-based benchmarks that are mainly based on population, poverty and performance to guide the resource allocation across the Regions. Management decided in November 2002 that the weight of poverty in this allocation formula would be doubled gradually over the period from FY02 to FY08 and, as a result, the weight of poverty in the formula has, as of FY06, increased by 68% compared to FY02. The final resource allocation is however, not the result of a single mechanistic formula or tool, but reflects the consideration of a number of other factors (such as productivity, demand/growth potential, and cost pressures), and allows for flexibility to respond to strategic imperatives and/or unforeseen circumstances. During IDA13, there were in fact above-average expenditure increases in the three Regions with the largest number of poor people (Africa, South Asia and the East Asia & Pacific Region). It was agreed in March 2003 that all new CASs must be accompanied by detailed cost estimates to ensure full funding for all mandates. Current guidelines require CAS preparation teams to prepare a detailed CAS Costing for both the upstream review and the final review of each CAS. These are reviewed in detail by regional Chief Administrative Officers, who check that the budget is reasonable and that the lending projections are within the IDA allocation. Any outstanding issues related to the CAS Costing are noted in the final clearance memo to the Managing Director. AAA continues to receive high priority in budgeting, confirming the trends of the early part of IDA13. According to the latest ARPP, there was an increase in AAA deliveries and spending in FY05 in IDA countries (excluding blends), and increased spending on AAA in LICUS countries. The ARPP noted that FY04 and FY05 results point to a "growing commitment to AAA in countries where poverty is most acute and where human welfare is also affected by conflict or instability."
A.4. Measure Results and Track Performance ***Performance Management System*:** • Establish a system for IDA to better measure, monitor and manage for development results. The system will link development outcomes to	Outline of approach; presentation of baseline data, identified outcome indicators and expected progress targets	Spring 03	"IDA Results Measurement System: Progress and Proposals" was discussed by Deputies and Borrower Representatives on April 10, 2003. Deputies agreed that the architecture of the proposed interim framework was a good basis for moving forward, but requested that Management refine key indicators (especially in the areas of infrastructure, social equity and governance) and update the status of this work at the IDA13 Mid-Term Review

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Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
IDA country programs, and will provide a clear indication of how IDA's programs promote the achievement of these outcomes. The system will be country-focused, but will also be capable of aggregating across country programs in order to report and assess IDA-wide results.	Progress Report on Performance Management System: First-Year Results.	Spring 04	Two papers, *IDA Results Measurement System: Recommendations for IDA14,* and *Recent Changes in Possible Outcomes for IDA14 Baselines,* were presented to IDA Deputies in Hanoi, July 2004. Building on the lessons learned from the IDA13 results framework, an enhanced and broad-based two-tier Results Measurement System (RMS) was developed for the IDA14 (Section 2.1).
• Include in the CAS: (a) key PRSP-based country outcome goals and indicators, including relevant country-specific MDGs, with baseline data; (b) a clear statement of the results expected from CAS-supported programs, projects and other activities; (c) benchmarks for assessing CAS implementation; and (d) an assessment of country data systems and other capacity to monitor and evaluate progress.	CASs CAS Retrospective	On-going July 03 July 04	The results-based CAS was piloted and evaluated from FY03 through early FY05. Its central innovation is the design of an explicit results framework that specifies the expected linkages between the Bank's interventions and long-term development goals. For IDA countries, these would be direct links to the PRSP-based country outcome goals and indicators. Seven CASs were in the pilot, though lessons from their development were incorporated into other CASs also under preparation. As of December 31, 2004, all CASs are required to follow the results-based approach. A results-based CAS has both the results matrix/framework described above, and a CAS Completion Report (CASCR). The CASCR evaluates the achievement of CAS objectives and Bank performance under the previous Bank strategy (whether a CAS or some other strategy product) as input to the design of the new CAS, and OED provides a review of the CASCR to the Board. By the end of FY05, 17 results-based CASs, Progress Reports or Interim Strategy Notes were prepared and had their completion reports reviewed by OED. Nine of these were for IDA countries. The results-based CAS also emphasizes country data systems, and the capacity to monitor and evaluate progress. In November 2004, DEC's publication "Measuring Results: Improving National Statistics in IDA Countries" noted that compared with conventional CASs, the 5 pilot CASs completed at that time paid more attention to deficiencies in statistics and proposed more concrete plans to address those deficiencies.
Support to Borrowers: • Help develop timely Monitoring and Evaluation (M&E) data systems to support decision making by both IDA and recipient countries; help develop borrowers' institutional capacity for evaluation and data dissemination; and harmonize M&E approaches and requirements among development agencies. • Review progress on M&E Improvement Program (under implementation in two sectors and eight countries) and capacity-building program for Bank staff covering operational-level M&E.	Update on M&E Improvement Program	FY03	The most recent review of the M&E Improvement Program[1] indicated that at the country level, the program made some progress in informing the Bank of ways to support and integrate M&E with results-based management, build borrower capacity, and identify possible efficiency gains for scaling up Bank support. However, although considerable efforts were undertaken to improve M&E, these efforts had produced only marginal improvements in the quality of M&E in operations. Competing priorities, fragmentation of efforts and resource constraints hindered progress. However, the IDA14 results agenda has provided a renewed platform to mainstream support to clients' design and use of M&E systems, and increase harmonization and collaboration with development partners, particularly in the area of statistical capacity building.
Measuring Outcomes: • Include outcome indicators more systematically in IDA operations.	Individual operations	On-going	Under the project simplification initiative, several project documents have been redesigned and streamlined to achieve – among other things – a better focus on outcomes. This includes the Project Appraisal Document, the new Implementation Status and Results report (ISR) and, currently, the ICR.

[1] IDA. 2004e. "Implementation of the Agenda on Managing for Results." CODE2004-0017. Washington, DC, March 23.

IDA13 Objectives And Actions (FY03-05)

Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
• Track progress of the following country outcome indicators across IDA countries during the IDA13 period./a o Education: Increase population-weighted average primary completion rate from 68% in 2002 to 69% by 2004.* o Education: Increase number of countries with positive growth rates in primary completion rates from 32 in 2002 to 38 by 2004. o Health: Increase overall coverage rate (population-weighted) of measles immunization from 58 percent in 2002 to 60% by 2004* o Health: Increase number of countries with 80% coverage of measles vaccination from 27 countries in 2002 to 29 by 2004. o PSD: Reduce time required for business start-up by 7% (in number of business days) from end CY01 to Spring 2004. o PSD: Reduce formal cost of business start-up (in percent of GDP per capita) by 7% from end-CY01 to Spring 2004. /a for all outcome indicators, the base set of countries will remain the same. * with a substantial number of IDA countries reaching a higher rate.	Progress Report on Country Outcomes	Spring 04	The *IDA13 Results-Measurement System: Spring 2004 Update* noted that all of the outcome targets that had been set for IDA13 had been met, but that the process of collecting and reporting on the outcome data had been quite complex, due in part to revised baselines. An independent report by the consulting firm of Booz Allen Hamilton confirmed the results of the IDA Management paper, noting that the outcomes achieved had either been met or, in some cases, exceeded the target objectives.
B. POLICY FRAMEWORK FOR POVERTY REDUCTION **B.1.** Implement the PRSP Process Work with other partners in monitoring and reporting on progress towards the MDGs, specifically poverty incidence, inequality, including that due to gender, and other social indicators. Provide a report on progress toward these long-term objectives.	Poverty Progress Report MDG Progress Report	Periodic MTR	The Bank's Development Data Group is working closely with international partners in the Inter-Agency Technical Group on the MDG Indicators to compile data on poverty and other MDG indicators. One aspect of this work, the IDA14 RMS, was developed during IDA13, and now includes a global web based database marking progress towards important elements of the MDGs at the country, regional and global level. (The IDA14 RMS database can be accessed on the web via http://www.worldbank.org, or directly at http://ddp-ext.worldbank.org/ext/GMIS/home.do?siteId=1). The Bank and IMF have jointly initiated the annual *Global Monitoring Report,* prepared in collaboration with other partners. GMR 2004, 2005, and 2006 have assessed progress on the policy agenda for achieving the MDGs and related outcomes. The 2005 report's message is clear – without early and tangible action to accelerate progress, achieving the MDGs will be seriously jeopardized – especially in Sub-Saharan Africa, which at current trends will fall short of all goals. The 2006 report emphasizes the role of governance in this equation.

IDA13 Objectives And Actions (FY03-05)

Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
***IDA's Role*:** Provide analysis based on international experience, explore policy options, and advocate policy actions to promote growth and reduce poverty. Assess the strengths and weaknesses of the PRSP strategy, and articulate in the CAS the extent to which priorities of the IDA program align with those in the PRSP.	JSANs of PRSPs and CASs	On-going	The latest review of the PRS approach was finalized in September 2005 (Section 3.2). In CAS development, guidance to staff stresses, among other things, aligning CAS objectives with PRSP priorities. The September 2003 PRSP Progress Report found that new CASs are being increasingly aligned with PRSPs in terms of vision, diagnosis and program design. They emphasize a need to strengthen the analysis of pro-poor growth policies. (Section 3.3)
Core Emphases*:* Place priority on the following three dimensions of the PRSP: (a) prioritizing public actions; (b) strengthening public expenditure management systems; and (c) setting indicators to monitor and evaluate progress. Report on the participatory process used during the formulation of the PRSP.	JSANs of PRSPs	On-going	(Section 3.2). The 2005 PRSP Report finds that there have been moderate improvements in Public Expenditure Management (PEM) in the last few years, due to greater government attention and a high level of donor involvement. Measures to improve PEM are increasingly part of poverty reduction strategies, with a shift towards more attention for budget execution and reporting. The PRS approach is also seen to have strengthened the focus on results, creating a substantial incremental demand for data and underscoring the need for effective national monitoring systems. Although statistical capacity in IDA counties has improved over the past five years, substantial improvements are still needed and the PRS process should go further in encouraging greater access to data. Relative to their starting points, in most countries the PRS approach has opened space for stakeholders to engage in a national dialogue on economic policy and poverty reduction. However, participation in PRS formulation has tended to be broad, rather than deep – with a wide range of stakeholders engaged, but to only a limited extent. In many cases, stakeholders had very different expectations regarding the participatory process, which points to the importance of communicating goals and objectives up front. There is substantial scope to better institutionalize participation in PRS formulation and the 2005 PRSP Report noted that efforts to institutionalize participatory processes in PRS monitoring are also essential.
Accountability: As part of the CAS process, and in coordination with other donors, link future adjustment and budgetary support to milestones in the establishment of sound public expenditure management, financial management and procurement systems. Establish reporting mechanisms to monitor progress. Foster greater transparency and accountability by encouraging IDA-supported programs to issue regular reports on financial and management performance.	CASs	On-going	The CAS Retrospective III noted increased attention being paid to accountability issues: 82% of CASs use governance triggers (27% in CAS Retro II); audit and accountability issues now feature in 79% of CASs (52% in Retro II). All CASs now cover corruption issues (78% in Retro II). Greater emphasis is being put by the Bank (and IMF) on financial management and integrity of procurement systems. See Section D1 of this matrix regarding the analytical underpinnings of adjustment and budgetary support (now termed development policy lending).
C. PROMOTE POLICY PRIORITIES FOR POVERTY REDUCTION **C.1.** Education • Prepare an action plan early in IDA13 to help IDA countries make faster progress towards the education-related MDGs, consistent with work on Education for All (EFA) and Education for the Knowledge Economy.	Action Plan to Achieve Education for All.	FY03	The Action Plan was completed in April 2002. A Progress Report (April 2003) and FY03 Education Retrospective (August 2003) showed progress and gaps in achieving education MDGs. At the global level, the FTI became a key vehicle to maintain political support for Education for All (EFA), to mobilize resources and to improve donor coordination, alignment and harmonization. FTI also evolved as a model for the country driven

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			implementation of an MDG linked global initiative, by providing a framework and a platform where the country and its donors come to an agreement that follows key principles agreed by the FTI partnership. These include adequate international resource mobilization and domestic budget allocation to education and increased efficiency in use of resources for developing countries with credible sector plans.
• Help countries develop Education Action Plans (EAPs) to accelerate progress towards Education for All.	EAPs completed for a substantial majority of active IDA countries by end of IDA13	End FY05	Progress on completing EAPs was much slower than anticipated, with only 15 countries completing EAPs by the end of IDA13. A key reason for the delay was low in-country capacity to prepare such plans. In response, a donor supported Education Program Development Fund (EPDF) was established to help counties prepare plans. The EDPF has so far supported 54 countries prepare EAPs. Since the IDA13 period a further 5 countries have prepared EAPs and another 20 IDA countries are expected to have EAPs in place by the end of 2006.
• Track progress towards achieving education goals, particularly those related to girls' education.		Annual	The key vehicle for tracking progress towards achieving the education MDGs was the annual Global Monitoring Report. To improve the reliability and timeliness of education indicators each basic education project contained monitorable indicators such as enrollment and completion rates, and many contained support for Education Management Information Systems (EMIS). More broadly, the Bank supported global efforts to improve data collection, including with a DGF grant to UNESCO's Institute of Statistics.
C.2. Health, Nutrition & Population • In accordance with the World Bank HNP Sector Strategy, work to improve health outcomes of the poor, enhance the efficiency and equity of health care systems, and secure sustainable health care financing.	CAS	On-going	IDA's approach stresses (i) assisting borrowers to develop health care infrastructure and (ii) combating specific pressing health problems, such as HIV/AIDS, tuberculosis, malaria, child health and maternal health. The approach stresses the importance of capturing cross-sector synergies, such as from water and sanitation, education and transport services, and providing appropriate incentives for both health care providers and service users. It involves building partnership in financing, ESW and policy advice, and coordinating regional and sub-regional programs. A review of FY05 CASs for IDA countries shows that health featured in 100% of CASs. Most of the CASs also demonstrated selectivity in setting health strategies based on country characteristics. The review revealed that 82% of IDA CASs included health-related operations and that 55% have HNP related non-lending activities.
• Bring the importance of HIV/AIDS and other communicable diseases into country policy dialogue, and work closely with other institutions that have responsibilities and strengths in these areas.	CAS	On-going	IDA is the largest long-term investor in the prevention and mitigation of HIV/AIDS; it provides support in managing the Global Fund to fight AIDS, TB and Malaria, and is increasingly stressing partnerships in designing and executing country programs. In FY03, Management selected HIV/AIDS as one of seven key areas for additional institutional emphasis. CAS analysis for HIV/AIDS and other communicable diseases typically covers prevalence rates, government strategy and program and the instruments for IDA support. The Bank is attacking the epidemic through support for country programs, through the multi-country AIDS programs (MAPs) for Africa, as well as through regional programs.
• Increase IDA allocations to support the fight against communicable diseases in line with IDA's policy of linking financing with country performance	IDA Performance-Based Allocation	Annual	A review of FY05 CASs showed that HIV/AIDS was identified as a health priority in 100% of the IDA CASs. Total commitments for HIV/AIDS and other communicable diseases were $877 million over the FY03-05 period, and HIV/AIDS received 19% of the total volume of IDA grant commitments during the IDA13 period. A second MAP program earmarked $500 million for HIV/AIDS programs in the Africa region.

