The World Bank Group's 2018 Capital Increase Package

An Independent Validation of Implementation and Results

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Abbreviations

AIMM	Anticipated Impact Measurement and Monitoring
CIP	capital increase package
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
CSC	Corporate Scorecard
DRM	domestic revenue mobilization
ESF	Environmental and Social Framework
FCS	fragile and conflict-affected situation
FCV	fragility, conflict, and violence
FSF	Financial Sustainability Framework
FY	fiscal year
GDI	graduation discussion income
GIA	Group Internal Audit
HR	human resources
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
LIC	low-income country
MDB	multilateral development bank
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
PCM	private capital mobilization
PEF	Pandemic Emergency Financing Facility
PSW	Private Sector Window
SALL	sustainable annual lending limit
SFK	Strategic Framework for Knowledge
UMIC	upper-middle-income country

All dollar amounts are US dollars unless otherwise indicated.

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The report was carried out under the direction of Chris Nelson (manager) and Carmen Nonay (director) and the overall guidance of Oscar Calvo-Gonzalez (acting vice president and Director-General, Evaluation). The report was peer reviewed by Tamar Manuelyan Atinc (nonresident senior fellow at the Brookings Institution), Otaviano Canuto (senior fellow at the Policy Center for the New South and nonresident senior fellow at the Brookings Institution), Tamar Gutner (associate professor of international affairs at American University's School of International Service), and Monika Huppi (retired principal adviser at the Office of Evaluation and Oversight, Inter-American Development Bank).

Overview

This report presents the independent assessment, or validation, by the Independent Evaluation Group (IEG) of the World Bank Group's 2018 capital increase package (CIP).

Purpose and Background

The CIP's intention was to significantly expand the financing capacity of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), thereby enabling both institutions to better achieve their strategic priorities. The CIP boosted the Bank Group's financial firepower with a $7.5 billion paid-in capital increase for IBRD, a $5.5 billion paid-in capital increase for IFC, a $52.6 billion callable capital increase for IBRD, and internal savings measures. The CIP also committed IBRD and IFC to increasing their private capital mobilization (PCM) and financing for priority areas that were previously identified in 2016, in *Forward Look: A Vision for the World Bank Group in 2030*. These strategic priorities were the Bank Group's enhanced engagement with all client country segments, an expanded role in leading on global themes and delivering global public goods, increased public and private resource mobilization, operating model's increased effectiveness, and improved financial sustainability.

IEG conducted the assessment as an extended validation without the extensive data collection typical of a full-fledged evaluation. This report builds on management's reporting, evidence from 25 IEG evaluations, and technical discussions with counterparts to assess IBRD's and IFC's progress in implementing the CIP's commitments and policy measures, achieving its targets, and contributing to its intended outcomes. It also assesses the extent and quality of management's CIP reporting. The validation has some limitations stemming from its underlying evidence sources. Much of the data come from the Bank Group's monitoring indicators, which—like corporate indicators in general, are of uneven scope and quality—and are often unable to capture outcomes. The implementation status of some policy measures was also difficult to ascertain because of gaps or a lack of clarity in management's reporting. As a result, the validation assessed policy measures and priority area outcomes with uneven depth. More broadly, a limitation of this validation is that, although there is no doubt that the Bank Group responded with speed and volume to the crises faced by client countries since 2019, it cannot make a clear causal attribution of this to the CIP.

Priority Area 1: Differentiating Support across Client Segments

IBRD's reporting on the priority area of serving all clients has been satisfactory. Most of IBRD's CIP commitments were specific and measurable, the reporting covered most commitments, and 11 reporting indicators were clearly linked to the commitments' underlying objectives. IFC's reporting has some shortfalls related to indicator precision.

IBRD has fully implemented its commitments for countries below the graduation discussion income (GDI). Its portfolio in these countries has grown steadily—from 60 percent in fiscal year (FY)17 to 76 percent in FY19—and has remained above the target of 70 percent. Country-level data suggest that International Development Association (IDA) graduation has not led to a decline in total World Bank lending for most IDA-blend and graduate countries.

IFC has made limited progress increasing its investment shares in IDA and in countries classified as having fragile and conflict-affected situations (FCS), despite IFC's efforts to increase financing to these countries. IFC's financing to low-income countries in the 17th Replenishment of IDA and in IDA FCS countries has fluctuated around an upward trend since FY19, but it averaged 9 percent as a share of its long-term own-account financing, which is below its low-end target for FY26 of 15 percent. IFC has increased its investments in all IDA and FCS countries, although it will need to grow faster to meet its ambitious targets.

IBRD's lending for upper-middle-income countries (UMICs), or above-GDI countries, has remained more or less stable but below target. IBRD stopped distinguishing between crisis and noncrisis volumes; thus, it was not possible to validate this cluster's target as it was originally defined. Country engagement documents for above-GDI countries did not systematically focus on strengthening policies and institutions, nor did they consistently focus on innovation, knowledge creation, and demonstration effects despite commitments and policy measures to this effect.

IFC's ability to add value through financial features (for example, financing structure, innovative financing instruments, and resource mobilization) and nonfinancial features (for example, noncommercial risk mitigation, knowledge, innovation, and capacity building) is central to its value proposition in UMICs. To ensure that this value is realized, the CIP committed IFC to following a rigorous approach to additionality for private sector investments in UMICs. A recent IEG evaluation found that IFC's support in UMICs is additional and that IFC does pay closer attention to documenting additionality in these countries (World Bank 2023a).

IBRD has met its CIP commitments to small states. The CIP included two very specific measures for small states, including an increase in the base funding allocation to these countries and a waiver from IBRD's price increase for them. These measures, which went into effect in FY19, increased IBRD's concessionality for small states and led to an increase in average lending volumes for small states. IFC's commitment to using a regional approach for investing in upper-middle-income small states that leverages blended finance and other tools to limit investment risks in fragile and lower-income small states was not precisely defined and could not be validated.

Priority Area 2: Leading on Global Themes

Crisis response became an even more dominant theme for the Bank Group than was called for in the CIP. The Forward Look's and CIP's objectives were defined with the expectation that the Bank Group would need to respond to occasional major crises, but the reality has turned out differently, with the Bank Group being forced to respond to several major and overlapping crises. The Bank Group did so with a surge in financing for COVID-19 and other crises, enabled by the CIP, IBRD's crisis buffer, and the front-loading and early replenishment of IDA funds.