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C.3. Gender Equality • Strengthen assessments of constraints to gender equality in countries with an active IDA assistance program. • Closely monitor, evaluate and report on the mainstreaming of the gender dimension in IDA's work.	Gender Progress Report	Annual	Assessments of constraints to gender equality in IDA countries were strengthened by country-level diagnostic analyses – addressing gender in CGAs, PRSPs, and JSANs. Gender assessments and analysis conducted as part of other ESW, such as Poverty Assessments, prepared the way for more gender integration in the CASs and gender-relevant regional/country studies. Two reviews, the Quality at Entry 6 (or QAE6, covering FY03 projects) and QAE7 (covering FY04 and FY05 projects), found that gender issues are now being given significantly better attention than in previous years. A preliminary review done as part of QAE7 found that: • 83% of projects reviewed in QAE7 included gender issues in a satisfactory manner, continuing the pattern in QAE6 where over 80% of projects integrated gender issues, and reflecting an improvement in IDA13 from the 66% reported in QAE5 (FY02) and 69% in QAE4 (mid FY00-end FY01). • Over 60% of projects in QAE7 addressed gender issues in project preparation, included specific measures to ensure women and men benefited equally from the project, and developed gender-sensitive monitoring mechanisms. • 62% of projects, however, did not assess the potential effects of the project on women's empowerment, and only 58% of projects included monitoring of gender impacts, reflecting that improvement is needed on monitoring gender aspects during implementation as part of operational design. By the end of FY05, a total of 22 CGAs had been completed for IDA countries since the gender mainstreaming strategy was adopted in FY02. While covering 27 percent of IDA countries, this progress was slower than anticipated in the strategy, since Country Gender Assessments did not always receive the priority attention in country programs that was originally foreseen. Another factor was the capacity and resource constrained environment in many IDA countries. In light of this, a recent trend has been to prepare this type of work within an integrated Poverty, Social and Gender Assessment.
C4. Good Governance • Implement the sector strategy on *Reforming Public Institutions and Strengthening Governance*. Help countries identify key institutional development and capacity building needs through ESW, emphasizing analyses of countries' public expenditure, financial accountability and procurement systems, and step up efforts to help Borrowers build capacity to manage, monitor and evaluate public expenditures, both to improve service delivery and to ensure full transparency and accountability for public and donor resources.	Report on Public Expenditure Management	Annual, beginning Nov. 03	There has been increased activity in public sector management and governance following the report: "*Update on Reforming Public Sector Institutions and Strengthening Governance" 2002.* The diagnosis and quality of treatment of governance in CASs improved. Public sector governance programs and projects were launched in many countries, with a strong operational focus on public resource management reforms. The *Sector Strategy Implementation Update (SSIU)* completed in December 2005 highlighted progress on Public Sector Governance and challenges. Evidence from the *SSIU* shows that IDA commitments to public sector governance and rule of law nearly doubled in volume from 18 percent of sector commitments to 26 percent during FY01-FY05. Innovative non-lending instruments are also being employed, including use of Institutional Governance Reviews to help diagnose and improve accountability and on-going work by the World Bank Institute on governance indicators. To track progress on measures to strengthen PEM under the HIPC, the Bank and the IMF collaborated in preparing updates in March 2002, March 2003 and April 2005 on the *Implementation of Action Plans to Strengthen the Capacity of HIPCs To Track Poverty-Reducing Spending.* This collaboration also involves specific areas of institutional responsibilities. (Sharing of responsibilities: IMF focuses mainly on fiscal balance and

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			stability, while IDA is concerned with expenditure efficiency and service delivery issues). To improve coordination and avoid over-burdening the public expenditure management capacity of borrowing countries, the Bank is working with other agencies, including DFID and the EU, to develop a joint framework for assessing, supporting reforms and monitoring improvement in public expenditure and financial accountability in the borrowing countries. This work is expected to facilitate convergence around one common tool for evaluating and monitoring public financial management performance.
C.5. Private Sector Development • Exploit synergies with other members of the World Bank Group, in particular IFC, to encourage innovation in support of private sector development, and devote resources to such innovative programs. Report on progress. • Review experience with output-based aid pilot operations in IDA countries. • Ensure that CASs address impediments to private sector development	PSD Progress Report Initiate Investment Climate Surveys in a majority of active IDA countries. Complete ICAs in 7 IDA countries Complete ICAs in 14 IDA countries	MTR End FY05 Spring 03 Spring 04	The World Bank Group PSD Strategy Implementation Progress Report was completed in June 2003. To exploit synergy within the WBG, a new joint Bank-IFC Private Sector Development Vice Presidency was created. There are increasing joint IDA/IFC CASs and joint development of diagnostic tools for investment climate analysis. A pilot initiative on SMEs in Africa is being undertaken by IFC, and will be reviewed for the IDA14 MTR (Section 4.3). A preliminary review of OBA projects was completed and a Technical Briefing was provided to the Board in October 2005 (Section 4.3). Investment climate surveys were launched in a majority of active IDA countries by the end of IDA13. Surveys were launched in 39 IDA countries during IDA13, and 10 surveys were launched before IDA13 – bringing the total to 49 IDA countries overall as of end-FY05. A few surveys were jointly undertaken with the Asian Development Bank. Cumulatively, 8 ICAs were completed by end FY03, 14 were completed by the end of FY04 and 26 were completed by the end of FY05, meeting IDA13 goals in this area.
C.6. Rural Development Finalize a new rural development strategy that focuses on increasing productivity in agriculture and defining pro-poor, sustainable investments in rural areas.	Rural Development Strategy	FY03	The Agriculture and Rural Development Strategy launched in August 2003 was instrumental in re-energizing rural development programs during the IDA13 period. It outlined four main thrusts to reverse the declining interest in investments in rural development caused by other competing development activities and interests. These are to (i) integrate the needs of the rural poor into the national policy dialogue; (ii) scale up investments and innovative approaches to rural development; (iii) improve the quality and impact of Bank operations; and (iv) implement global and corporate priorities and enhance donor partnerships. Progress is being made in these areas as indicated in the FY05 SSIU (Section 4.4). Activities with partners (Global Donor Platform for Rural Development and International Assessment of Agricultural Science and Technology) increased. IDA worked with 15 partners to complete national rural development strategies for 48 countries. Rural development projects performed on par with, or better than, IDA projects across all major portfolio indicators. Data for 2001-03 show improvements in agricultural growth and productivity in some African and South Asian countries, such as Ethiopia, Ghana, Uganda, India and Pakistan. More data are required to assess outcomes in 2004-2005.
C.7. Environmental Sustainability • Implement the World Bank's Environment Strategy according to the schedule and milestones established in the Strategy.	First Report on the Environment	Annual	The First Report on the Bank's 2001 Environment Strategy was completed in May 2003, and noted that implementation progress in the first 18 months was positive overall. Greater attention was needed to focus work on the MDGs, refine the implementation framework, improve analytical advisory work and adapt the environmental safeguard system to changing conditions.

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			This Report found more and better analysis of environmental issues in CASs and PRSPs; development of tools for environmental analysis and training of staff in their application. There is greater stress on the poverty-environmental linkage through ESW, lending, and Bank-managed Trust Funds. Linkages between local and global environmental benefits are also being emphasized.
• Accelerate the mainstreaming of environmental concerns into IDA's work, and establish a timetable for improving analytical work and implementing relevant changes in staff skills mix, training, decision tools, and incentives.	Individual operations	On-going	In both 2004 and 2005, additional bank-wide status reports were provided in the annual publication *Environment Matters at the World Bank*. The 2004 study found continued progress in mainstreaming environment and natural resource management (ENRM) lending, with 92% of new commitments taking place within non-environmental sectors. The 2004 report summarized progress made in analytical work that underpins the significance of the environment and natural resources for growth and poverty alleviation, and highlighted the role of the Bank in partnerships to promote sustainable development. In FY05, the Bank reached a record of 60 ESW with primary environment themes, demonstrating a trend fostered by the Strategy. In addition, in FY05 the Environment Department screened PRSPs and PRSCs for treatment of the environment, finding a mixed but gradually improving trend. This exercise will be repeated in FY07. The Environment Sector Board of the Bank conducts an assessment of staff skills every two years, which has resulted in strategic recruitment of new staff with environmental economics and integrative backgrounds, aiming at increasing the ability to influence upstream policy dialogue on economic and sector development issues.
• Ensure that all IDA-financed projects are in full compliance with the Bank's applicable environmental and social safeguard policies before presentation to the Executive Directors.			Regional and corporate environmental and social safeguard tools and policies continue to be strengthened, supported by safeguard guidance documents, e.g., two new policies were approved in FY05: the Indigenous Peoples Policy was revised and is now under implementation (OP/BP 4.10); and a Pilot for the use of Country Systems for safeguard policies was developed (OP/BP4.0). (Section 4.4)
C.8. <u>Trade and Regional Integration</u> Help countries preparing their PRSPs to analyze options for trade integration and to design reform packages that both promote growth and protect the poor against adverse transitional effects of trade opening	JSANs of PRSPs	On-going	The latest Review of the PRS Approach found that trade policies were beginning to be mainstreamed into PRS. Trade Progress Reports (March 2005 and August 2005) also found improving PRS coverage of trade issues. Reform issues related to accession to the World Trade Organization, especially those concerning tariff and no-tariff barriers, were well covered. The Bank continues to give priority to analytical work that would foster a successful Doha Round, including activities to support agriculture trade reforms. Progress was made in the Integrated Framework (IF). The IF has been effective in mainstreaming trade into the PRS on the basis of country Diagnostics Trade Integration Studies (DTIS) and country priorities. DTIS and national validation workshops were completed in 21 countries by the end of 2005. Seven LDCs have started the process and nine more have applied to join. Bank strategy for trade reform continues to face serious challenges, however. (Section 5.5) There are continuing efforts to refine analytical work on the poverty impact of trade reforms, including distributional effects. Preliminary indications are that policy priorities for managing reform costs would depend on country specific factors: the extent of dependence on agriculture, degree of loss or gain from existing preferences, initial trade restriction conditions, scope for phasing of adjustment actions and aid for mitigating the costs.

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D. IDA's CAS AND REGIONAL/GLOBAL PROGRAMS			
D.1. Improve Analytical Underpinnings of IDA's work • Fill gaps in countries' analytical work, making sure that IDA's ESW complements the work of others and is of good quality.	Core ESW Progress Report	MTR	Two documents – the Quality of Country Analytical and Advisory Activities (CAAA): A QAG Assessment and Improving the Bank's AAA Services: A Progress Report – show that both the quantity and quality of AAA improved significantly under IDA13. Coverage of core diagnostic reports on poverty, public expenditure allocation and management, and ESW that underpin growth and employment in IDA countries increased from an average of about half of the full complement of diagnostic reports in FY02 to 78% by end-FY05. 90% of a representative sample drawn from 105 AAA tasks completed in IDA countries during the period FY02-FY04 rated satisfactory or better in QAG's latest assessment of *Quality of Country Analytical and Advisory Activities* (November 2005). Coordination of ESW with donors is progressing, with creation of a joint Country Analytic Work website with over 25 donor agencies participating, to share analytical work and reduce duplication. Work prepared jointly with partners increased significantly, and borrower country participation is also rising. (Section 1.3)
• Highlight in the CAS the results of core analytical work as part of the justification for the proposed level and composition of IDA's financial and advisory assistance. This core analytical work comprises:	ARPP CASs CAS Retrospective	Annual On-going July 03 July 04	The FY04 ARPP noted that while the gap in country coverage of core diagnostic work is being closed, there is a shift in ESW priorities towards more customized and advisory reports in response to client demand. The FY05 ARPP confirmed this shift, as well as improved coordination among development partners in the development of country AAA, noting that these "positive trends favor greater alignment of AAA with CAS objectives and outcomes, including a firmer analytic foundation for Bank lending." For example, in Lesotho, timely ESW was effective in helping to establish a coherent framework for education reform, including reform of the education ministry. (Sections 1.3, 3.2 and 3.3)
• **Social, Structural and Sectoral Analysis**. This analysis comprises a Poverty Assessment (PA), or equivalent poverty analysis, which looks at the dimensions of poverty and its determinants, including the analysis of poverty and social impacts of key reforms that have been undertaken or are being contemplated; and a Country Economic Memorandum (CEM), or equivalent economic analysis, which focuses on structural, sectoral and institutional reform priorities for sustainable growth and poverty reduction, including the analysis of the social and environmental impacts of these reforms.	ESW Products	On-going	ESW products are being linked more closely to the growth and poverty issues of the PRS and CAS. More growth-related work is being undertaken through regional and network studies and within existing report types, such as Rural Development, Investment Climate Assessment, and CEMs. In 35 countries that completed PRS during FY-00-FY03, about a third more ESW had been done than in the preceding four years. Overall, during FY01-FY05, 41 PAs and 48 CEMs or DPRs were conducted in IDA countries, most of which during IDA13 (31 and 40 respectively). See also Section C.3 of this matrix regarding mainstreaming of gender issues and assessments of gender equality.
• **Public Expenditure, Financial Accountability and Procurement Analysis**. This analysis is comprised of a Public Expenditure Review (PER), a Country Financial Accountability Assessment (CFAA), and a Country Procurement Assessment Review (CPAR) and covers: (a) the comprehensiveness and transparency of the budget, including prospects for increased domestic resource mobilization, where appropriate; (b) the adequacy and	CFAAs A total of 40 completed of which at least 50% in Africa CPARs: A total of 38 completed of which at least 50% in Africa	Spring 03 Spring 04 Spring 03 Spring 04 Spring 03	As reported to the IDA Deputies in the paper *IDA13 Results-Measurement System: Spring 2004 Update* (May 2004), the IDA13 targets for preparation and delivery of CFAAs, CPARs and PERs in IDA countries were all either met or exceeded. Specifically – 51 CFAAs, 42 CPARs and 42 PERs had been prepared as of April 1, 2004. In addition, from FY01 through end-FY05: a total of 66 CFAAs had been completed, of which 30 were for African countries; a total of 58 CPARs had been completed, or which 30 were for Africa; and a total of 76 PERs had been completed, of which 42 were for Africa.

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transparency of systems for budget implementation and for procurement; and (c) the adequacy of systems for monitoring, reporting on, and auditing of public financial flows, including proceeds of budgetary support from donors. These assessments can be prepared by IDA or other donors (provided that they are of satisfactory quality and objectivity) and can be presented as an integrative fiduciary report or as separate ESW products.	PERs: A total of 40 completed of which at least 50% in Africa	Spring 04	The vast majority of these – 44 of the CFAAs, 39 of the CPARs and 54 of the PERs were prepared during the IDA13 period.
• Ensure that each CAS is underpinned by current poverty analysis (including the analysis of the poverty and social impacts of major reforms contemplated by government) and that where this analysis is incomplete or unavailable, the gaps are identified in the CAS and the CAS lays out a plan for their completion (either by IDA, the government, or other development partners).	Included in all CASs prepared after July 2002	Spring 03 Spring 04	Operational Policy 1.0 on Poverty Reduction requires that the Bank reflects in the CAS the findings of poverty assessments, and similar analytic work, with a work program plan to fill any important knowledge gaps. This is referred to as well in the Guidelines to Staff for CAS Products. Given requirement to align the CAS with PRSPs, this diagnosis is increasingly part of the PRSP, with the CAS referring to that material. However, the CAS assessment should also candidly acknowledge any differences in views between the Bank and the government on this analysis.
• Establish a timetable to ensure that core ESW is undertaken for active IDA recipients, provide adequate administrative resources, and report on progress.	Core ESW Progress Report	MTR	As noted above, IDA13 targets for delivery of core ESW were met or exceeded. Given (i) the improvement in the quality of ESW; (ii) increased country coverage of core diagnostic work; and (iii) recent shifts in the focus of ESW work from core diagnostics to other more customized ESW responding to country needs, there is now greater emphasis on sharing diagnostic work with partner organizations.
• Ensure that substantial programmatic lending to IDA borrowers is informed by fiduciary diagnostics and is based on a time-bound action plan to establish sound fiduciary policies. Encourage governments, in the context of preparing PRSPs, to analyze the poverty and social impacts of major programs and policy actions, including those supported by PRSCs.	Individual operations	On-going	See Section B1 of this matrix. In addition, OP8.60 requires all DPOs – including PRSCs – to draw on relevant analytic work on the country, including core diagnostics such as the CFAA, CPAR, PER, as applicable (see above). PRSCs are programmatic operations which reinforce country ownership by focusing on actions already completed by government, rather than promised for the future. In IDA countries, they now account for a significant share of new development policy operations and commitments – in FY05, PRSCs were 50 percent and 55 percent of these totals respectively. The PRSC Stocktaking (April 29, 2005) notes that all PRSCs have been underpinned by a set of integrative ESW that assesses public financial management systems; key social, structural and sectoral policies; and poverty and social impact analysis (PSIA). To date, IDA has been selective in providing PRSC support to well-performing countries with a stable macroeconomic framework and adequate financial management systems. Nearly half of PRSC programs have also benefited from PSIA-type analyses of the distributional impact of policy reforms on different stakeholder groups, particularly the poor and vulnerable people. In order to enhance efforts to mainstream PSIA techniques into IDA's work, supplemental budget resources are being provided to teams that undertake PSIA analysis. Going forward, issues include whether and how PRSCs should be offered to weaker performers, perhaps with a different design and approach.

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• Ensure that the Financial Sector Assessment Program (FSAP) is carried out in IDA countries subject to agreement with IMF and individual countries.	5 FSAPs per year in IDA countries	On-going	The FSAP targets of IDA13 were achieved or surpassed each year: ***Completed in FY03*[2]*:*** Ghana (FSSA), Kyrgyz Republic (FSSA, FSA), Senegal (FSA), Uganda (FSSA), Bangladesh (ROSC). ***Completed in FY04:*** Mozambique (FSSA, Tanzania (FSA and FSSA), Moldova (ROSC), Nigeria (ROSC), Sri Lanka (ROSC). ***Completed in FY05**:* Kenya (FSA), Moldova(FSA, FSSA), Pakistan (FSA, FSSA), Senegal (FSSA), Bosnia and Herzegovina (ROSC), India (ROSC), Uganda (ROSC).
D.2. CAS Time Table • For each IDA country, indicate at the time of Board discussion of the PRSP, the proposed timing for Board discussion of the CAS.	PRSP Board Discussions	On-going	Since the start of the IDA13 period, CAS guidelines have required that CASs for IDA-eligible borrowers be preceded by, and presented to the Board following, the PRSP on which they are based. When a PRSP has not yet been completed, an Interim Strategy Note covering a 12-24 month period is used to describe the Bank's assistance program.
D.3. Strengthen Link between PBA and CAS • Monitor alignment of IDA allocations with CAS base and high cases (as well as alignment of CAS triggers with weaknesses in CPIA), and track actual lending at the country level to ensure alignment between lending and country performance.	Management Review of Allocation and Lending	Annual	Reports on IDA Commitments, Disbursements and Funding (October 2003, November 2004 and December 2005) showed that IDA efforts to enhance aid effectiveness, by directing more resources in favor of Borrowers with good policies, continue to yield results. During IDA13, Borrowers in the top performance quintile received on average more than 4 times as much aid per capita as those in the lowest quintile. (Section 3.3)
D.4. Enhance Dialogue with Recipients on CPIA • Make CPIA methodology more transparent to borrowers, enhance dialogue with governments on their CPIA ratings and analyze feedback received.	CPIA Exercise and Annual Management Review of the PBA System	Annual	During IDA13, (i) quintile-based ratings results were put annually on the IDA external website; (ii) Country Directors more systematically discussed the performance ratings with their counterparts; and (iii) an informal Board discussion of steps towards more transparency and disclosure of IDA performance ratings was held. Full public disclosure of CPIA scores of all IDA-eligible countries, including ratings of each of the CPIA's 16 criteria, will now take place starting in 2006, along with country portfolio ratings, country governance scores, and the overall IDA CPR. In addition, six information sessions on the IDA Assessment and Allocation system were held in Africa, Asia, and Central America in 2005 and others held with Government counterparts visiting Bank headquarters. Ongoing feedback on how to make the dialogue process more effective is also being incorporated.
D.5. Enhance Transparency of IDA's Assistance • Implement revisions to the disclosure policy approved by Executive Directors in September 2001, including the release of a broad set of OED reports, consultation drafts of SSPs, and enhanced information packages on project implementation. Look for ways in which more information on IDA programs can be made publicly available.	Report on Implementation of Disclosure Policy	Annual	The *World Bank Policy on Disclosure of Information* has been revised during IDA13, making an enormous amount of operational information available to the public (Section 3.3).
E. GLOBAL AND REGIONAL PROGRAMS **E.1.** Global Public Goods • Collaborate closely with other partners in the	MDB Cooperation Updates	Annually in Fall	The MDB Cooperation Updates (2003, 2004, 2005) highlight global public goods as one of the focus areas of MDB cooperation. A joint statement signed by all MDB Presidents in Spring 2005 underlines the importance of this cooperation, with focus on global governance and transparency, communicable diseases, environmental commons, global

[2] The FSAP is a joint initiative of the World Bank and IMF. Country reports comprise one or more of several document types: FSA: Financial Sector Assessment, FSSA: Financial System Stability Assessment, ROSC: Reports on the Observance of Standards and Codes, SC: Detailed Assessments of the Observation of Standards and Codes, and SI: Technical Notes (Analysis of selected topics).

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provision of global public goods and where necessary produce an explicit agreement among partners with regard to comparative advantage			provision of safe water, migration and remittances, and the link between peace and security and development. The Bank – in close consultation with MDBs and other partners – prepared a "Strategic Framework for Global Issues and Programs", with emphasis along the lines of the joint MDB statement. It was discussed and broadly endorsed by the Bank's Executive Directors in June 2005.
E.2. <u>Regional Priorities</u> • Maintain Africa's share of IDA commitments at 50% as long as the performance of individual countries warrants it, monitor regional distribution of IDA commitments and disbursements, and report annually to Executive Directors.	IDA Commitment Reports Individual Regional Project Commitments	Annual	Africa received the largest share of IDA support – on average 47% of total commitments; similar to the 48% average share during IDA12. (South Asia was the second largest recipient, at 32% of total new commitments.) Africa's share of disbursements during IDA13 amounted to 46%, a significant increase over its IDA12 share of 39%. IDA13 called for an enhanced role for the Bank to encourage trade and regional integration and to help address regional challenges of the greatest relevance to poor countries. As part of this effort, IDA introduced a pilot envelope for regional projects of up to $450 million per annum during FY04-05. During the IDA13 period, 88 percent of the regional projects were in the Africa region. (Section 5.5)
F. SUPPORT FOR HIPC • Ensure that new lending does not lead to unsustainable debt burdens. Keep this issue under close review, and provide an update on debt sustainability.	Debt Sustainability Report	MTR	A status report on the HIPC (September 2005) noted that by end-FY05, 18 countries reached the completion point and are qualified to receive irrevocable debt relief committed under the enhanced HIPC Initiative. The report projects that HIPC relief would help reduce the overall debt stock of the 28 decision and completion point countries by about two-thirds and the debt service-to-export ratio below 10 percent. In addition, staff of IDA and the IMF have identified six new eligible HIPCs under the extended sunset clause – namely, Eritrea, Haiti, the Kyrgyz Republic, and Nepal, ("HIPC Initiative: List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at End-2004," April 2006). Beyond the HIPC Initiative, the period under review has seen other major developments aimed at helping achieve sustainable debt levels in low-income countries. First, to help ensure that countries do not re-accumulate unsustainable debt levels, the Bank and the IMF have jointly developed over FY04-FY05 a Debt Sustainability Framework for low-income countries. Second, the IDA14 replenishment negotiations in 2004-2005 resulted in the adoption of a new grant allocation system, in which the primary eligibility criterion was countries' risk of debt distress, determined on the basis of the Debt Sustainability Framework methodology. Third, on Sept. 25, 2005 the Development Committee welcomed the Multilateral Debt Relief Initiative (MDRI), proposed by G8 countries, calling for 100 percent relief of IDA, AfDF and IMF debt stocks owed by eligible HIPCs that have reached, or will reach, completion point. The IMF has implemented the MDRI as of Jan. 1, 2006; IDA will implement the Initiative as of July 1, 2006.
G. MONITORING AND EVALUATION OF IDA13 **G.1**. <u>Strengthen Accountability with Respect to IDA Commitments</u> • Publicly disclose the IDA13 Replenishment Report, and translate IDA mandates into operational guidelines as appropriate. Assign internal responsibility for monitoring and implementation of institutional commitments, and	IDA13 Progress Report	MTR	The IDA13 Replenishment Report was disseminated publicly as well as Bank-wide. A high level working group was set up to translate the undertakings into action and to follow up on implementation. A consolidated corporate implementation matrix on Key Actions, Milestones, Target Dates and Responsibilities was developed to delineate responsibilities for deliveries, track progress and ease coordination among Bank units. In addition, numerous papers were prepared by staff to brief IDA Deputies on progress at the time of the MTR.

IDA13 Objectives And Actions (FY03-05)

Policy Objectives and Recommendations	Product	Target Date	Actions Taken / Status at the end of IDA13
reinforce accountability for policy compliance.			
• Monitor the quality of the IDA portfolio as a key indicator of ultimate development outcomes and impact.	ARDE and ARPP	Annual	The quality and effectiveness of the IDA portfolio have been evaluated annually during IDA13 in the ARDE and ARPP. Though there is still considerable scope for improvement, quality was enhanced (Section 1.4).
G.2. Report on IDA13 Implementation ***CAS Retrospective***. Undertake a systematic review of CASs discussed by the Board to assess their coverage, content and quality in helping countries attain their poverty reduction goals, including through the monitoring of outcome indicators.	CAS Retrospective	July 03 & July 04	See Sections A.2 and A.4 of this matrix regarding the piloting (from FY03-early FY05), and mainstreaming of the results-based CAS approach. During this time period, the CAS Retrospective was put on hold, and a Results-based CAS Stocktaking was undertaken instead in July 2005. The Stocktaking concluded that use of the new model, with an explicit outcomes framework, will improve the strategic design and poverty focus of CASs. A broader review of all CASs produced from FY02-05 will comprise the upcoming CAS Retrospective IV.
SSP Stocktaking. Evaluate the strategic relevance, analytic quality and operational efficiency of SSPs, and set out future directions. Report periodically on implementation progress of sector strategies.	SSP Stocktaking Report	Fall 04 & subsequently	For SSP Stocktaking, see Section A.2. Program Selectivity.
IDA Grants Implementation*:* Report on experience with implementation of expanded use of IDA grants.	Grants Implementation Report	MTR	A grants implementation report was discussed by the Deputies at the IDA13 Mid-term Review. IDA13 authorized IDA to extend grant financing, amounting to 18 to 21 percent of IDA's total envelope. In the end, grants accounted for 19 percent of total commitments during the IDA13 period, well within the stipulated range. As a result of the IDA14 negotiations, countries' risk of debt distress was adopted as the primary eligibility criterion for IDA grants. The grant share is thus exogenously determined and is monitored on an on-going basis. (Section 2.2)
Implementation of New Lending Terms. Report on experience with implementation of new lending terms for countries with capacity to service debt on harder terms.	Report on New Lending Terms	MTR	The October 2003 report "IDA's Performance-Based Allocation System: Current and Emerging Issues" discussed new lending terms for the IDA13 Mid-Term Review. IDA13 included a provision that countries with a per capita income above the IDA operational cut-off that continue to be IDA eligible [since they were not creditworthy for IBRD lending] will receive credits on hardened terms. For all or part of IDA13, this applied to Albania, Bolivia (FY03 and FY04), Bosnia and Herzegovina, Honduras (FY05) and Serbia and Montenegro.[3] By the end of IDA13, a total of SDR721 million (US$1.03 billion) was provided on hardened terms.
Report on Commitments, Disbursements and Funding. Prepare an annual update on IDA's lending and funding, including breakdowns by sector and instrument, and a review of lending to Blends.	IDA Commitment and Disbursement Report	Annual	The IDA Commitment and Disbursement Reports for FY03, 04 and 05 showed an increase in new commitments for both investment and adjustment operations, and for both IDA-only and Blend countries during the IDA13 period compared to the previous one. Investment lending comprised about 77 % of the total, and adjustment lending 23%. The social sectors (36%) and public administration (23%) together received more than half of total commitments, while infrastructure claimed the largest increase in commitments during the IDA13 period.

[3] Albania and Honduras were IDA-only countries during IDA13, while the other countries were blend countries. In view of the uncertainty inherent in GNI statistics, the hardened terms were not applied to Djibouti which had GNI per capita that exceeded the operational cut-off for the first time in FY03.

Reviewing Project Results: The Portfolio in IDA13

During IDA13, more than 800 IDA projects were in the active portfolio each year, and more than 100 projects (excluding supplemental credits), came to a close each year. Because IDA projects take over 5 years to implement on average, the majority of the projects that closed were actually begun in the IDA11 (FY97-99) and IDA12 (FY00-03) periods. But since they closed during IDA13, and went through a rigorous evaluation process on closure, they can offer useful insights on the type of results achieved and lessons learned from IDA operations.

Upon closing, every IDA project goes through a self-evaluation process involving the IDA Borrower, Management and staff. The final report on this self-evaluation, known as an Implementation Completion Report (ICR), is made publicly available.[1] The ICR is then reviewed, along with other project documents, by IEG, the independent evaluators of the WBG.[2] Both the self-evaluation and independent review seek to draw out important lessons for future development projects and different aspects of project implementation across the diversity of project types financed by IDA (and IBRD).

For donor and borrowing countries alike, it can be useful to look at both the *overall* quality and effectiveness of the programs being financed by IDA funds (Section 1 of this report), as well as the results at the *project level*. Though the aggregate portfolio indicators in Section 1 help to assess IDA's effectiveness, a project level review can better explain the type of activities and programs that IDA has financed – and the various types of results that have been achieved. With the public dissemination of ICRs (IDA13 was the first replenishment for which ICRs were made public documents), these lessons and results can be gathered for any number of recently closed IDA projects.

Given the large size and the wide range of the active portfolio, a discussion of all projects, or even a large representative sample, would be unwieldy. Instead, a relatively small sample set was chosen, for the simple purpose of providing a 'snapshot' of IDA's potential impact. For this purpose, a *random sample* of 30 IDA projects was drawn – from the total pool of 417 IDA projects that went through the ICR/self-evaluation process during IDA13 and also had an independent review prior to October 2005. ***Because of its relatively small size, the random sample is not statistically representative of the IDA portfolio – in terms of country, region or sector distributions, financing amounts, final project ratings, etc.*** The following two tables illustrate how the random sample differs in some important ways from the broader pool of projects:

Table 1: Random Sample of 30 IDA Projects

	ICR Development Outcome Rating		
Region	Satisfactory	Unsatisfactory	Total
Africa	40.0%	16.7%	56.7%
East Asia and the Pacific	6.7%	0.0%	6.7%
Europe and Central Asia	13.3%	0.0%	13.3%
Latin America and the Caribbean	6.7%	3.3%	10.0%
Middle East and North Africa	3.3%	0.0%	3.3%
South Asia	10.0%	0.0%	10.0%
Total	80.0%	20.0%	100.0%

[1] The World Bank Policy on Disclosure of Information was revised in August 2001 to make ICRs publicly available. The new policy began implementation January 1, 2002, and applies to (i) all investment operations whose final closing date falls on or after January 1, 2002; (ii) all PRSCs irrespective of their dates of approval; and (iii) all other adjustment lending operations for which the concept review took place on or after January 1, 2002.

[2] IEG was renamed during 2005 and was known previously as the Operations Evaluation Department, or OED.

Table 2: Pool of 417 IDA Projects Evaluated During IDA13

Region	ICR Development Outcome Rating				
	Highly Satisfactory	Satisfactory	Unsatisfactory	Highly Unsatisfactory	Total
Africa	2.9%	32.9%	10.8%	0.2%	46.8%
East Asia and the Pacific	1.4%	9.8%	0.2%	0.0%	11.5%
Europe and Central Asia	1.7%	12.5%	1.4%	0.0%	15.6%
Latin America and Caribbean	0.0%	5.8%	1.7%	0.2%	7.7%
Middle East and North Africa	0.2%	2.6%	1.2%	0.2%	4.3%
South Asia	0.5%	11.0%	2.6%	0.0%	14.1%
Total	6.7%	74.6%	18.0%	0.7%	100.0%

Because the sample was drawn randomly – it is skewed in several ways, for example towards some particularly small IDA countries that represent a very small share of the IDA portfolio, while leaving out some of IDA's largest borrowers and best performers. Though not statistically representative, the sample does provide a project level perspective on the work supported with IDA financing and the type of project results that were achieved.