The Bank Group has fully implemented its crisis commitments for countries affected by fragility, conflict, and violence (FCV). This includes IBRD's crisis buffer allocation, which essentially sets aside IBRD funds for crisis lending, and a broad set of actions designed to shift from response to prevention. The

Bank Group has strengthened its approach to FCV challenges. It adopted the FCV strategy (2020–25), introduced a new operational policy, strengthened partnerships with the United Nations and humanitarian agencies, and increased FCV funding. The FCV reporting stands out among corporate reporting for its depth and candor, particularly on the challenges of operating and achieving results in FCV contexts. The IFC commitments for this cluster were, first, to strengthen its partnerships and coordination on FCV approaches with the World Bank and other donors and, second, to increase IFC's investments in high-risk FCV markets. It has been challenging for IFC to increase investments in FCV as intended because of the risks, complexities, and informality of FCV environments. Over the FY10–21 period, IFC's long-term financing commitments to FCS have been relatively flat, averaging 5.2 percent of IFC's total commitment volume and 8.6 percent of its total number of committed projects. However, IFC introduced or adapted a suite of instruments partly to target FCS, including upstream advisory services, blended finance, and country diagnostics.

IBRD's and IFC's reporting on their CIP gender implementation has been mostly adequate. Reporting was aligned with the gender strategy's reporting and facilitated by existing corporate metrics on gender. The CIP gender commitments, indicators, and targets established by IBRD and IFC directly align with the Bank Group's gender strategy. All six commitments have quantitative indicators and targets, which simplifies the reporting process. IBRD has exceeded its target of having 55 percent of its project designs close gender gaps, reaching 90 percent of all of operations approved in FY22. However, the gender indicators used within the CIP rely on the flag-and-tag methodology, which only captures the intent of projects during the design phase, and by their nature do not assess the quality, effectiveness, and overall outcomes of the World Bank's and IFC's interventions. More outcome-oriented metrics are not currently available. Moreover, whereas the gender strategy proposed a country-driven approach to narrowing gender gaps through multiple instruments acting in concert, in practice, implementation often took the form of stand-alone projects.

The CIP's knowledge and convening cluster's intended outcome was for the Bank Group to improve its knowledge and convening power to address global issues, but the cluster's policy measures were not precisely defined, and its indicators did not capture the quality or effectiveness of the World Bank's efforts in this area (which hampered reporting and validation of this cluster's results). IBRD has implemented its policy measures in the knowledge and convening cluster. IBRD created the Strategic Framework for Knowledge, which captures the Bank Group's current approach to knowledge management, and identified ways for the Bank Group to strengthen its knowledge management. IBRD also set up the global public goods fund to provide concessional finance for global public goods in middle-income countries. IBRD provided an initial $85 million in surplus funds to the global public goods fund as capital. Furthermore, both institutions widely share their data and research with the public; have taken steps to focus knowledge products on core diagnostics, such as the Country Climate and Development Reports and IFC's Country Private Sector Diagnostics; and have made progress identifying knowledge gaps in country engagement products.

The World Bank has expanded and broadened its support for regional integration. More specifically, it has expanded its focus beyond Africa, and beyond its traditional focus on trade and infrastructure. However, the World Bank's systems, accountability mechanisms, and incentive structures follow the country-driven model, and, in the absence of strong regional institutions and counterparts, it is often challenging to deepen the support for regional integration.

Priority Area 3: Mobilizing Capital and Creating Markets

This cluster had five policy measures that were monitored through two indicators that capture progress toward a part of the intended outcomes (namely, mobilization) and do not reflect the quality or effectiveness of the World Bank's efforts in this area. At the same time, the CIP's creating markets agenda involved a solutions package and the Cascade approach. These components comprise the overall narrative of Maximizing Finance for Development and are aligned with the broader directions expressed in the 2030 Agenda and *From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance* discussion note. The concept of a solutions package implies the use of a combination of new and established Bank Group instruments in a mutually reinforcing way to crowd in private resources.

IBRD has made limited progress in mobilizing public and private capital as defined under the CIP. Its average annual PCM from FY19 to FY22 was 7.4 percent, well below its target of 25 percent. Following the capital increase in FY18, IBRD's PCM ratio of mobilization to own-account financing decreased from 16 percent to 3 percent in FY21 but then rebounded to 9 percent in FY22, resulting in an average annual PCM of 7.4 percent between FY19 and FY22. Only in 2017 did IBRD meet its 25 percent mobilization target.

IFC's core mobilization ratio has been 94 percent averaged over the CIP period, exceeding the illustrative target of 80 percent of own-account commitments. Its mobilization totals increased from $10.2 billion in FY19 to $10.6 billion in FY22, and its mobilization ratio dropped over the CIP period (falling to 84 percent in FY22), which was still above the CIP's 2030 target of an 80 percent average.

The CIP's market creation objectives were not fully articulated, and implementation was not systematic. Bank Group management took steps toward implementing Maximizing Finance for Development through the Cascade approach, including issuing guidance notes to incorporate the approach in country engagement products, establishing working groups, creating IFC upstream units, strengthening analytical capacity, and providing communication and training materials; however, there is little evidence that this led to operational work to create markets. IFC's upstream operating model was launched in 2020 and envisaged a strong role for global units in supporting the creating markets strategy. In 2022, it moved most staff from these global upstream units to regional upstream units and further merged upstream and advisory teams. Furthermore, the Bank Group's Cascade approach for creating markets was partially at odds with volume and process efficiency targets and related staff incentives. However, in the absence of a monitoring framework, there was no evidence that these efforts were systematic or successful; the reporting relied on individual examples.