It is important to emphasize that project results correlate most strongly with the performance of borrowing countries at implementation. As evident in some projects, an unstable political or security climate in the country can also have a major negative impact on project results. However, while many of the measures that ensure successful projects are not fully within IDA's span of control – good quality-at-entry for new projects and project supervision by IDA can have an impact.

The 30 project summaries that follow include a summary of the objectives of each project, some of the country context and IDA's role, the ratings of the ICR – and a *selection* of IDA project results.

Improving Senegal's[3] Competitiveness

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 2000, IDA provided a $100 million credit for a ***Trade Reform and Competitiveness Project (P055471)*** to improve the competitiveness of the economy by expanding trade liberalization reforms that were already underway. An additional $26 million in support was provided by the African Development Bank.

Country Context and IDA's Role

In 1999, Senegal's per capita GNI was about $460 per year and its social indicators were very poor compared with those of other sub-Saharan African countries. The IDA credit supported an ongoing effort of trade and tax reform on the part of the Government of Senegal. Liberalizing trade and developing the private sector to build a more competitive economy was consistent with its poverty reduction strategy.

By 2000, a number of factors made it possible to effectively liberalize trade in Senegal. In 1994 there had been a devaluation of the local currency (the CFA franc) and the decision by Senegal and the seven other members of the West African Economic and Monetary Union (WAEMU)—Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, and Togo—to create a customs union. The devaluation provided a window of opportunity to implement far-reaching trade reforms. With a Common External Tariff in place as of January 2000, Senegal had its lowest tariffs ever, giving the country a unique chance to improve the overall efficiency of its economy and boost its exports. On January 1, 2000, Senegal implemented the last step of the WAEMU Common External Tariff reform, among other things, reducing the maximum import tax from 65 percent to 20 percent. Tariffs on goods from within the region were eliminated.

For the year 2000, tariff reductions were estimated to reduce fiscal revenues by about one percent of GDP. The IDA credit provided budget support to ensure that the shortfall did not lead to disruptions in social sector programs, as well as technical support for institutional reforms that would reduce administrative burdens on the private sector.

Project Results

According to the independent review, when the project closed in 2002, significant progress had been made toward the overall objective of improving the competitiveness of Senegal's economy. Among the project's most significant results:

- Trade liberalization: Senegal's trade tariffs were significantly lower than the average for sub-Saharan African countries. Based on the 2005 *Doing Business Report*, Senegal ranks 46 out of all countries in terms of ease of trade across borders.
- A new electronic "paperless" system for pre-clearance of imported goods to speed up entry; customs clearance/processing time was reduced from several days to between 24 and 48 hours.
- A computerized system was put in place to more effectively share data among customs offices, as well as among the customs, tax, and treasury departments for automatic data entry of imports.
- The single taxpayer identification number system, to make tax collection easier and more accurate.
- A regulatory system for public utilities to promote competitive pricing of inputs, and ultimately lower costs and improve service quality.

[3] Senegal has a population of 11.4 million and a GNI per capita of $630 (WDI, 2004).

Mitigating Cyclone Damage in Bangladesh[4]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1996, IDA committed $53 million to the ***Coastal Embankment Rehabilitation Program (P009549)*** to help Bangladesh better withstand natural disasters, particularly cyclones. The European Community also provided $19.7 million and the Government of Bangladesh $15.1 million; in 1997, IDA provided an additional $16.5 million to help respond to two severe cyclones that hit in that year.

Country Context and IDA's Role

With nearly half of its 140 million people living below the poverty line, Bangladesh is the poorest country in South Asia. Its high level of vulnerability to natural disasters such as flooding, cyclones, and rising sea levels, exacerbates poverty in a country that is dependent on agriculture. Natural disasters cause severe fluctuations in food grain production and price, and in GDP growth.

Bangladesh's coastline and Bay of Bengal islands are hit by cyclones annually. An April 1991 cyclone killed 140,000 people and caused severe damage. The loss of life and property during cyclones disproportionately affects the poor, who live in weakly constructed houses and have fewer resources to recover from natural disasters. The Government of Bangladesh requested that IDA—which had previously provided assistance in dealing with cyclone protection—coordinate donor assistance. In addition to providing physical protection from cyclones, the *Coastal Embankment Rehabilitation Program* was designed to help reduce poverty through increased crop production; specifically, it sought to increase the estimated income from a one-hectare farm in the area from $50 per capita annually to $70. The area covered by the project was about 240,000 hectares, of which about 80 percent was under cultivation. Agricultural productivity in the area was low due to salinity and the threat of cyclones. There were 1.2 million inhabitants—some 200,000 households—of which about 70 percent were farmers.

Several of the 21 polders—structures that seal-off a compartment of land from flooding—in the cyclone-prone region were inadequate and unsafe. The program included the repair of a number of polders as well as the rehabilitation of 12 sea-facing embankments; afforestation of embankment slopes; and improved maintenance of the polders. There was a resettlement component and technical assistance to support government implementation of the program. The grant from the European Community included a Community Development Fund to enable NGOs to implement such local poverty alleviation activities as improved water supply and sanitation for embankment settlers and community training and education programs.

Project Results

When the project closed in 2002, it was rated as satisfactory in achieving development outcomes. However, the independent review raised concerns about civil works that were incomplete at project close, as well as inadequate government budget commitment to maintaining cyclone protection. Among the main project results:

- Improved protection from cyclones for about 1.2 million people—with construction of 69 kilometers of new embankments and repair of 61 kilometers.
- Agricultural production increased by about 18 percent in the areas covered.
- The average income from a one-hectare farm in the project area increased in real terms by 53 percent, surpassing the original project goal.

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[4] Bangladesh has a population of 139.2 million and a GNI per capita of $440 (WDI, 2004).

Saving Madagascar's Environment[5]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1997, IDA financed the second phase of an ongoing three-phase (15-year) program to address the extensive environmental degradation in Madagascar. IDA provided a $30 million credit for the ***Environmental Program II (P001537)***. This important program (with a total cost of $150 million) was also supported by the Global Environment Facility ($12.8 million) and the International Fund for Agricultural Development ($8.10 million), as well as a dozen other external donors.

Country Context and IDA's Role

Madagascar stands out globally for both its ecological richness and its environmental degradation. Although the country occupies only 1.9 percent of the land area of the African region, it is home to about 25 percent of all its plants. About 80 percent of its plant species are endemic. The animal proportion is higher – the best example being lemurs, of which almost 100 percent are only found in Madagascar.

At the same time, it was estimated that as of the late 1980s almost 80 percent of the country's original forest cover had disappeared or been severely degraded, mainly because of slash-and-burn agriculture. The cost of environmental degradation is very high. The country was losing endemic species and ecosystems of environmental, genetic, and medical importance. Furthermore, the economic cost of lower agricultural productivity due to soil loss and salutation, damaged infrastructure and the need to build new infrastructure to higher standards was estimated to equal between 5 and 15 percent of the country's GNP annually in 1990.

At the start of the *Environmental Program II*, 68 percent of the total population was poor and living in rural areas. The root cause of biodiversity loss—in this case, a direct consequence of forest loss—was the expansion of human populations which, with little land tenure and few opportunities besides subsistence agriculture, use inappropriate agricultural technologies (including slash-and-burn cultivation), overexploit existing lands and encroach on forest areas in search of new land.

Under these circumstances, the Government prepared a National Environmental Action Plan with coordination from the World Bank and the help of donors, other multilateral agencies and NGOs. *Environment Program I* had supported environmental management and urgent operations, such as protecting biodiversity and fighting deforestation. The second phase promoted sustainable use of resources—including soil and water, forest and ecosystems management—as well as 'mainstreaming' environmental considerations into overall country management. The final phase began in 2004 and will be completed in 2008.

Project Results

The program's strongest aspects have included its long-term approach, good donor coordination and integration of biodiversity conservation into the development agenda. Among its results at close in 2003:

- Protected areas expanded from 21 to 46, to cover 15 percent of Madagascar's remaining forests.
- Deforestation slowed substantially to 0.6 percent, compared with 1.6 percent in unprotected areas; slash-and-burn cultivation decreased by 72 percent due to better management capacity.
- Soil erosion decreased by 80 percent in protected areas—from 8 tons per hectare to 1.6.
- Based on a biodiversity index, the loss of biodiversity went from 1.66 percent to 0.62 percent.
- 5,072 community-level sub-projects were implemented—covering more than 82,000 hectares of land—in areas of resource management, diversification, farm infrastructure and social projects.

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5 Madagascar has a population of 18.1 million and a GNI per capita of $290 (WDI, 2004).

Implementing Pro-Poor Local Government Reform in Pakistan[6]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 2001, IDA provided a $90 million ***Structural Adjustment Credit for the Government of the North West Frontier Province* (*P077834*).** The credit, the first in a series of three anticipated at that time, was intended to provide budget and advisory support while the Province undertook an ambitious four-year economic and social reform program. The credit aimed at allowing the province to incur larger budgetary expenditures for the province's reform program, especially the costs of fiscal restructuring and service delivery improvements.

Country Context and IDA's Role

At the end of the 1990s, one-third of Pakistan's population was poor and its social indicators were among the lowest in the world. Poverty levels in the North West Frontier Province—one of four that make up the federation and home to 13 percent of the population—were even higher, especially in the mountainous rural areas. Conditions for girls and women were particularly poor: girls' enrollment in primary school was 54% versus 84% for boys; and the literacy rate for women was 15% versus 27% for women across Pakistan.

Following extensive dialogue with IDA, the credit was provided to support a set of wide-ranging reforms being implemented by the province. They were based on those articulated in the federal government's growth-oriented Interim Poverty Reduction Strategy Paper (I-PRSP), completed in 2001. The credit would enable provincial expenditures in priority areas, including reforms in governance, delivery of basic social services, fiscal and financial management, and private sector development. Accelerating human development was seen as a critical effort, to be undertaken in tandem with financial and government reforms. The focus was greatest on education access and gender parity, preventive and primary health care, women's development and urban water supply and sanitation.

The Government of Pakistan supported the credit to the North West Frontier Province—as well as another one to the Sind province—by agreeing to pass on the entire Rupee equivalent of the IDA credit while bearing the foreign exchange risk at the Federal level.

Project Results

Among the project's most significant results at its close in 2001[7]:

- 115,000 more students (a 6 percent increase) were enrolled in primary school from 2001 to 2002.
- The FY03 education budget of the province increased by nearly 25 percent (on track to reach the 75 percent increase targeted for FY05) and 2,400 new teachers were recruited.
- Physical facilities, especially for girls, were being added in primary schools; secondary school capacity was being expanded and new primary schools were being established where needed.
- A 2001/02 government survey indicates a 3 percentage point decline in infant mortality over the previous year and a 3 percentage point increase in immunization coverage (from 54 percent to 57 percent against a 2005 target of 80 percent).
- The population with access to DOTS therapy for TB increased from 20 percent to 48 percent.
- At the provincial level, important steps were taken to ensure the independence of the judiciary from the executive branch of government (providing mechanisms for legal recourse).

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6 Pakistan has a population of 152.1 million and a GNI per capita of $600 (WDI, 2004).

7 When it closed in 2005, the Second North West Frontier Province Structural Adjustment Credit (P079635) showed further improvement in project ratings and scaled-up results in the health and education sectors.

Building Small Enterprise in Comoros[8]

Ratings:	**Management ICR Ratings:**
Development Outcome	Unsatisfactory
Institutional Development	Modest
Sustainability	Unlikely
Bank Performance	Satisfactory
Borrower Performance	Unsatisfactory

In 1994, the World Bank approved a $5.14 million IDA credit to encourage small business and provide incentives for private sector investment. The ***Small Enterprise Development Project (P000606)*** was supported by another $2.52 million from the Government of Comoros, the private sector and private banks.

Country Context and IDA's Role

Comoros' income level includes a heavy reliance on external aid. It was estimated in 1992 that external aid amounted to some $115 per capita per year, equal to about 70 percent of imports. The country is predominantly rural; agriculture accounts for 40 percent of GDP and employs 75 percent of the work force.

In 1991, the Government, supported by IDA and the IMF, adopted a reform program to redress problems which had led to poor economic growth after Independence in 1975 and which aimed at establishing the conditions for export-led growth and significant increases in per-capita income. While progress had been made since 1991 in macroeconomic and public enterprise reform, Comoros' highly unfavorable business environment hampered the country's competitiveness. To help ensure sustained private sector response, incentives, and institutional, legal and regulatory impediments also needed to be addressed.

IDA financing was intended to encourage the private sector in Comoros in several ways. A $2.5 million line of credit would provide long-term resources to banks to finance medium- to long-term investment. The project also financed an Enterprise Development Fund ($1 million) to help entrepreneurs improve the design of their projects and provided training and institutional support to the Ministry of Justice for reform and to the Ministry of Finance to prepare an action plan for improving the business environment.

Project Results

The IDA project closed in 2002. There was a great deal of political strife in Comoros during the implementation period; as a result, the objective of improving the business environment overall was not met. Difficulties within the two banks using the line of credit meant only about half was allocated, yielding little change in access to investment financing. Some progress was made, however, in reform of business legislation and in public enterprise divestiture. Among the results during the project period:

- Reforms in air transport have reduced costs, improved communications between the islands, reduced Comoros' isolation, and could potentially contribute to increased tourism. Air Comoros was liquidated and two private domestic carriers were established.
- A concession agreement for the management of three ports was signed in 2001; this should lead to a reduced cost of doing business in Comoros.
- Partial or complete divestiture of a number of other public enterprises, including the state hotel company and the national petroleum company (the gas butane bottling subsidy); restructuring of the electricity and water company and the postal and telecommunications company.
- Business taxes were simplified and lowered, potentially reducing the tax burden for businesses.
- Financing of $1.3 million for 29 investments under the line of credit, amounting to $2.3 million in projects (including financing from banks and external donors).
- Under the Enterprise Development Fund, an Association for the Promotion of the Private Sector was established and 250 entrepreneurships received technical assistance and training.

[8] Comoros has a population of 587,900 and a GNI per capita of $560 (WDI, 2004).

Modernizing Tanzania's[9] Health Sector

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

A $22 million IDA credit, approved in 2000, was the first of three Adaptable Program Credits[10] planned by IDA to support the country's ***Health Sector Development Program (P058627)*** over 10-12 years. Phase I (July 2000-Dec. 2003) was the preparatory phase of broad health sector reform. This approach was considered the most effective to bring about substantial changes in the way health services are managed and financed. The Government of Tanzania provided $350 million, and co-financing from the Governments of Denmark, Ireland, Germany, the Netherlands, Switzerland, Norway and the United Kingdom, as well as other agencies, brought the total financing to $654 million. (The *Second Health Sector Development Project—P082335*—is underway with financing of $963 million, including $40 million from IDA.)

Country Context and IDA's Role

By the end of the 1990s, Tanzania's social indicators suggested that reform of the country's health sector should be undertaken as an urgent priority. HIV prevalence rates were reported to be higher than 10 percent and fertility rates around 5.[11] According to the World Development Indicators, in 2000 the infant mortality rate was 104 per 1,000 live births and the under-five mortality rate was 165 per 1,000 children.

Donor funds for the Tanzania Health Sector Development Program are pooled and channeled through a central mechanism, and IDA facilitates coordination while acting as a financier of last resort, to fill any gaps. In addition, IDA brings to this program a critical sector-wide approach that focuses on policy reform, complementing the assistance of the bilateral donors that traditionally focus on service delivery. The portion of Phase I financed by this particular IDA project had specific institutional development components: strengthening service delivery through district health services; strengthening the Ministry of Health and central support systems; health insurance financing; and a National HIV/AIDS Fund.