Although the CIP has no formal domestic revenue mobilization (DRM) commitments, this area of work has become increasingly important because of fiscal deficits and high and rising debt levels in lower-income countries. The World Bank has intensified its DRM work since 2018 and pivoted toward tax policy. Evidence suggests that IBRD gave increased attention to DRM and tax policy and increasingly used development policy financing. IEG's 2023 evaluation of the World Bank's DRM work finds that the World Bank's support was greatest in countries with low revenue–to–GDP ratios, such as those in Sub-Saharan Africa and IDA-eligible countries. Nonetheless, the World Bank has shown limited internal collaboration and policy coherence on DRM. Two evaluations uncovered weaknesses in the World Bank's internal collaboration and planning related to DRM, including weak links between its diagnostic work and its operational work on tax reforms. At the same time, the Bank Group's collaboration with external partners on DRM has improved. However, IBRD and IFC's CIP reporting on DRM has been unsatisfactory. The CIP has no formal DRM commitments and no indicators for measuring DRM, and CIP's annual reporting has described the World Bank's DRM work in cursory fashion.

Priority Area 4: Improving the World Bank Group's Internal Model

The CIP emphasized efficiency commitments to tighten budget discipline, whereas the Forward Look emphasized putting human capacity in place to deliver on the Bank Group's various strategies. For example, the Forward Look proposed a new human resources initiative to strengthen staff capacity—the people strategy—which the CIP did not pursue. Instead, the CIP featured efficiency commitments to tighten budget discipline, deliver savings, and avoid costs.

World Bank management has taken steps during the review period to enhance the effectiveness of IBRD's internal operating model. These steps include the following CIP policy measures: procurement reforms, the Agile Bank initiative, and the Environmental and Social Framework. The World Bank also undertook additional reforms to improve IBRD's internal model effectiveness that were not explicit policy measures or commitments but were described in CIP progress reports, such as trust fund reforms; the decentralization of staff and decision-making; and Country Engagement Framework enhancements. The results from IBRD and IFC's implementation of this cluster proved hard to validate because some key initiatives were abruptly discontinued without explanation and attempts to learn from them, many reform outcomes were unknown, and monitoring and reporting was inconsistent. For example, World Bank management discontinued the Agile Bank initiative without explanation, and CIP implementation updates from FY20 onward ceased to report on the Agile Bank initiative; therefore, its results are unclear.

IFC has implemented measures to enhance the effectiveness of its internal operating model in accordance with CIP mandates. The goals of these measures, as described in the CIP document, include trimming bureaucracy, simplifying approval procedures, enhancing the development impact of project portfolios, and improving organizational effectiveness. It is hard to assess the effectiveness of IFC's operating model because of a lack of metrics and indicators, some reporting shortcomings, and the limited time IFC has been implementing these measures; however, initial results suggest that IFC's portfolio approach and workforce planning have had some successes.

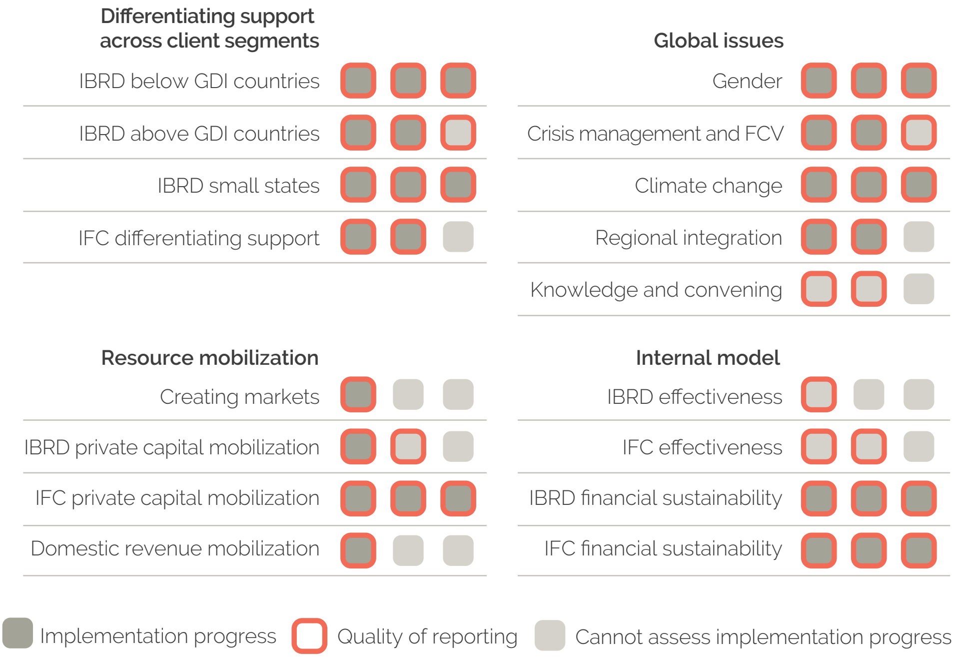
The CIP contained a single commitment to introduce a new Financial Sustainability Framework (FSF) for IBRD. The FSF's purpose was to align IBRD's lending with its long-term sustainable lending capacity, ensure efficient use of IBRD's capital, and retain IBRD's flexibility for responding to crises. IBRD fully implemented its CIP FSF measures and regularly updated the Executive Directors on its progress. Implementation of IBRD's financial package increased IBRD's capital base, increased its income from lending, and optimized its balance sheet. The FSF, including the crisis buffer, has allowed IBRD to increase its crisis lending and provide more fast-disbursing loans.

IFC has made good progress implementing all the relevant measures listed in its FSF and reporting them, including IFC's active portfolio management, balance sheet optimization, pricing policies with minimum investment return targets, and income-based designations for advisory services. IFC's capital base was strengthened during the CIP period, demonstrating its improved financial sustainability. The rating agencies provided positive assessments of IFC's financial risk management.

Conclusions and Lessons

This validation shows that the Bank Group delivered many different major corporate commitments, even if it did not achieve all of its targets and objectives. Not only did the CIP infuse capital into IBRD and IFC, it also boosted the implementation of Bank Group priorities that already had corporate strategies and supportive internal arrangements in place, including for gender, climate change, and FSF. The CIP also had well-defined indicators and targets, and adequate reporting for these clusters. The Bank Group made the least progress in implementing clusters where policy measures were written as broad statements of intent and where it lacked clear strategies and measurable indicators or had limited oversight, weak collaboration, inadequate incentives, and overly ambitious targets. CIP reporting also had shortcomings in these clusters. Figure O.1 shows this validation's rating of implementation progress and reporting across CIP clusters, showing clearly how instances with inadequate reporting were usually accompanied by limited implementation progress.