Project Results

When the Phase I project closed in 2003, its performance indicators had been met and a Phase II project was triggered (and is currently underway)[12]. Some of the significant results of Phase I include:

- A National Health Insurance Fund was established, providing coverage for 245,000 civil servants.
- HIV centers were set up in 170 facilities and 200 HIV/AIDS counselors were trained.
- The immunization coverage of Tanzania's children improved; the percentage of children under one year of age who received DPT3 [13] increased from 71 percent in 1999 to 85 percent in 2003.
- A strengthened Ministry of Health issued national technical guidelines and regulations for the Essential Package of Health and Quality Standards and Criteria for District Health Services.
- 113 local Council Health Management Teams received training in planning, budgeting, and financial management.

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9 Tanzania has a population of 37.6 million people and a GNI per capita of $320 (WDI, 2004).

10 Adaptable Program Credits/Loans (known as "APLs") are instruments used by both IDA and IBRD to provide phased support to a development program over a longer term than is typical for single investment projects.

11 The number of children that would be born per woman if she were to live to the end of her child-bearing years and bear children at each age in accordance with prevailing age-specific fertility rates.

12 A set of health outcomes will be measured at the end of the third phase in 2011. These will include indicators for fertility, vaccination, HIV prevalence, malaria, public satisfaction and number of health care providers, among others.

13 DPT3 is three doses of vaccine against Diphtheria, Pertussis and Tetanus. DPT3 is commonly used as an indicator of the availability of health services.

Introducing Bilingual Learning in Mali[14]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 2000, IDA provided $3.8 million for a Learning and Innovation Credit[15] for ***Improving Learning in Primary Schools (P058770)***. These IDA funds were supplemented by $0.3 million from the Government of Mali and $1.4 million in co-financing from the Government of the Netherlands. The project's objective was to further develop bilingual education in Mali and assess its merits in terms of its financial and educational sustainability. Bilingual education has been associated in Mali and other countries with improved student performance.

Country Context and IDA's Role

In 1998, the primary school enrollment rate was only 50 percent, one of the world's lowest. The rate was lower still in rural areas and for girls. In addition, student achievement in both primary and secondary school was on the decline.

In response, in 1998 the Government of Mali developed a 10-year education policy and strategy with a focus on achieving universal primary education (with a target of 75 percent by 2008) and on improving the quality of education. A key component was the provision of bilingual schooling using mother tongue instruction in the early grades, with French added in the second grade (while French is the official language, numerous African languages are also spoken in Mali). This *Pedagogie Convergente* is a child-centric, primary education (eight-grade) model. It had already been provided in about 300 public schools in Mali since 1994 and studies showed that learning achievements in mathematics and French in bilingual schools were higher than they were in Mali's traditional French schools.

The project was designed to develop curricula and produce learning materials that would help the country pilot an approach that might later be expanded throughout the education sector. It focused primarily on introducing *pedagogie convergente* in six languages and on testing the merits and the financial sustainability of the model. The project model also introduced community participation in school activities.

Project Results

When the project closed in 2003, its results justified the expansion of the bilingual learning system (the first phase of a sector-wide *Mali Education Sector Expenditure Program—P040650*—is currently underway). Among the project's most significant results:

- There was considerably less grade repetition and drop-out in *pedagogie convergente* schools compared to traditional ones. Repetition was 3.7 percent compared to the 18.1 percent in traditional schools, and the drop-out rate was 1.6 percent compared to 5.7 percent.
- There were preliminary indications that student performance in math and French language skills was equivalent to, or higher than, student performance in traditional schools.
- The bilingual education model was successfully introduced into 2056 classrooms, with 5600 teachers trained in bilingual education and active learning methods.
- New learning materials were created in six local languages; and the project contributed to the creation of 80 new titles.

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14 Mali has a population of 13.1 million and a GNI per capita of $330 (WDI, 2004).

15 Learning and Innovation Loans and Credits are used to test and pilot new approaches on a smaller scale and over a relatively short period of time, before potentially implementing these approaches more broadly.

Ensuring Clean Water in Malawi[16]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1996, IDA provided a $79.2 million credit for a much-needed ***National Water Development Project (P001667).*** The Nordic Development Fund provided $5.3 million and the Government of Malawi $9.6 million. The project aimed to improve water supply services in rural communities and small urban centers and upgrade management of water resources.

Country Context and IDA's Role

At the outset of the project about 60 percent of the total population had access to water supply services (69 percent urban and 58 percent rural). Four previous projects financed by IDA had strengthened capacity in Malawi's water sector, but they also indicated the need for a more comprehensive approach to water sector reform—including broad reorganization of government structures. In addition to extensive previous involvement in the sector, IDA had helped the Government develop a policy framework. Its involvement was also important to integrating all ongoing initiatives and coordination with the parallel IDA-funded Malawi Social Action Program. In addition to enabling a restructuring of Malawi's water resource management structure, the project included about $50 million in physical works such as water supply and sewage extensions and $9 million of goods and equipment. Importantly, the project focused on community-driven planning, design, construction and operation of water and sanitation services.

Project Results

When it closed in 2003, the project demonstrated that a community-driven approach to providing rural water and sanitation can be effective in the right conditions. Among its results:

- The works constructed under the project have provided new or substantially upgraded water supply services in both rural and urban areas to some 1,150,000 people.
- A further estimated 350,000 people have received improved water supply services through more responsive operations provided by trained and equipped employees of three new, financially autonomous Regional Water Boards (to cover all areas outside the pre-existing Water Boards for the cities of Lilongwe and Blantyre).
- Overall sector management by the Ministry of Water Development was strengthened. The reconstituted Water Resources Board now exercises more effective leadership of water resources management.
- Authority for water-borne sanitation was transferred from the Ministry of Local Government and Rural Development to the Water Boards.
- The district-level approach, with community-managed rural water supply and sanitation, has been applied to all water supply projects across the country.
- Two important studies looking at alternative sources to meet demand for water in Malawi up to the year 2025 and reviewing means for development—with Tanzania—of the Songwe River Basin, were completed.

[16] Malawi has a population of 12.6 million and a GNI per capita of $160 (WDI, 2004).

Early Childhood Development in Kenya[17]

Ratings:	**Management ICR Ratings:**
Development Outcome	Unsatisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Unsatisfactory
Borrower Performance	Unsatisfactory

In 1997, IDA provided $27.8 million to support an ***Early Childhood Development Project (P034180)*** targeted to 1.5 million preschoolers in poor households. This was supplemented by $5.3 million from the Government of Kenya and $2 million from other donors.

Country Context and IDA's Role

While the Kenyan child's chances of survival had improved dramatically since the 1960s—between 1963 and 1993, the infant mortality rate fell from 120 to 62 and the child mortality rate from 200 to 96—indicators such as morbidity, nutrition, and education were poor. According to a UNICEF study in 1994, 80 percent of pre-school children surveyed were worm-infested and 50 percent were anemic. While enrollment indicators were good relative to the rest of Sub-Saharan Africa, drop-out rates were reported to be extremely high.

The importance of investing in early childhood development—pre-school health and education—to a country's human development is widely understood and accepted. Kenya has shown its commitment to early childhood development with the basic infrastructure for preschool centers already in place by the start of the IDA project—there was a network of 20,000 child development centers reaching 1 million pre-school children. But the Government's investment (1994) in pre-primary education was $0.60 per child year, compared to investments of $38, $107, and $1,400 per child year for primary, secondary, and university levels, respectively. This resulted in generally poor quality of pre-primary education, especially in terms of teacher skills. IDA's assistance was needed in this case to fill the Government's resource gap, and the *Early Childhood Development Project* was designed to boost the quality and effectiveness and extend the reach of the country's pre-school programs. The project financed teacher training, community-level awareness-raising, and grants for pilot activities in health and nutrition, among other things.

Project Results

The project—and its subsequent ratings—suffered from inadequate mechanisms to measure its impacts. Additionally it encountered implementation problems and shortages, which certainly constrained its impact. The lessons outlined in the independent review of the project indicate that the project managed to do NGO contracting, but there were differences in perception as to whether it was/should be a contractual or a partnership arrangement (e.g., the NGOs saw themselves less as a contractor and more as a partner, but the Government saw the NGOs as contractors). The project also appears to have suffered from sub-optimal institutional arrangements. Fund-flow arrangements needed to be simplified, and capacity building (at the Government, sub-national, NGO and local community levels) activities would have benefited from a detailed capacity analysis that looked beyond training to the systems, equipment and organizational structures and culture change needed.

While the project was unable to meet its objectives at its close in 2004, some results could be reported:

- 3,355 new early childhood development centers were established.
- There was a 50 percent increase in the number of children enrolled in Kenya's early childhood development programs—from 1,064,053 to 1,604,539.
- The total number of teachers trained in early childhood development available increased from 15,057 in 1997 to 38,712 in 2003.

[17] Kenya has a population of 33.5 million and a GNI per capita of $480 (WDI, 2004).

Learning Innovations in Cambodia[18]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1999, IDA financed an ***Education Quality Improvement Project (P059971)*** with a $5 million Learning and Innovation Credit[19]. The Government of Cambodia provided $550,000 to support the project, which tested participatory approaches to improving school quality and performance-based resource management.

Country Context and IDA's Role

Following the devastation of Cambodia's education system during the 1970s, when the country descended into more than a decade of conflict, the capacity and quality of the education system wasn't yet rebuilt. By the end of the 1990s, 91 percent of primary school teachers were educated only to the level of lower secondary school or less, and the primary school pupil-to-teacher ratio was 47-to-1. Cambodian children received half the number of educational training hours of the international norm, and repetition and drop-out rates were so high that it took an average of 19 years of schooling to produce one primary-school graduate.

While the Government of Cambodia developed a set of education priorities in 1999, they were based on a highly centralized vision for educational development. The primary purpose of this project—IDA's first-ever in Cambodia's education sector—was to demonstrate that a participatory approach to education and performance-based resource management could result in more effective schools, as measured by enrollment and achievement levels. Specifically, the pilot/model schools would have parent and community involvement, adequate books and supplies, capable and positive teachers and effective teaching strategies. The project's centerpiece was a quality-improvement grant program which provided grants directly to communities and schools to support ideas and innovations geared to making the schools more effective.

Project Results

When the project closed in 2004, there was a measurable impact on attendance and learning in the pilot schools. But one of the project's most significant contributions was that it developed a model for a participatory and flexible school which could be replicated elsewhere in Cambodia. Specifically:

- There were substantial reductions in drop-out rates in the project schools—about 30-40 fewer students per cluster of schools dropping out each year. Promotion rates steadily increased year over year during the project by 1.5 - to 2.5 percentage points per year.
- The project model was expanded from an initial 10 clusters of schools to 162 clusters, which covered all the schools in the provinces of Takeo, Kampot and Kandal.
- Grants were awarded to school clusters for pilots, then scaled-up province-wide; 50 percent of grants were for training of existing teachers. The second largest investment was in learning materials and equipment.
- There was substantial impact at the district level, boosting the local education offices and promoting decentralization of school funds.

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18 Cambodia has a population of 13.8 million and a GNI per capita of $350 (WDI, 2004).

19 Learning and Innovation Loans and Credits are used to test and pilot new approaches on a smaller scale and over a relatively short period of time, before potentially implementing these approaches more broadly.

Rebuilding Mozambique's[20] Roadways

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1994, IDA approved a $188 million credit to finance the ***Second Roads and Coastal Shipping Project*** (***P001804).*** The project sought to rebuild the country's transport network in order to facilitate agricultural production and contribute to the country's economic recovery. The Government of Mozambique provided $169 million, and co-financing by a number of other organizations and donors—the African Development Bank, the US, the EU, and France, among them—brought the total financing commitment to $815 million.

Country Context and IDA's Role

In 1994, Mozambique had the lowest per capita income in the world—at around $140. Having finally emerged from conflict in 1992, the reconstruction of Mozambique's economy was urgent. The agricultural sector accounted for roughly 50 percent of GDP and 80 percent of both employment and export earnings, making it clear that poverty reduction and economic growth would depend on recovery of agriculture. (From 1975 to 1986, overall agricultural production fell by about 30 percent and exports fell by nearly 75 percent.) But Mozambique's road network had deteriorated considerably, during the 1970s and 1980s. In 1994, it was estimated that only about 10 percent was in good condition, and that more than a third was unusable. This was putting a significant constraint on the transport of agriculture.

The first *Roads and Coastal Shipping Project*, funded by IDA beginning in 1992, provided extensive technical assistance and training. This strengthened the management of the transport sector and helped the Government to develop a policy for the sector. The *Second Roads and Coastal Shipping Project*, two years later, focused on infrastructure—investment in rehabilitation and maintenance, with the goal of bringing 85 percent of the paved network and 60 percent of the unpaved network to good or fair condition.

Project Results

The project design was a key part of its success by the time of its close in 2003. The project review noted that its flexible design, phased investment plans, and annual reviews could lead to positive outcomes, even in a weak environment, provided there is technical assistance, supervision and up-front policy reform. Among the outcomes:

- The targets for road rehabilitation were largely met for a total road network of 25,339 kilometers.
- On average, travel time was halved for road users. The project helped remove transport bottlenecks, particularly for agricultural production and distribution. Export of goods and services, including transport services, increased to 13.4 percent of GDP in 1990-1999 from 6.8 percent in 1980-1990 (the rate was above 30 percent in both 2003 and 2004). The high rate of growth of the construction sector has also added to overall GDP (GDP contracted at an average annual rate of -0.1 percent in 1980-90, and averaged 7.5 percent growth for 1990-2001.)
- There is now transport to formerly inaccessible areas; land mines have been removed and the vehicle fleet (and traffic growth) over the last decade has increased from 13,000 to more than 200,000.
- Some 100 engineers were trained under the program. A Road Agency and Road Fund have been established, assuring continued capacity to manage the sector and sustain investment gains.
- A competitive local road construction industry is emerging and contractors' association formed with some 50 members. The Road Fund will ensure the necessary funding stream to sustain the initiative.

[20] Mozambique has a population of 19.4 million and a GNI per capita of $270 (WDI, 2004).

Expanding Access to Water and Sanitation in Uganda[21]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	High
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1995, IDA approved a $42.3 million credit for the ***Small Towns Water and Sanitation Project (P002957)*** to upgrade water supply and sanitation systems and reach small towns with no access to water and sanitation**.** The Government of Uganda provided $2.5 million and the Uganda National Water and Sewage Corporation provided $3.2 million.

Country Context and IDA's Role

In 1994, it was estimated that 90 percent of Uganda's total population lived in rural areas, with only 20 percent having access to safe water. In 1995 the number of children per thousand who died before the age of five was 156 (the most recent child mortality figure—for 2003—is 140). Upgrading water and sanitation systems was necessary to improve health conditions and reduce the burden on women and children, traditionally responsible for gathering water either with pumps from boreholes or from springs, rivers and lakes.

Working with the World Bank, the Government of Uganda identified the 60 towns that most urgently needed better access to water and waste systems. These were packaged into several groups to be financed by various external agencies; the IDA project covered one of these groups consisting of 12 towns. IDA involvement was needed to help the government develop a policy framework geared to future sustainability. This in turn would be the basis of the other donor-assisted projects in the remaining towns. In addition to building capacity, the IDA project would demonstrate the integration of top-down and bottom-up approaches involving water and sanitation users in planning, implementing and managing their water and sanitation facilities.