Figure O.1. Quality of Capital Increase Package Implementation and Reporting across Capital Increase Package Clusters



Source: Independent Evaluation Group.

Note: The number of dark gray rectangles shows the validation's ratings for capital increase package implementation progress: one rectangle = not achieved; two rectangles = partially achieved; three rectangles = achieved. The orange rectangles show ratings for reporting: one = major reporting shortfalls; two = some reporting shortfalls; three = adequate reporting. See chapter 6 and appendix A for the full criteria. FCV = fragility, conflict, and violence; GDI = graduation discussion income; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation.

The CIP's five intended outcomes achieved differing levels of success. These are listed from most successful to either least successful or those with insufficient evidence for a more definitive assessment:

1. Improving the Bank Group's financial sustainability: This is the area with the clearest progress. The CIP's capital infusion and financial sustainability measures clearly strengthened IBRD's and IFC's capital bases, thereby enhancing both institutions' financial sustainability. Although outside the scope of this validation, the CIP allowed the Bank Group to swiftly and substantially respond to the crises that affected client countries after 2019.

2. Leading on global themes: The Bank Group has undoubtedly expanded its role in promoting global themes during the CIP period. This includes

delivering global public goods through its concerted response to pandemics, FCS, climate change, and other crises. As mentioned, this response was compelled by a confluence of global crises, but the CIP also facilitated this response.

3. Differentiating support across client segments: The Bank Group continues to serve all country segments, and the country-based model continues to meet countries' needs. The CIP led IBRD to focus more on below-GDI countries, and IBRD did meet its lending targets for these countries. IFC, for its part, has made limited progress toward its CIP financing targets for low-income and fragile countries, which, arguably, were overly ambitious for reasons that are not clear to this validation.

4. Mobilizing capital and creating markets: The CIP saw limited progress in scaling up public and private resource mobilization. Although IFC has met or exceeded many of its mobilization targets, IBRD has not. This partly reflects the ambitious nature of the private resource mobilization targets for IBRD. At the same time, the Bank Group has lacked comprehensive strategies and support mechanisms to buttress its commitments and policy measures on DRM, PCM, and creating markets.

5. Improving the operating model's effectiveness: IBRD and IFC have made many changes to their operating models, though not necessarily those anticipated in the CIP. The outcomes of these changes have not yet been assessed. The CIP's clearest, or at least most measurable, legacy in this area is its management of salary and workforce growth, specifically its reduction in GH-level staff. However, the reduction in high-level technical staff likely decreased staff capacity and morale with unclear effects on the Bank Group's performance.

Five lessons emerged from the validation's findings on developing, implementing, and reporting future corporate initiatives, including the CIP's continued reporting:

Lesson 1: Success was greatest when corporate initiatives focused the Bank Group on areas with buy-in. Senior leadership's buy-in and support are a necessary condition for the successful implementation of corporate initiatives. Many times, senior leadership demonstrates its buy-in by promoting corporate strategies or action plans, organizational champions, and changes to the Bank Group's operating model. Shareholders could help increase the likelihood of success by ensuring that future policy measures are backed by a clear strategic vision, a conducive organizational model, and meaningful indicators and targets.

Lesson 2: Good indicators, with baselines and targets, create clarity, foster accountability, and contribute to a strategy's sustained implementation. The implementation of some CIP commitments and policy measures lacked continuity, but this did not occur for commitments that were guard railed by measurable indicators and targets. Core corporate indicators and targets can be blunt tools, but they make required actions and reporting clear, become embedded in results agreements, compel business units to follow through on these issues, and ensure the implementation's continuity in the face of changes to senior management and corporate priorities.

Lesson 3: Indicators should be aligned to commitments, and indicator monitoring should be grounded in routine operational processes. Reporting requirements multiply with the addition of new corporate initiatives and frameworks. Ensuring alignment between commitments and indicators and aligning indicators with those of existing corporate initiatives, systems, and frameworks will simplify the Bank Group's reporting processes and ensure that corporate incentives are aligned.

Lesson 4: Corporate indicators are a blunt tool for capturing policy measure outcomes. Corporate indicators capture the Bank Group's actions, processes, and outputs but do not capture what outcomes these actions led to or how policy measures interacted across clusters. This is because corporate indicators focus on activities and outputs that are under the Bank Group's control. Although useful from an accountability perspective, this carries the risk that corporate indicators may perfectly measure the trees while ignoring the forest. To improve corporate indicators, the Bank Group could tap into their data-rich project monitoring and evaluation systems to develop metrics and assessments that better capture ongoing and ex post results. The Bank Group could also combine indicator-based reporting with periodic deep dives that focus on outcomes.

Lesson 5: Report with candor. Honest and accurate reporting on implementation challenges enables the organization to learn and adjust. As such, future reporting would benefit from greater candor on progress, challenges, and trade-offs. Management and Executive Directors may want to reflect on what signals they give to business units that report candidly on their successes and failures.

World Bank Group Management Response

Management of the World Bank Group thanks the Independent Evaluation Group (IEG) for the report *The World Bank Group's 2018 Capital Increase Package: An Independent Validation of Implementation and Results*. The 2018 capital increase package (CIP) helped significantly boost the financing capacity of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), which better positioned the Bank Group to support clients in responding to multiple and more frequent crises than had been anticipated in the CIP. This review by IEG covers five years of CIP implementation. An ongoing parallel audit by the Group Internal Audit covers the financial efficiency aspects of the CIP. Management is fully committed to taking on board the lessons provided in the report through future CIP reporting and in the ongoing discussions on the Bank Group evolution.

World Bank Management Comments

Management welcomes the positive assessment of IBRD performance across several CIP policy measures and the "adequate" quality of CIP progress reporting. The report concludes that IBRD has fully implemented CIP commitments in engaging all country segments, global engagements (in particular, gender and climate), and in IBRD's financial sustainability framework. The report also notes the quality of CIP progress reporting in these areas. These achievements, in turn, have contributed to more concessional lending to small states and have allowed IBRD to scale up its crisis lending at a time of economic and political volatility across the world. Management notes the report's confirmation that the Bank Group has fully implemented its crisis response commitments to countries affected by fragility, conflict, and violence (FCV)—although, there seems to be an inconsistency between the report's positive write-up and the rating provided for this area in figure O.1. Management notes that some of the commitments in CIP were tagged with a longer-term target implementation date of fiscal year (FY)30, and there is a good prospect of demonstrating progress in future CIP reporting.

Management will redouble its efforts in areas where progress was assessed to be limited, including on operational effectiveness, market creation, and IBRD private capital mobilization (PCM). In the context of the Bank Group evolution discussions, the World Bank is exploring a series of initiatives to enhance operational efficiency and effectiveness. This includes the implementation of several "quick wins," such as streamlining documents and reviews, reducing shadow processes, and simplifying the implementation of the Environmental and Social Framework. Going forward, working groups will develop additional proposals based on consultations with staff, clients, and shareholders, which will be rolled out over the course of FY24. IBRD's PCM fell in FY20 and FY21 but rebounded in FY22 and FY23. The Bank Group evolution discussions are prioritizing PCM with more upstream support for reforms and mobilizing the collective capacity of the Bank Group institutions to incentivize the private sector to invest in addressing key global development challenges. One of the proposals focuses on refining the definition and measurement of PCM and private capital enabling. Another stream of proposed work is the revamped country private sector enabling diagnostics, strengthening private sector connections with country programs to build up the pipeline of operations supporting private capital enabling and PCM.

On domestic revenue mobilization, while it was not an explicit priority area of the CIP, management is committed to stepping up its work, including by following up on the recent IEG evaluation. An important step will be replacing Public Expenditure Review with the Public Finance Review as a core diagnostic, making a balanced assessment of revenues, expenditures, and financing sources. One proposal includes a systematic assessment of revenues for 20–30 countries each year. This approach proposes that for International Development Association (IDA) and IBRD countries with tax revenues below 15 percent of GDP, domestic revenue mobilization engagements would need to be part and parcel of the Country Partnership Framework discussions.

The new Bank Group knowledge compact proposed as part of the Bank Group evolution discussions aims to build on the insights provided in various reviews, including in this IEG report. Recognizing the pivotal role of knowledge in increasing the development impact of Bank Group's work, the proposed new knowledge compact focuses on four area: an updated set of knowledge products (including new products to respond to global challenges), enhanced skills for staff and clients (including Bank Group–trained staff to cover public and private sector issues across the Bank Group), strategic partnerships (including facilitating structured dialogue that brings together stakeholders at country and global levels), and improved Bank Group knowledge processes and systems (including stronger outcome orientation).

Although lesson 1—on the need for senior leadership buy-in and greater clarity on strategic priorities—goes beyond the CIP, management will endeavor to reflect it in the context of the Bank Group evolution. The Bank Group evolution discussions reflect the insights captured in lesson 1. The Bank Group Evolution process has been a consultative process, engaging senior leadership throughout the Bank Group in the production of several papers to articulate the revised Bank Group mission and vision, strengthen links among the various initiatives that seek to improve the operational and financial models, and ensure alignment between the Bank Group's vision and mission and the desired Bank Group results.

Management concurs with the need for improved indicators and greater outcome orientation reflected in lessons 2, 3 and 4 and is aiming to step up efforts as reflected in the proposed new Bank Group Corporate Scorecard (CSC). The proposed new Bank Group CSC will be aligned with the proposed revision to the Bank Group vision and mission and Bank Group evolution priorities. The proposed CSC will have thematic outcome areas under which it will track progress on select results indicators that will aggregate results from Bank Group country programs, with a line of sight to the development context in Bank Group client countries and global challenges discussed in the context of the Bank Group evolution engagement process. Management plans to take additional steps to improve result data collection, incentivize a results focus in operations, and institutionalize changes to the Bank Group results architecture to enhance its outcome orientation, consistent with the lessons mentioned in this IEG report.

International Finance Corporation Management Comments

IFC welcomes IEG's extended validation approach. Additionally, management would like to emphasize that a robust framework for CIP commitments has been in place, with the intent to report on and hold IFC accountable for 2030 delivery in line with shareholder expectations. As referenced in the report, a reporting framework was developed in consultation with the Board of Executive Directors in 2020 and formally agreed on as the "enhanced reporting matrix" for the CIP. This reporting matrix complements the annual IFC CSC and the quarterly IFC Operations Report and ensures that IFC has the ability to monitor progress against both the targets set over the one- to three-year period as well as the longer-term FY30 commitments. This mechanism also enables consistent dialogue with the Board on progress toward FY30 commitments, including annual variation of delivery around the trend line.

In contrast, the IEG report defined formal commitments as measures that were in the reporting matrix plus additional commentary noted in the 2018 Development Committee's capital package proposal text and appendixes. This discrepancy explains some reporting gaps highlighted in the report.

Management appreciates IEG's acknowledgment of successful delivery to date on financial sustainability, global themes (including climate) and core mobilization and recognizes challenges on the implementation of CIP commitments in IDA countries experiencing fragile and conflict-affected situations (FCS). IFC financing has grown in absolute terms across all client segments including in IDA FCS and IDA countries that are also low-income countries (LICs). IFC aggregate investment volumes in both country groupings increased by more than 50 percent, from an average of US$794 million per year during the 18th Replenishment of IDA (for FY18–20) to US$1.2 billion per year during the 19th Replenishment of IDA (for FY21–22). That said, management acknowledges that delivery against IDA and FCS volume targets has been difficult, particularly in LIC IDA and FCS. Management also notes that the project count target for IDA and FCS (included in the IFC CSC to continue incentivizing delivery of small yet highly developmental projects) has been achieved, reaching 41 percent against the target of 39 percent in FY23.

Given the global context in recent years, IFC has focused on the needs of our clients in IDA FCS and LIC IDA countries by providing countercyclical financing as demand for investment shifted to trade, supply chain, and working capital (short-term) finance. In FY23, IFC's short-term finance volume (while not included in the CIP IDA FCS target) reached US$7.5 billion in IDA and FCS countries (68 percent of the total) and US$3.0 billion in IDA FCS and LIC IDA countries (27 percent of the total).