Project Results

Though both the management and independent reviews agreed the project achieved its development objectives, the independent review raised concerns about a negative rate of return on capital costs at the project's close in 2003. On the other hand, the water and sanitation systems created by the project have a very high likelihood of operating on a sustainable basis into the future. As the first such project for Uganda, the IDA project was the model for a demand-driven approach. The model used ensures sustainable management of the water supply systems, since operations have been contracted out to local operators and the systems are being managed and operated well. This approach has been 'scaled up', and is now being used nationwide. As of 2003, project results included:

- 191,000 Ugandans are benefiting each day from an improved water supply.
- About 70 percent of the households in the areas covered by the project depend on piped water as their primary source, compared with 5 percent at the start of the project.
- The piped water has significantly reduced the burdens of fetching water, often over long distances, and particularly for women and children. Without the project, an average of 40 percent of households spent more than two hours per day gathering water. With the project, 70 percent of households report spending about 15 minutes per day instead.
- Environmental degradation was reduced by the construction of 45 public toilets and 14 kilometers of storm drains, and the supply of 45 refuse bunkers and tractor/trailers for solid waste.
- The local water management offices in the towns are financially viable.

[21] Uganda has a population of 27.8 million and a GNI per capita of $250 (WDI, 2004).

Fostering Economic Recovery in the Democratic Republic of the Congo[22]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 2002, IDA provided a $450 million ***Economic Recovery Credit to the Democratic Republic of the Congo (P057293)***, to support improved governance, public expenditure management and public enterprise reform, as well as strengthening of the financial, forestry and mining sectors.

Country Context and IDA's Role

The Mobutu Sese Seko regime had caused a prolonged collapse of the Democratic Republic of the Congo ("the DRC"), followed by a civil war that wiped out the country's physical and social infrastructure and killed and displaced millions of people. In 2001, the country was emerging from a decade of political instability and conflict, but progress in security had been made with the 1999 cease-fire maintained.

The current government has shown commitment to maintaining peace and undertaking economic reform. It implemented an ambitious reform program from June 2001 to March 2002, and upon satisfactory completion was extended $750 million over three years from the IMF under its Poverty Reduction and Growth Facility. At the end of 2002, economic growth was positive for the first time in 13 years.

The DRC has important competitive advantages, which could be potential sources of growth. Exports derive from mining, agriculture, and forestry resources (more than those of the rest of Africa combined). After nearly a decade in which World Bank assistance to the DRC was suspended, the Bank approved a Transitional Support Strategy for the DRC in June 2001. The strategy included an exceptional post-conflict IDA grant for urgent rehabilitation (P075660), a comprehensive recovery program—of which the Economic Recovery Credit was one component—and donor coordination by IDA. The *Economic Recovery Credit* offered assistance (in three tranches) to three specific government programs: clearing arrears and supporting high-visibility public works; reforming the forestry sector; and reforming the mining sector. Additional components sought to improve governance and public expenditure management and encourage public enterprise reform, private sector development and financial sector reform.

Project Results

The Economic Recovery Credit was part of a medium-term development program, and most of its objectives were qualitative in nature. According to the independent review, one of the most significant outcomes of this assistance—combined with that of the IMF and other donors—was the re-establishment of the DRC's relations with the donor community. The program also helped the DRC to reach the HIPC Initiative decision point in 2003, making it eligible for debt relief. The program provides a useful model for the design of economic recovery programs with a visible impact in the short run. The initial grant financing from IDA was critical, enabling the Bank to become proactive early on at the post-conflict stage. When it closed in 2003, the credit had accomplished most of its objectives. Among them:

- clearing debt arrears and increasing government expenditures on urgent public works;
- establishing a modern legal framework as the basis for further forestry sector reforms—including mandatory adoption of forest management plans, competitive allocation of forest resources for commercial use, and transfer of forest fees to local communities for rural development;
- approval of a new mining code and restructuring of the state-owned mining enterprise;
- creation of an anticorruption commission; and
- adoption of new investment, labor and ethics codes.

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22 The DRC has a population of 55.9 million and a GNI per capita of $110 (WDI, 2004).

Curbing Disease in Senegal[23]

Ratings:	Management ICR Ratings:
Development Outcome	Unsatisfactory
Institutional Development	Modest
Sustainability	Unlikely
Bank Performance	Unsatisfactory
Borrower Performance	Unsatisfactory

A $14.9 million IDA credit was approved in 1997 to finance efforts to alleviate the burden of diseases on the population, in particular reducing the prevalence of malaria, schistosomiasis (a water-borne parasite) and onchocerciasis (river blindness). In addition to Senegal's health ministry, which provided $0.9 million for the project, IDA partners in the ***Endemic Disease Control Project (P041567)*** included the European Union ($0.3 million), French Cooperation ($0.7 million), the World Health Organisation ($0.1 million) and UNICEF ($0.1 million).

Country Context and IDA's Role

Malaria is one of the primary causes of death in Senegal, and the presence of such other endemic diseases as schistosomiasis and onchocerciasis make controlling disease the single most important intervention for the country's human development and growth. According to available national statistics the prevalence rate of malaria in 1993 was a stunning 35.3 percent.

At the time of project inception, support for health improvement in Senegal was being provided on a donor-by-donor, program-by-program basis. IDA's engagement was intended to help develop a comprehensive institutional reform program and facilitate donor coordination in the sector.

The project emphasis was on developing the human capital base necessary to support disease control efforts and surveillance. It financed operational costs for strengthening administrative capacity—including a national computerized management information system—as well as acquisition of such critical supplies as bed nets and drugs. In addition, the Government established specific targets for the project: reducing malaria-related infant mortality by 25 percent; reducing by 90 percent the number of school-age children dying of urinary schistosomiasis; and eliminating new cases of river blindness.

Project Results

The project was rated "unsatisfactory" because its contributions toward alleviating endemic and epidemic diseases fell below the potential of the resources and are not expected to be broadly sustainable. Several lessons gleaned from the project in the independent review included the need to: address institutional issues under a programmatic approach; resort to alternative service delivery mechanisms to improve project performance; and, when preparing simultaneous projects in the same sector, ensure strong coordination between teams, complementarity of project objectives and implementation strategies, and strong government leadership for both projects before project preparation.

While the project did not meet the health indicator benchmarks by close in 2004, it did:

- provide 200,000 bed nets and a large supply of malaria drugs in the country;
- develop a national plan for malaria control and lift taxes on bed nets;
- contribute to the reduction in cases of river blindness from 2.5 percent of the population to 0.2 percent (the majority of the reductions are likely attributable to the donor-funded global Onchocerciasis Control Program—in which the World Bank is a partner—which was fully underway in Senegal during the period of the IDA endemic disease project; and
- improve public awareness around malaria, schistomiasis, and river blindness, laying the groundwork for future efforts.

[23] Senegal has a population of 11.4 million and a GNI per capita of $630 (WDI, 2004).

Economic Rehabilitation of Sierra Leone[24]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

A ***Second Economic Rehabilitation and Recovery Credit (P074642)*** was approved at the end of 2001 as a policy-based, quick-disbursing IDA credit in the amount of $50 million. The IDA financing was designed to support Sierra Leone's Interim Poverty Reduction Strategy (I-PRSP) over a 15-month period from December 2001 to March 2003. This was the second such credit to Sierra Leone and was designed to complement similar support being provided by DfID, AfDB, EU and IMF.

Country Context and IDA's Role

In 1999, following a civil war which had begun in 1991, a peace agreement was signed and a UN peacekeeping mission deployed in Sierra Leone. The first Economic Rehabilitation and Recovery Credit (P035637) approved in February of 2000 supported the Government's National Rehabilitation and Recovery Program and supported peace-building, social and economic security, and improved governance. Solid progress was made in all areas, despite a resumption of hostilities in mid-2000 and delays in the process of disarmament, demobilization and reintegration of combatants. With disarmament and demobilization expected to conclude by the end of 2001 and the Government's preparation of an Interim Poverty Reduction Strategy Paper (I-PRSP), IDA committed to a second credit to support recovery and rehabilitation. By May 2002, with the support of the UN peacekeeping force and contributions from the World Bank and international community, demobilization and disarmament were completed and national elections were held.

The second credit supported selected aspects of the I-PRSP: poverty monitoring, and improved public service delivery and accountability in the use of public resources. It provided the resources to finance part of the foreign exchange and budgetary costs associated with establishing peace and good governance, re-launching the economy, and restoring basic public services. This included the rehabilitation of necessary social and economic infrastructure in those parts of the country that had become accessible following the positive developments on the peace and security fronts.

Project Results

The IDA credit proved to be important for coordinating donors in a post-conflict situation, and allowing the Government to improve economic performance without reducing its efforts for demobilization, resettlement, and reintegration. As of March 2003, the project had contributed to:

- Complete demobilization of ex-combatants;
- Basic social services were largely re-established: expenditures for the social sectors were restored from zero in the provinces which had not been under government control during the conflict to their normal level in the 2002 budget; free primary education was extended to all grades in 2002 and the program of subsidizing books and teaching materials was extended to all parts of the country; two-thirds of the Ministry of Energy and Power's 2002 budget was allocated to water supply to expand services particularly in the major towns.
- The economy (real GDP) grew by 6.3 percent in 2002, inflation fell by 3.1 percent, and the fiscal deficit stabilized at about 10 percent of GDP.

[24] Sierra Leone has a population of 5.3 million and a GNI per capita of $210 (WDI, 2004).

Piloting Agricultural Innovations in Comoros[25]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Unsatisfactory

In 1998, a $1.6 million IDA credit helped finance a ***Pilot Agricultural Services Project (P000604)*** designed to kick-start a long-term effort to help Comoros reach its agricultural potential. Additional contributions came from the International Fund for Agricultural Development and the Government of Comoros, for a total project cost of $2.8 million.

Country Context and IDA's Role

From 1991 to 1994, Comoros launched an adjustment program to address a number of constraints that had manifested in poor economic performance—its narrow export base, poor economic management, and an unfavorable private sector environment. In this predominantly rural country, agriculture accounted for 40 percent of GDP and provided employment for 75 percent of the population. While the agricultural sector would be the foundation of any future growth, institutional factors, including unfavorable fiscal and tariff regimes, were stifling the sector's potential. The Government articulated an agricultural strategy to address some of these institutional factors in 1994 and was engaged with IDA for advice and financing to help implement its strategy of long-term sector reform.

The pilot agricultural project was designed to complement the longer term sector reform process, by demonstrating the on-the-ground efficiency of private sector involvement in agriculture, for scaling up into a nationwide program. The project primarily addressed farmers' lack of access to information and new technologies. It tested the effectiveness of using private contractors to work with farmers, instead of public sector services, and emphasized the creation of private sector associations of and for farmers.

Project Results

When the IDA project closed in 2003, both the Management and independent reviews deemed it satisfactory in terms of achieving development outcomes. However the independent review raised a concern that, while the project was able to show the positive impact of the private sector in agricultural development, it was not able to improve capacity to the degree needed to scale up broadly across Comoros. The Bank suspended disbursements to Comoros from August 1998 to January 2000 because of political instability and financial constraints in the country. The underlying reasons for the suspension were among those that contributed to the unsatisfactory rating given for Borrower performance. Among the project's results:

- A network of 60 private contractors was created and trained to support farmers. 50 village vaccinators were also equipped and trained.
- 61 producers' organizations were established.
- 58 sub-projects were financed, involving about 1,000 farmers in various crop and livestock production initiatives.
- The project was able to show that working with community groups such as producers' organizations can expand a project's reach. Financing investments by these private groups increased farmer incomes by 25 percent.

[25] Comoros has a population of 587,900 and a GNI per capita of $560 (WDI, 2004).

Creating Conditions for Pro-Poor Growth in Chad[26]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 2002, IDA supported Chad with a $40 million ***Fifth Structural Adjustment Credit (P077781).*** The credit continued the support for much-needed reforms begun under the 2001 *Fourth Structural Adjustment Credit,* focusing on two important tenets of poverty reduction: promoting good governance and ensuring strong and sustained growth, particularly in rural areas through reforms in the cotton sector and improved access to microfinance. The reform process in Chad was simultaneously supported by a three-year program under the IMF Poverty Reduction and Growth Facility and an Adjustment Credit from the African Development Bank.

Country Context and IDA's Role

After 30 years of civil conflict, Chad has maintained relative peace and stability since 1993. As of 1994, the country had established a satisfactory macroeconomic record with support from IDA and the IMF. Real GDP growth averaged 4.3 percent per year between 1994 and 1999. In 2000, growth slowed to 0.6 percent due to a sharp decline in agricultural production following a severe drought. It resumed in 2001, driven by oil-related investments and their spillover effects, as well as a return to normal agricultural production, reaching 8.5 percent, then 10.9 percent in 2002. During this period, government allocations shifted in favor of education, health, social affairs, transport, public works, and justice. The income that Chad expected to receive from oil revenues beginning in 2003 made the country's growth prospects very good.

This IDA credit was delivered in conjunction with IBRD's $39.5 million support for the *Chad-Cameroon Petroleum Development and Pipeline Project (P044305)* and IDA's combined $41.2 million support for two supporting capacity building projects (*P048202 and P062840)*, all part of a major effort to develop oil resources with the specific goal of poverty reduction. The *Fifth Structural Adjustment Credit* addressed the principal development challenges: translating future petroleum revenues into pro-poor expenditures; and promoting growth in the non-oil sector. Specific components addressed transparency, accountability, rule of law, and participation; public resource management geared to poverty reduction; and rural sector growth. In particular, this last component, would seek to improve the incomes of the some 350,000 cotton farming families in southern Chad in view of low cotton revenues.

Project Results

Among the results reported at the close of the project in 2003:

- Medium-term expenditure frameworks for funding of health and education were prepared.
- Implementation of a National Governance Strategy including publication of the reports of the Auditor General's Office, completion of audit of customs services, and an action plan for public disclosure of information.
- A new procurement code provided the legal framework to ensure that public resources were used for targeted activities and not diverted to unauthorized uses. An audit of the 2002 procurement contracts and system was completed.
- Procedures for a fully independent Petroleum Revenue Oversight and Control Board were finalized.

[26] Chad has a population of 9.4 million and a GNI per capita of $250 (WDI, 2004).

Preservation of Georgia's[27] Cultural Heritage

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1998, IDA provided a $4.49 million Learning and Innovation Credit[28] to support a ***Cultural Heritage Project in Georgia (P055573);*** the Government of Georgia provided another $0.48 million This was the Bank's first project focused entirely on cultural heritage and it financed a range of activities aimed at improving management and promotion of Georgia's cultural legacy. Among its objectives were to test approaches that could revive the country's once dynamic tourism industry and to instill social cohesion and national identity during the difficult economic transition.

Country Context and IDA's Role

After independence in 1991 (Georgia was one of the first republics of the former Soviet Union to declare independence), Georgia's economy, which was relatively strong prior to independence, collapsed under the stress of a brief civil war (until 1993) and the loss of both access to markets of the former Soviet Union and tourism. Following a rigorous reform program supported by the World Bank and IMF, the economy has stabilized. GDP growth averaged -14.5 percent in 1984-1994 and 5.7 percent in 1994-2004.

The Government of Georgia requested World Bank assistance to provide a stronger cultural heritage dimension to its economic and social development program. Historically, Georgia's economy was highly dependent on tourism due to its unique ecological diversity, ancient cultural sites, rich traditions in art and music, and thriving crafts and handicrafts industry. Since the breakup of the Soviet Union, tourism collapsed and fiscal constraints prevented essential maintenance of cultural sites and programs. The credit supported investments in historic and tourism infrastructure, landscapes, and programs at four selected priority sites: the Old Town of Tbilisi; the historic town of Signaghi, in the eastern wine-growing region of Georgia; the ancient Shatili village in the northern Caucasus mountains; and the rock cave city of Uplistsikhe in the central Gori region. A competitive Emergency Rehabilitation Program (ERP) provided urgent repairs to cultural sites and artifacts at serious risk of deterioration.