IFC remains committed to investing in the most difficult markets and will continue to prioritize pipeline development in these markets through upstream and advisory. As of the end of FY23, 32 percent of IFC's upstream pipeline volume was in IDA and FCS countries.

Management agrees with the assessment that the Cascade approach was not systematically implemented across the Bank Group and that, although IFC has met or exceeded its mobilization targets, the Bank Group has lacked mechanisms to achieve its ambitions on PCM. This gap was mainly due to the lack of clearly articulated objectives, indicators, and incentives that encourage systematic joint Bank Group delivery, which is now a key pillar of the new Bank Group operating model under the evolution agenda.

Management concurs that IFC's operational efficiency and effectiveness initiatives have not achieved their goals yet. However, the all-time record program delivery in FY23, above CIP trajectory and without year-end bunching, indicates that the streamlined Accountability and Decision-Making for IFC investment services, as well as other measures introduced in FY22 and FY23 to simplify the internal structures, processes, and procedures are helping to strengthen internal alignment and gain speed. Having reduced escalations to the top-tier corporate committee (Tier 3 Project Committee) in FY23 to one-third of its previous volume as a result of the new Accountability and Decision-Making framework, management will pursue additional measures, such as removing duplicative and shadow processes, streamlining and standardizing document templates, scaling up implementation of platforms, and launching new mobilization vehicles. In addition to Bank Group's CSC enhancements, IFC is currently developing a set of internal productivity and efficiency indicators that will enable better measurement of operational efficiency and effectiveness.

Management values the useful lessons in the report and will further reflect on them in future initiatives and in the evolution agenda. Management remains committed to candid reporting of progress with recognition of challenges and trade-offs. We note the points around enhancing outcome orientation and reporting against clear baselines and targets and will integrate these lessons going forward.

Report to the Board from the Committee on Development Effectiveness

The Committee on Development Effectiveness met to consider the report *The World Bank Group's 2018 Capital Increase Package—An Independent Validation of Implementation and Results* and the World Bank Group draft management response.

The committee welcomed the Independent Evaluation Group's validation report on the Bank Group's 2018 capital increase package, deeming its findings and five lessons relevant and timely for the evolution road map discussions. Members acknowledged that they had not anticipated the frequency, multiplicity, and intensity of crises, and appreciated learning that the World Bank and International Finance Corporation (IFC) had responsibly used their capital infusion to enable a robust response to global and regional crises. Members also appreciated that management had followed up and reported to the Board of Executive Directors on progress made on most of the policy measures and formal commitments. Management reaffirmed its commitment to continue reporting on the capital increase package against the negotiated commitments and indicators (as agreed with the Board in 2020) until FY30, noting that new commitments and indicators will be framed and positioned in parallel with the ongoing discussions on the Bank Group evolution process. They commended management for the positive results related to the implementation of global themes for continuing to serve all country segments; for International Bank for Reconstruction and Development's delivery to below the graduation discussion income countries; the strengthening of financial sustainability model; and IFC's capital mobilization, climate, and gender. Members highlighted that there was room for improvement in the areas of private capital mobilization, domestic resource mobilization, partnerships, outcome orientation, operating model effectiveness, creating markets, knowledge, and IFC's commitment on progress on low-income countries and countries affected by fragility, conflict, and violence.

Members underscored their support for the report's conclusions that success was best achieved by the World Bank and IFC where corporate initiatives had demonstrated senior leadership buy-in, clear corporate strategies or action plans, organizational champions, dedicated units or other supportive arrangements, well defined indicators with targets, and robust and candid reporting to the Board. They encouraged management to embrace these lessons and appreciated management's positive responses. Members requested World Bank management to develop domestic resource mobilization outcome-oriented commitments and indicators, noting that the discussion should hinge on growth, reforms, and taxes, and on finding qualified internal talent. Some suggested management use the International Development Association targets. They also asked about management's plans to reassess the flag and tag methodology on Bank Group's interventions, noting their interest in also having measurable outcomes on human development, digitalization, and the youth agenda. Management explained that the gender tags and flags played an important role in sharpening the focus on gender during the project design stage, clarifying that, as part of the new Gender Strategy, clearer metrics are being developed and would be reflected in the new Bank Group Corporate Scorecard.

Some members noted they would like to see improvements in the implementation of knowledge creation and innovation particularly about countries above the graduation discussion income. They asked management to explain the main constraints for improving internal organization models. Members requested that Independent Evaluation Group and management share their views on organizational processes to select, prioritize, and monitor Bank Group's convening work. They underscored the importance of better integrating long-term dimensions to achieving sustainable progress, of better aligning staff incentives with corporate priorities, and to having candid reporting, acknowledging that the Board has a role to play in enabling candid discussions. There was a call for having a Board discussion on Independent Evaluation Group's capital increase package validation report.

1 | Purpose and Background

About This Report

This report presents the Independent Evaluation Group's independent assessment, or validation, of the World Bank Group's 2018 capital increase package (CIP). The report builds on management's own reporting and other complementary evidence to assess the World Bank Group's progress in implementing the CIP's policy measures and achieving its targets. The report also assesses the quality of management's CIP reporting.

The validation's main intended audiences are the Board of Governors, to whom the CIP's original commitment of an independent assessment was made; the Board of Executive Directors, through the Committee on Development Effectiveness; and the management of the International Bank for Reconstruction and Development and the International Finance Corporation.

Work on this report started before, and was independent of, the Evolution Roadmap, which is considering how to evolve the Bank Group's mission, resources, and operating model.

The World Bank Group's shareholders endorsed a capital increase package (CIP) on April 21, 2018. This package boosted the Bank Group's financial firepower with a $7.5 billion paid-in capital increase for the International Bank for Reconstruction and Development (IBRD), a $5.5 billion paid-in capital increase for the International Finance Corporation (IFC), a $52.6 billion callable capital increase for IBRD, and internal savings measures.[1] The CIP had two parts: (i) a financing package to enhance IBRD's and IFC's financial capacity and (ii) a policy package that committed Bank Group management to policy actions linked to the Bank Group's 2016 Forward Look strategy. The CIP committed to reporting annually on its implementation and an independent assessment after five years. This report fulfills the commitment to an independent assessment.

The CIP's intention was to significantly expand IBRD's and IFC's financing capacity, thereby enabling both institutions to better achieve their strategic priorities. The CIP's goal was to increase IBRD's annual commitments to about $36 billion and IFC's to $25 billion by fiscal year (FY)30, subject to external factors. The CIP also committed IBRD and IFC to increasing their private capital mobilization (PCM) and financing for certain priority areas previously identified in the Forward Look strategy.

The Forward Look and the Capital Increase Package

In 2016, the Bank Group's management and shareholders agreed to a foundational strategy document—*Forward Look: A Vision for the World Bank Group in 2030*. The Forward Look set out a vision and strategy for the Bank Group's global role, with the objective of shaping "a common view among shareholders on how the World Bank Group can best support the development agenda for 2030" (World Bank Group 2016b, 1). The Forward Look reaffirmed the Bank Group's value proposition, which includes working on both national and global issues and engaging with both the public and private sectors. The Forward Look's strategic priorities were as follows:

- Continue to work with the full range of client countries but with different pricing and product offerings to different client segments. These country segments include countries below and above IBRD's graduation discussion income (GDI) level, which is set at a gross national income of $7,155 per capita; small states; recent International Development Association (IDA) graduates; and for IFC, IDA and countries classified as being in a fragile and conflict-affected situation (FCS). This priority is known as serving all clients.

» Expand the Bank Group's role in delivering global public goods and leading on global themes, including gender, climate change, major crises, disease outbreaks, and fragility, conflict, and violence (FCV).

» Increase the Bank Group's role in generating knowledge and convening partners.

» Increase the Bank Group's public capital mobilization and PCM, bringing together the joint capabilities of the Multilateral Investment Guarantee Agency (MIGA), IFC, and the World Bank (IBRD and IDA).

» Improve the effectiveness of the Bank Group's operational model.

In 2018, the Bank Group's shareholders agreed to a CIP for IBRD and IFC that responded to the principles stated in the Forward Look. The CIP was meant to allow IBRD and IFC to expand their financing operations and implement the Forward Look. In return, management committed to "implementing the necessary operational and cultural changes to make the [Bank Group] operationally fit for purpose to follow the strategic directions set forth in the Forward Look and for achieving the Sustainable Development Goals" (World Bank Group 2018b, i). Specifically, management committed to a package of financial measures and integrated policy reforms for both IBRD and IFC. This linking of a capital increase to extensive formal commitments was historically unique (box 1.1). The capital increase's policy package was anchored in the Forward Look and shared most, but not all, of its strategic priorities, including differentiating support across client segments (serving all clients), leading on global themes, mobilizing private and public resources and creating markets, and improving the Bank Group's operating model. The CIP introduced policy measures and made formal commitments that reflected these strategic priorities.

Box 1.1. Previous Capital Increases

The International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) expand their capital at irregular intervals. Unlike the International Development Association's annual replenishments, IBRD and IFC do not have regular reviews or expansions of capital needs and do not have a set schedule for reviewing their strategies. In fact, IBRD has raised its capital base only four times—in 1959, 1979, 1988, and 2010—except for small, selective capital increases to adjust relative shareholdings. Since its establishment in 1955, IFC has had capital increases in 1963, 1977, 1991, and 1992. Past capital increases for both IBRD and IFC were not tied to strategy reviews and were not accompanied by policy actions, except when in 2010, IBRD linked its capital increase to the World Bank's postcrisis strategy and proposed operational reforms that opened data and access to information policies. For their part, other multilateral banks, such as the European Bank for Reconstruction and Development, have linked periodic strategy reviews to capital requirement reviews.

Source: Independent Evaluation Group.

The multiple overlapping global crises since 2018 have created challenges for developing and achieving the Forward Look's and CIP's goals. The Forward Look and the CIP both assumed that the Bank Group would have to respond to the occasional crisis, but the reality has turned out differently. The Bank Group has been forced to respond to multiple major crises since 2018, including COVID-19, the fallout from Russia's invasion of Ukraine, unprecedented food insecurity, and the developing world's debt crisis, among others. All of these have caused major development setbacks and undermined the Bank Group's ability to achieve the Forward Look's and CIP's priorities. With crises becoming more frequent and severe, the Bank Group expects that crisis prevention, preparedness, and response will continue to be a major part of its work (World Bank Group 2022c).

Objective and Scope

This report's purpose is to fulfill Bank Group management's commitment to the Board of Governors that there would be an independent assessment after five years of the CIP's progress. The Independent Evaluation Group (IEG) conducted the assessment as an extended validation without the extensive data collection typical of a full-fledged evaluation. As such, the report's main objective is to validate management's own reporting on the CIP and independently assess the Bank Group's progress toward the CIP's targets and policy commitments in the context of the Forward Look.

This validation covers IBRD and IFC but not MIGA or IDA. MIGA did not receive a capital increase and is therefore not covered by this review. IDA is also outside the scope because IDA replenishments are separate from the CIP. This report focuses on the CIP's policy package while excluding the Bank Group's efficiency measures, including budget commitments and related savings measures that Group Internal Audit (GIA) is reviewing.

Approach and Methods

Three questions guided this assessment:

» To what extent has CIP reporting by management of the World Bank and IFC been relevant and adequate?

» To what extent have the World Bank and IFC implemented the CIP's policy measures?

» What kind of progress have the World Bank and IFC made toward achieving results related to CIP and Forward Look's priorities and policy measures, and how did the CIP contribute to this progress?

This validation reviewed management's regular CIP reporting and collected evidence from IEG evaluations and technical discussions with counterparts. Management has reported extensively on the Forward Look and CIP implementation through Forward Look, and CIP updates to the Board of Governors, Corporate Scorecards (CSCs), Strategy and Business Outlooks, and board reports on the CIP's individual priority areas (including FCV, climate change, and gender issues). The CIP's financial aspects are reported in the Bank Group's budget papers and IBRD's Financial Sustainability Framework (FSF) reporting. The validation reviewed all of this reporting and uses evidence from 25 IEG evaluations with direct relevance to the CIP's priority areas and the Management Action Record's reporting on the implementation of the recommendations of these evaluations. The IEG validation team conducted interviews with Bank Group and Executive Director staff and had technical discussions and email exchanges with the World Bank and IFC business units in charge of implementing or reporting on the CIP.