Project Results

Though there was concern at project close in 2003 that the Fund for Preservation of Cultural Heritage may not be sustainable without the World Bank, the Fund has continued to work in preservation with private financing sources after the project closed. Some of the positive project results were:

- Rehabilitation of Old Town, Tbilisi; with restoration of facades, repair of cobblestones, installation of street lights and landscaping in public parks, there has been an influx of new business—hotels, cafes and restaurants, shops and galleries. The project also encouraged private investors to renovate several of the city's most important older buildings on their own.
- Urgent repairs made nationwide protected over 100 cultural assets from further deterioration or permanent loss. The ERP helped to focus the nation's attention on both the richness of Georgia's cultural legacy and the need to regularly maintain historic buildings and preserve other assets, such as monuments, frescoes, mural paintings, forts, manuscripts, folk music, photos and dances.
- Strengthened technical capacity in Georgia's Ministry of Culture, NGOs and community groups.
- New legislation and regulations supporting preservation were drafted under the leadership of the Fund staff and subsequently enacted by Parliament.

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27 Georgia has a population of 4.5 million and a GNI per capita of $1,060 (WDI, 2004).

28 The Learning and Innovation instrument is used for supporting pilot investments of small amounts to be implemented in a short period of time, as a way to test new approaches.

Basic Service Delivery in Bolivia[29]

Ratings:	Management ICR Ratings:
Development Outcome	Unsatisfactory
Institutional Development	Negligible
Sustainability	Unlikely
Bank Performance	Unsatisfactory
Borrower Performance	Unsatisfactory

In 2001, IDA approved $60 million in financing for a ***Programmatic Structural Adjustment Credit (PSAC) for Decentralization (P068134)***[30]. The credit supported the Government of Bolivia's decentralization reform program. It was part of a joint effort of IDA and the greater donor community in Bolivia. Co-financing of $21 million was provided by the UK's Department for International Development and the Governments of the Netherlands and Sweden. The operation was closely linked with parallel donor activities totaling $127 million. The $60 million was meant to be the first credit—a year-and-a-half-long operation—in a series.

Country Context and IDA's Role

In 1999—for a number of reasons including crises in Brazil, Argentina, and Russia—Bolivia's economic growth decelerated sharply; the annual GDP growth rate was 0.6 percent, in contrast with the average annual growth rates of 4.3 percent during the previous decade. It was estimated that slightly less than two-thirds of Bolivia's population were poor (in monetary terms) and slightly more than one-third lived in extreme poverty. The Government's economic recovery plan had decentralization at its core: Improving the quality and efficiency of spending at subnational levels was expected to reactivate the economy. It also sought to eliminate the factors that contributed to a deteriorating fiscal balance, in particular irresponsible fiscal management by local governments: after 1999, nine municipal governments—including such large ones as La Paz, Cochabamba, and Santa Cruz—were bankrupt.

The IDA-financed program would support the government's efforts to improve the delivery of public services to the poor by increasing efficiency, transparency, and accountability of Bolivia's decentralized government system and by improving the capacity of the decentralized system to deliver these services. It also intended to enhance community participation, particularly of poor and excluded groups in municipal affairs.

Project Results

According to the Management review, the operation was planned for too short a time period to achieve its goals. It was also noted that decentralization by itself is not necessarily an efficient poverty-fighting tool. Still, there were some notable innovations in the project's design, such as the pooled funding mechanism (the "basket fund") financed by various donors. Project results at close in 2003:

- Indebtedness by several municipal governments was controlled. Federal government sanctions resulted in a positive trend in primary account balances at project close.
- A series of investment funds operating without coordination were combined into one; a transparent formula of "relative prices"—based on government prioritization of sectors—was applied for local governments. Better information flow facilitated access to development funds by poorer parts of the population, as shown by a 2002 survey.
- An integrated financial system was implemented in a several government agencies, including 14 ministries, improving efficiency and reliability. The La Paz municipality was included in the system and the Government is committed to rolling out the system nationwide.

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[29] Bolivia has a population of 9.0 million and a GNI per capita of $960 (WDI, 2004).

[30] Programmatic Structural Adjustment Loans support multi-year government reform programs. They focus on step-by-step public reform and are delivered as a series over three to five years with tranche payments tied to specific targets.

Improving Transport in Albania[31]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1997, IDA provided a $25 million credit for the ***National Roads Project (P036060)*** to improve transport and reduce Albania's high rate of traffic accidents. The IDA credit was supplemented by $12 million from the European Bank for Reconstruction and Development, $8 million from Kuwait, $9 million from Italy, $7 million from the EU, and $5 million from the Government of Albania.

Country Context and IDA's Role

Albania remains the poorest country in Europe: 25 percent of the population lives below the poverty line. Between 1990 and 1992, the country made the transition from Communist rule to multiparty democracy, and, since then, economic reform efforts have been underway, although infrastructure development—as well as tax collection, property law and banking—have lagged.

By the late 1990s, Albania's infrastructure, particularly its road system, was in significantly worse condition than elsewhere in post-Communist Europe. Poor rural roads meant that one-third of the population was cut off from markets. Strong growth in road transport in Albania (registered vehicles increased more than six-fold over the previous five years) and a deficient institutional, managerial and budgetary response to this growth had created key infrastructure bottlenecks. The situation increased road deterioration and restricted ongoing development. Traffic accidents had become a serious problem (411 fatalities in 1995, up from 145 in 1990—the highest traffic fatality rate across Europe). The country needed faster, safer, and cheaper transportation, particularly to overcome bottlenecks in the north and east of the country.

The National Roads Project complemented ongoing physical improvements being financed by IDA and a planned partial rehabilitation of the East-West Corridor financed by the EU and the European Investment Bank. This IDA credit contributed to civil works on about 90 kilometers of national roads, provision of equipment and materials for road maintenance, road safety and signals. The credit was also meant to be used for the establishment of a road data bank, a pavement management system, and a bridge management system; and technical assistance for an ongoing safety program, improved management, and introduction of modern engineering techniques.

Project Results

Based on the project's independent review, most but not all of the original project objectives were met. Sustainability of the project outcomes is considered to be likely, with the Government of Albania demonstrating commitment to maintain the road network by increasing budgetary expenditures for roads to 1.2 percent of GDP at the time of project close in 2003. The road data base, pavement management system, and bridge management system were not implemented. Among the project results:

- Rehabilitation of 64.5 kilometers of road (this exceeds the target that had been set for the IDA-financed component; work on the remainder of the 90 kilometers was, at project close, underway with co-financing).
- The civil works projects had generated 2,100 job-years at time of close (overall, this was expected to total 3,800 by full implementation).
- Procurement of $2.47 million in road maintenance and road safety equipment.

[31] Albania has a population of 3.1 million and a GNI per capita of $2,120 (WDI, 2004).

Preparing Small Caribbean States for Natural Disasters

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1998, IDA provided a $6.4 million credit for an ***Emergency Recovery and Disaster Management Project in St. Lucia (P070430)***. The project was the first phase of a regional program that would support all five members of the Organization of Eastern Caribbean States (OECS)—in addition to St. Lucia[32], St. Kitts & Nevis, Dominica, Grenada, and St. Vincent and the Grenadines. Combined with an IBRD loan of $3.4 million, financing was in the form of an Adaptable Program Loan and Credit (APL/C)[33] to strengthen disaster recovery capacity and emergency preparedness management.

Country Context and IDA's Role

St. Lucia lies in the hurricane belt between the Atlantic Ocean and the Caribbean Sea, making it highly vulnerable to these potentially dangerous and costly natural disasters. According to a study by the European Commission Humanitarian Office, between 1900 and 1996, Caribbean countries had sustained 309 disaster events affecting the livelihoods of some 12 million people and resulting in more than 72,000 deaths. When Hurricane George hit neighboring St. Kitts and Nevis in 1998, with a high level of fatalities, crop damage and other destruction, the Governments of St. Lucia and the other members of the OECS, undertook efforts to increase their resiliency to hurricanes and the flooding that typically accompanies these storms. The grouping of five countries into one program was expected to increase efficiency; the St. Lucia project made up the program's first phase.

The main objective of the project was to strengthen economic and social infrastructure before a disaster struck, to reduce the likelihood of loss of life and assets. Additionally, the project undertook to build up the country's emergency management agency, retrofit buildings to use as shelters, strengthen the early warning system, and organize and equip community-level preparedness committees.

Project Results

An in-depth review was undertaken in St. Lucia by the independent evaluation group. This review concluded that the impact of IDA's support had been significant—during the 1990s, St. Lucia had little to no emergency preparedness, including the necessary legislation and equipment. By 2002, when Hurricane Lili hit the island, the country's pre-planned procedures were followed: The population was warned in advance of the hurricane, shelters were opened and people in endangered areas were evacuated; schools and commerce were closed as needed. Once the storm hit, the island's Emergency Operations Center was up and running and communications with local offices worked. Storm damage was estimated at $7.6 million, most of it in crop losses and there were no reported deaths or injuries. Among the specific results at project close in 2003:

- Construction measures were taken to protect infrastructure and facilities, including at the airport and hospital. Numerous flood prevention and drainage works done; and bridges strengthened.
- The Emergency Shelter Program retrofitted schools for use as shelters.
- New equipment can monitor storm development and movement and deliver warnings. An emergency communications system is tested regularly.
- In addition to local preparedness training, the staff of the National Emergency Management Office was doubled and a National Hazard Mitigation Council was created.

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[32] St. Lucia has a population of 163,700 and a GNI per capita of $4,180 (WDI, 2004).

[33] Adaptable Program Loans and Credits provide phased support for long-term efforts, such as sector restructuring.

Reaching Poor People Dependent on India's[34] Forests

Ratings:	**Management ICR Ratings:**
Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

IDA approved a $52.94 million credit for the ***Uttar Pradesh Forestry Project (P035169)*** in 1997[35]. The IDA credit was supplemented by $7.87 million in financing from the Government of India and was intended to improve public sector management of forests to increase forest cover, productivity and biodiversity. It also supported development of participatory processes for management and use of forest resources, taking special account of interests of disadvantaged groups.

Country Context and IDA's Role

Of India's population of 1.1 billion, 147 million people live in 170,000 villages in and around forests. Since most of these people are poor, their survival depends on forest produce. Uttar Pradesh, India's largest and poorest state has a population of about 166 million people. Some 1,000 forest fringe villages and 230 communities in the plains were expected to benefit from the improved management and use of the forests, and forest resources.

The IDA project focused primarily on management of the forests—including transforming the state's Forest Department from a purely regulatory agency, with a traditional 'top-down' approach, to one that manages forest resources jointly with affected communities. On-the-ground efforts were undertaken to increase forest cover, mainstream new technologies, and manage protected areas. Involving the private sector was necessary to maximize the gains from forest products. World Bank involvement was especially important because the state was taking on sector-wide reform and a major cultural shift within the Forest Department, requiring long-term commitment and support.

Project Results

When the project closed in 2003, most of its objectives had been met. The independent review noted, however, that the project's impact on the poor communities involved, and particularly on women, could not be measured, resulting in a lowered rating. In addition, it had an important institutional shortcoming in that the project model substituted a pre-existing model of community forest management with clear tenure rights and autonomy, which may negatively impact sustainability. Among the results:

- Planting of 8,670 hectares of forest.
- New plant reproductive technologies were mainstreamed, improving productivity and livelihood opportunities (examples, or more specifics?) for poor forest-dependant communities.
- 1,727 village forest communities jointly managed 256,000 hectares of forest with the state, ensuring their access to forest products.
- There was a clear change in the attitude of the forest department from a predominantly regulatory role to a more client oriented one, accepting greater involvement of people in forest management.
- 257 Eco-development Committees were formed in poor villages around the protected areas. These committees manage grants which are used, among other things, to identify income-generating alternatives to using protected resources.

[34] India has a population of 1.1 billion and a per capita annual income of $620 (WDI, 2004).
[35] Over the course of the project, the area was split into two states: Uttar Pradesh and Uttaranchal.

Providing Universal Health Care in Cote d'Ivoire[36]

Ratings:	**Management ICR Ratings:**
Development Outcome	Unsatisfactory
Institutional Development	Negligible
Sustainability	Unlikely
Bank Performance	Satisfactory
Borrower Performance	Unsatisfactory

In 1996, IDA provided $40 million in financing for a seven-year ***Integrated Health Services Development Project*** intended to help to improve the health of the overall population, especially the most vulnerable. The Government of Cote d'Ivoire supplied $12 million in financing to support the project as well. Specifically, the project sought to expand access to health services and improve their utilization; make health services available on a sustainable basis; and improve capacity to analyze health problems, and to formulate, monitor and evaluate programs.

Country Context and IDA's Role

In 1990, Cote d'Ivoire was spending more than most African countries on health care—1.6 percent of GDP, or $28 per capita per year; the average for developing countries was $41, for African countries $14. But its health outcomes were not proportionally higher than most other African countries, and were significantly lower than the developing country averages. For example, in 1988, the maternal mortality rate was 1,000 per 100,000 live births – one of Africa's highest. The discrepancy between spending and outcomes was attributed to distortions in allocations and inequities in access to and use of healthcare facilities. In 1995, the richest quintile of the population benefited from 31 percent of public health spending, while the poorest quintile utilized only 11 percent.

The IDA project's ultimate objective was to establish the foundation for universal, cost-effective, affordable basic health care for the people of Cote d'Ivoire. It aimed to expand service delivery for a minimum package of health services and ensure that capacity was in place to sustain equitable health care delivery. A large number of donors were involved in the sector, making coordination difficult and an integrated sector development and expenditure program that IDA could deliver was necessary.

Project Results

The project was found to be too ambitious for the time frame (it closed in 2004) and institutional capacity. It was restructured during its midterm review, to "lighten" the objectives to focus more on decentralization and institutional development. But although the amendments were intended to make the project less ambitious and more consistent with the country's needs and capabilities, they ended up exacerbating the dispersion of activities, according to the management review. The revised components included a minimum package of healthcare services and strengthening district capacity; establishment of family planning services in about 100 centers and strengthen national priority disease programs; systems for sector planning and financing; and a population and housing census. While the project design remained ineffective, some important project results were also noted:

- The percentage of women age 15-45 years using modern methods of contraception increased from 4 percent to 11 percent.
- 90 family planning centers, three regional health centers, and five clinics were built and equipped, though not yet operational at project close.
- Decentralization was piloted in healthcare, with accounts opened and administrators appointed four district-level health teams.
- A general census was carried out and published.

[36] Côte d'Ivoire has a population of 17.9 million and a GNI per capita of $760 (WDI, 2004).

Repairing Tanzania's[37] Urban Infrastructure

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1997, IDA provided a $105 million credit for an ***Urban Sector Rehabilitation Project (P002758),*** a complex infrastructure project covering 10 urban areas, including the capital. The Government of Tanzania provided $14.6 million, and Germany, Ireland and the Netherlands provided $21.7 million. The project aimed to support sustainable economic development and urban poverty alleviation.

Country Context and IDA's Role

At project start, urban dwellers represented 21 percent of Tanzania's population, which was then 31.3 million, and their numbers were growing twice as fast as the overall population; this despite very poor urban services (less than 10 percent of urban dwellers had connections to a sewage system; only 68 percent had piped water). The project was a major infrastructure development undertaking. It included rehabilitation and expansion of infrastructure in eight towns and the city of Dodoma, and community-based infrastructure upgrading and water supply in Dar es Salaam. Project preparation was based on the principle that investments in infrastructure should be made only when users and municipalities can afford to pay the operation and maintenance costs, and training in municipal financial management was given *during project preparation*. IDA had financed a number of previous urban development projects in Tanzania focused on policy changes and management improvements. The latest one also had specific interventions to improve the management of assets, particularly by local authorities.

Project Results

The independent review gave this project's outcomes a *higher* grade than did the management review. It pointed to factors that make this a model urban development project. These include establishing base-line data for impact indicators; implementation arrangements that allow for quick decision-making; well structured Bank supervision of large infrastructure projects; and delivery of quality work early in the project to generate support for continuing implementation. High quality works in roads and drainages, water supply, sanitation, and solid waste management have reduced vehicle operating costs, improved accessibility, reduced maintenance costs, and overall improved urban amenities and created an attractive environment for private sector investments in project towns. Increases in startup of hotels, stores, and services and in tourism have been reported. Among the achievements at project close in 2004:

- In project towns 102 kilometers of roads with drains were rehabilitated. 13 bus stands and 311 pit latrines in 188 schools were built. The share of people with piped water increased from 56 percent in 1996 to 86 percent in 2004. Time spent by women and children fetching water was reduced from an average two-and-a-half hours to less than half-an-hour.
- Sewage systems in seven towns were rehabilitated; 14 sludge ponds and 26 treatment ponds constructed; eight solid waste dump sites improved; improved sanitation is reflected in lower incidence of water-borne disease.
- All eight towns ranked top in the country's Environmental Health Competition of 2003 and 2004.
- In Dar es Salaam, 20.8 km. of roads were rehabilitated, 12.9 km. of sewer lines were built and 28 boreholes were completed (delivering safe water to about 100,000 poor people).
- Semi-autonomous Urban Water and Sewerage Authorities were created in the towns, and are currently meeting their maintenance and operating costs and in most cases generating surplus revenue.

[37] Tanzania has a population of 37.6 million and a GNI per capita of $320 (WDI, 2004).

China's[38] Transition to a Market Economy

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1995, an IDA credit of $10 million helped finance an ***Economic Law Reform Project (P003647)*** designed to help develop the legal framework, provide training and build institutional capacity for China's transition to a market economy. The Chinese Government provided $3 million.

Country Context and IDA's Role

In 1993 China's leaders were giving top priority to developing legislation that would facilitate the country's move to a market economy. Almost as many laws were scheduled for consideration in the 1993-1998 session of the National People's Congress as had been enacted between 1949 and 1992.

IDA assisted 15 agencies in drafting legislation; helped to build capacity (e.g., enhanced curricula and training methods) in five training institutions for teachers of law, legal practitioners and judicial personnel; and strengthened four key legal institutions responsible for legislation and implementation of economic laws.

Project Results

According to the independent review, the most significant and sustainable outcome by project close in 2004 was the preparation of numerous laws essential to the economic development of China and its integration into international markets. According to the management review, surveys conducted at the end of the project indicate across-the-board that participating government offices found that the assistance improved both the quality of legislation and the process of its preparation. Among the accomplishments:

- More than 50 laws necessary for the functioning of a market economy – such as bankruptcy, property, contract and intellectual property laws – were drafted.
- Acceleration of China's accession to the World Trade Organization in 2001.
- The capacity of the five training institutions – which educated public officials, private lawyers, business officials and judges – was enhanced; and 34,000 participants were trained during the project period.
- A legal information network/system was introduced and made accessible to provinces and cities.

[38] China has a population of 1.3 billion people and a GNI per capita of $1,500 (WDI, 2004).

Rebuilding Educational Standards in Azerbaijan[39]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1999, IDA provided a $5 million Learning and Innovation Credit[40] for an ***Education Reform Project (P057959)*** to improve the effectiveness of teaching and learning in pilot schools. The Government of Azerbaijan provided $0.5 million. This was the World Bank's first education project in Azerbaijan.

Country Context and IDA's Role

Like other countries in the Commonwealth of Independent States, Azerbaijan inherited a relatively well-developed educational system from the former Soviet Union; and its indicators at all levels of education put it in the ranks of middle income countries and ahead of several other former Soviet Republics. However, closer examination revealed problems with enrollment, quality, and operations of the educational sector. Since its independence, the country's educational resources had been scarce and educational standards declined markedly. Public investment in education declined dramatically from nearly 7 percent of GDP in 1992 to less than 4 percent in 1997. By 2002, about 60 percent of the population over the age of 15 had received eight years of schooling, down from over 90 percent during the Soviet period.

Prior to 1999, the World Bank and other multilateral donors were not active in the education sector in Azerbaijan. The previous year, Azerbaijan had drafted an Education Sector Reform Strategy and the Bank was working with the Ministry of Education on a timetable for its implementation. The *Education Reform Project* supported curriculum reform accompanied by teacher training and retraining in new curriculum and teaching methods. The project was designed to ensure that curriculum reforms reflected modern standards and needs, and took into account the views and capacity of teachers. It financed innovations in curriculum development and piloted teacher education methods that could potentially be scaled up across the education sector of Azerbaijan.

Project Results

The project was effective in accelerating improvements in the education sector by demonstrating a positive impact on teaching and learning in pilot schools. However, according to the independent review, a key lesson emerging from the project's shortcomings was that in order to use learning and innovation financing effectively, evaluation methods must be designed so that there can be useful comparison of new models to old ones. Among results achieved by project close in 2004:

- Enrollment in the project's six pilot schools increased by as much as 30 percent as a result of the improved education (new legislation allowed parents open school choice).
- 239 curriculum developers received training on active and interactive teaching and learning; 180 trainers were taught; 1,212 teachers were trained.
- The project strengthened the Government's capacity to produce teachers with updated knowledge, including the information and methodologies needed to teach material more relevant to labor-market needs.

39 Azerbaijan has a population of 8.3 million and a GNI per capita of $940 (WDI, 2004).

40 he Learning and Innovation instrument is used for supporting pilot investments of small amounts to be implemented in a short period of time, as a way to test new approaches.

Addressing Public Sector Reform in São Tomé and Principe[41]

Ratings:	Management ICR Ratings:
Outcome	Unsatisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Unsatisfactory
Borrower Performance	Unsatisfactory

In 2001, IDA provided a ***Public Resource Management Credit (P069909)*** of $7.5 million to support the country's efforts to consolidate macroeconomic stability and gain competitiveness. The project objectives focused on revenue mobilization and the reallocation of public resources to basic services and poverty reduction. This project was approved along with an IDA-financed *Public Resource Management Technical Assistance Project (P073904)* in the amount of $2.5 million. The reform program supported by the IDA credit was monitored by both the World Bank and the IMF.

Country Context and IDA's Role

In 1990, the Government of São Tomé and Principe, with the support of the donor community, had undertaken a broad economic development program but with poor results: low GDP growth, worsening macroeconomic imbalances, increased unemployment, and deteriorating living conditions. In 1994, about 40 percent of the population was poor. A set of reforms was developed in 1998-99 as part of an IMF monitoring program, leading to some recovery in GDP. The Government's 1999 Poverty Reduction Strategy Paper (PRSP) sought to also address the continuing deterioration in poverty indicators.

The credit from IDA was intended to strengthen domestic resource mobilization, implement tariff reform (consistent with the West African Monetary Union), and improve public expenditure management. The credit would also support reallocation of public resources toward education, health, and poverty reduction programs. The project provided budget support in the near term to meet the increased social spending that was identified in the PRSP, while tranches were linked to progress in public sector management.

Project Results

While the reform objectives were consistent with the country's poverty reduction needs, the on-the-ground reality in São Tomé and Principe—a small island state—was a resource base and revenue potential limited to subsistence or informal sector activities, and an export sector based only on cocoa. Like other such economies, the country has minimal institutional capacity along with entrenched poverty. According to the management review, the project underestimated, first, the risk of political instability in the country (there were five governments over two years) and, second, the lack of civil service capacity to undertake project activities. However, a number of the project components are likely to be sustainable: for example, revenue mobilization and management reforms were absorbed by the Government. The Government has also shown rigorous commitment to continued reform and updating applicable laws. Among the achievements at project close in 2004:

- Redirection of public funds toward health and education. Health expenditure increased from 11.4 percent of GDP in 2001 to 14 percent of GDP in 2003. Education expenditure increased from 10.8 percent of GDP to 15.4 percent in 2003. There were also improvements in the numbers of health facilities available and the immunization rates for children.
- IMF determination of improved macroeconomic performance for 2002, 2003, and 2004.
- Implementation of a general services tax, reduced tax exemptions, installation of a computerized tax system and other efficiencies to reduce tax and tariff evasion.
- Computerized payroll management for the civil service, and some downsizing of civil service.
- The initial stages of privatization or liquidation of a number of public enterprises, including utilities and manufacturing.

[41] São Tomé and Principe has a population of 153,000 and a GNI per capita of $390 (WDI, 2004).

Post-War Education Reconstruction in Bosnia and Herzegovina[42]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Substantial
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

An ***Education Development Project (P058512***) was approved in 2000 with $10.6 million in financing from IDA, $2.10 million from the Government of Bosnia and Herzegovina, $0.7 million from the European Commission, and $1.20 million from Italy. The project's objectives included improving the quality of primary school learning, promoting efficient use of public resources for education, and promoting cooperation among three different constituencies in the interest of education.

Country Context and IDA's Role

Per capita income has nearly doubled from 2000. Like other countries in the region following the dissolution of the Soviet Union, teachers in all levels of education needed new training in modern teaching methods. Curricula also needed to be reviewed and updated, and public financing for education was limited. In addition, Bosnia and Herzegovina's students suffered because decision making in the country's education sector was dominated by the politics of post-conflict resolution.

IDA initially supported education in post-conflict Bosnia and Herzegovina with a 1996 *Emergency Education Reconstruction Project* and a 1998 *Second Education Project*, which included an analysis of the post-conflict education system. Since there was a lack of consensus within the politically fragmented country on an education strategy, the subsequent review, published by the World Bank with the Council of Europe in 1999, provided the framework for a preliminary medium-term education strategy. It called for common "intermediary institutions" and shared management mechanisms in order to arrive at an education strategy, and the need to develop a modern public sector knowledge base in education.

The objectives of the *Education Development Project* were improved teaching and learning processes, efficient and equitable use of scarce learning resources, and cooperation among the three main ethnic groups in terms of setting and achieving educational standards. A major component of the project was a Quality Fund ($3.7 million) to finance grant incentives for innovation at the school level. The project also created an inter-entity national Standards and Assessment Agency, financed an Education Management Information System to be implemented in all cantons (regions), and supported higher education reform.

Project Results

A significant accomplishment of the project was that it fostered greater collaboration among regional governments, despite the pre-existing tensions across Bosnia and Herzegovina. According to the independent review, school quality improvements are likely to be sustainable. By project close in 2004:

- 672 school grants for projects were awarded; audit reports describe education quality improvements in these schools.
- The Standards and Assessment Agency was established with support of most stakeholders and undertook the first nationwide test in math and literacy. In 2004 47,500 eighth-graders' performance was assessed and presented to the disparate constituencies, along with a further mandate.
- It was expected that the Education Management Information System would be fully implemented by the 2005-2006 school year, making country-wide aggregated information and reporting available.

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42 Bosnia and Herzegovina has a population of 3.9 million and a GNI per capita of $2,040 (WDI, 2004).

Pilot Program to Reach the Poorest in St. Lucia[43]

Ratings:	**Management ICR Ratings:**
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1999, a ***Poverty Reduction Fund Project (P054939)*** for St. Lucia was financed with $1.5 million from IDA, $1.5 million from IBRD, $1.2 million from the Government of St. Lucia and $2.3 million from the European Union. The Learning and Innovation Loan and Credit[44] would create an operational framework for a social fund and pilot the model's ability to increase access to and quality of basic social and economic infrastructure and services among the poor and vulnerable.

Country Context and IDA's Role

Although the country's 1996 per capita GNP was more than $3,000, the reality on the ground included high concentrations of poverty, particularly in rural areas. Special programs were needed for hard-to-reach groups, including financing for small-scale infrastructure projects with a high level of community participation. The Government of St. Lucia sought IDA's support to adapt and replicate locally the social investment funds that were operating elsewhere, including in Latin America. In this case, in addition to providing sub-project financing (64 percent of costs), the project would design the framework for an ongoing social fund intended to remain beyond the life of the IDA-financed project.

Project Results

Though the project's implementation was generally satisfactory, the independent review gave a lower rating for overall outcomes and performance, due to inefficiencies in implementation (administrative costs totaling 30 percent of the fund). Some of the key lessons learned are that the social investment fund concept can work as a vehicle to achieve poverty reduction in small island countries; communities can manage key aspects of the subproject cycle, and this contributes to local capacity and ownership. Capacity building is critical, but should be linked as much as possible to the labor market. Good managers with decision-making autonomy, and adequate staffing, are keys to successful implementation. Duplication of donor efforts continues to be a concern and requires careful consideration by the World Bank.

The Poverty Reduction Fund itself is fully operational and financing is likely to be sustained and even scaled-up. Among the results at project close in 2004:

- 53 sub-projects were funded by IDA and IBRD (out of a total of 160 in the fund overall); 32 percent of the subprojects were for roads and footpaths, 23 percent for water and sanitation, 19 percent for social assistance and 15 percent for education.
- In beneficiary communities, access to drinking water increased from 34 percent to 91 percent, and the proportion of people who had to regularly fetch water from outside decreased from 69 percent to 21 percent.
- Of 12 roads subprojects, eight report significant reductions in average travel time—ranging from one-third to three-quarters of the time needed previously.
- The social fund was successfully established and fully operational, strengthening the poverty reduction framework in St. Lucia.

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43 St. Lucia has a population of 163,700 and a GNI per capita of $4,180 (WDI, 2004).

44 The Learning and Innovation instrument is used for supporting pilot investments of small amounts to be implemented in a short period of time, as a way to test new approaches.

Strengthening Secondary Education in Yemen[45]

Ratings:	Management ICR Ratings:
Development Outcome	Satisfactory
Institutional Development	Modest
Sustainability	Likely
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

In 1995, IDA provided a $33 million credit to Yemen for an ***Education Sector Investment Project (P005911)*** to improve the effectiveness of secondary school education and improve the access of girls as well as to establish a community college system. Co-financing included $8 million from the Organization for Economic Co-operation and Development (OECD) in addition to $8.7 million from the Government of Yemen.

Country Context and IDA's Role

At the start of the project, Yemen already had a modern education system and, from 1970 to 1992, had experienced a 10-fold increase in enrollment rates. Despite this expansion in coverage, the quality of the education system and skilled capacity were lagging: in 1995, Yemen's adult literacy rate was 40 percent, well below the average for low-income countries. Discrepancies between male and female adult literacy rates were quite high: estimates are that more than 60 percent of men were literate, but less than 30 percent of women were.

Beginning in 1974, IDA had supported 14 largely successful education projects in Yemen, amounting to $150 million in financing. The 1995 *Education Sector Investment Project* focused on secondary education and had a number of objectives: improving student performance, especially in math and science; improving teacher quality; improving girls' access to secondary education; and establishing labor market-oriented two-year, post-secondary school programs in business, commerce and industry. The project components covered eight areas: physical facilities, teacher performance, curriculum, school management, learning resources, student evaluation, girls' access, and monitoring. The project also made additional financing available for up to 25 school-based sub-projects to encourage teachers and communities to adopt innovative approaches in schools.

Project Results

The scope and complexity of the project's original design exceeded the country's implementation capacity. During the mid-term review in 1998, the project was restructured and consolidated; part of the financing was reprogrammed to building an additional 50 girls' secondary schools in rural areas—thereby exceeding the original targets for girls' access. Because of the Government's commitment to education, the sustainability rating for the project is high: in the period from 1996 to 2003, education sector expenditures rose from 5.1 percent to 6.4 percent of GDP and from 16 percent to 21 percent of total Government expenditure. In addition, at its close in 2004, the project had achieved:

- A significant contribution toward gender parity in secondary schools. It created 17,500 new places for girls. In urban schools, of 355 additional classrooms 120 were for girls; and in rural areas, 60 girls' secondary schools were built, furnished, and equipped.
- Girls' enrollment rates in grades 7 to 12 increased from 26 percent in 1998/99 to 39 percent in 2002/03.
- Some 250 women graduated from a program that trained math, science and English teachers.
- Community colleges in Yemen were successfully pioneered. Two schools that were built enrolled a total of 1,510 students by project close. The first graduates of the three-year programs had 80 percent employment rates.

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[45] Yemen has a population of 20.3 million and a GNI per capita of $550 (WDI, 2004).

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