IEG devised a systematic validation framework with the following elements. First, the validation adopted the CIP's structure with four priority areas organized into 12 thematically similar clusters, listed in table 1.1. Second, the validation team compiled each cluster's commitments, policy measures, indicators, and targets. Third, it gathered all the relevant evidence on each of these clusters. Fourth, it distilled findings into this report, assessing the following for each cluster: (i) the adequacy of management's reporting, which corresponds to the first validation question; (ii) the implementation of policy measures and achievement of targets, which corresponds to the second validation question; and (iii) the progress on results or outcomes, both expected and unexpected, which corresponds to the third validation question (see appendix A). The validation used a simple rating scale to assess management's reporting on and implementation of the CIP. A theory of change helped the validation distinguish between actions, outputs, and outcomes (see appendix A). The validation defines the CIP's five intended outcomes as the Bank Group's enhanced engagement with all client country segments, expanded role in leading on global themes and delivering global public goods, increased public and private resource mobilization, operating model's increased effectiveness, and improved financial sustainability (table 1.2). The validation assessed IBRD and IFC jointly whenever feasible and separately when the targets or policy measures from each institution diverged.

Table 1.1. CIP Priorities, Policy Measures, and Commitments

Priorities and Clusters	Institution	Policy Measures	Commitments
1. Differentiating support across client segments			
1.1 Below GDI	IBRD	5	5
1.2 Above GDI	IBRD	2	2
1.3 Small states	IBRD	2	2
1.4 IFC differentiating support	IFC	4	4
Subtotal		13	13
2. Leading on global themes			
2.1 Crisis response and FCV	World Bank Group	4	4
2.2 Climate change	Bank Group	6	6
2.3 Gender	IBRD	2	2
	IFC	4	4
2.4 Knowledge and con-vening	Bank Group	6	2
2.5 Regional integration	Bank Group	1	1
Subtotal		23	19
3. Mobilizing capital and creating markets			
3.1 Private sector	Bank Group	5	2
3.2 Domestic revenue mobilization	Bank Group	2	0
Subtotal		7	2
4. Improving the operating model			
4.1 Effectiveness	Bank Group	4	2
4.2 Financial sustainability	Bank Group	2	2
Subtotal		6	4
Total		49	38

Source: Independent Evaluation Group.

Note: CIP = capital increase package; FCV = fragility, conflict, and violence; GDI = graduation discussion income; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation.

Table 1.2. CIP Priorities, Clusters, and Intended Outcomes

CIP Priority Areas	CIP Clusters	Intended Outcomes
1. Differentiating support across all client segments (serving all clients)	» Below-GDI countries » Above-GDI countries » Small states	» The World Bank Group's enhanced engagement with all client country segments
2. Leading on global themes	» Crisis and FCV response » Climate change » Gender » Knowledge and convening » Regional integration	» The Bank Group's expanded role in leading on global themes and delivering global public goods
3. Mobilizing capital and creating markets	» Creating markets and private capital mobilization » Domestic revenue mobilization	» The Bank Group's increased public and private resource mobilization
4. Improving the operating model	» Operating model effectiveness » Financial sustainability	» The Bank Group's operating model's increased effectiveness » The Bank Group's improved financial sustainability

Source: Independent Evaluation Group.

Note: CIP = capital increase package; FCV = fragility, conflict, and violence; GDI = graduation discussion income.

The validation distinguished between formal commitments and other policy measures. The CIP text defined formal commitments as specific actions with targets that the Bank Group is held accountable for pursuing. The validation further defined formal commitments as measures that were (i) explicitly underlined in the CIP document's text, (ii) specified with a target, (iii) listed in the CIP document's annex summary, or (iv) listed in the Forward Look and CIP updates' status tables with indicators, targets, and results (World Bank Group 2019a, 2020a, 2021d, 2022b). By contrast, the CIP document also discussed policy measures, which the validation understood to be important or critical actions the Bank Group would take to achieve the CIP's priorities. Box 1.2 defines these and other key terms, and appendix B lists all of the CIP's commitments and policy measures.

Box 1.2. Key Terms Used in This Report

Clusters. The 12 thematic areas assessed for this validation (see table 1.2).

Commitments. Specific policy measures with a defined qualitative or quantitative target.

Policy measures. Planned or ongoing actions discussed in the Forward Look or capital increase package that contribute to the Forward Look or capital increase package priorities.

Priority areas. The four thematic groups—differentiating support across client segments, leading on global themes, mobilizing private and public resources and creating markets, and improving the World Bank Group operating model—that contain the 12 clusters, align with the Forward Look's stated priorities, and form this report's chapter structure.

Intended outcomes. The Bank Group's enhanced organizational capacity to deliver the five objectives listed in table 1.2.

Source: Independent Evaluation Group.

The validation has a few limitations stemming from its underlying evidence sources. The evidence base is formed by the information available in Bank Group reporting and internal monitoring systems. Many of the data come from the Bank Group's monitoring indicators, which are of uneven quality. The validation deals with this by assessing the indicators' relevance. The implementation status of some policy measures was difficult to ascertain because of gaps or a lack of clarity in management's reporting. Moreover, the reporting rarely discussed the outcomes of the policy measures and priority areas, instead focusing on actions or outputs. To fill this knowledge gap, the validation reviewed relevant IEG evaluations; however, recent IEG evaluations are not available for all of the clusters, so the validation assessed policy measure and priority area outcomes with uneven depth.

Main Findings and Structure of the Report

The report's main findings are as follows. The Bank Group has made notable progress on the CIP priorities of increasing the Bank Group's financial sustainability, promoting global themes (including climate change), and, for IBRD, engaging with different client country segments and increasing its financing for below-GDI countries. However, the Bank Group made the least progress in creating markets; IBRD made the least progress in mobilizing private capital and domestic revenues, and despite notable efforts, IFC made the least progress toward achieving its ambitious targets for increasing financing for low-income and fragile countries. Furthermore, the CIP contributed to action on CIP clusters where the Bank Group already had clear strategies or action plans, supportive internal organizational arrangements, and well-defined indicators and targets. The CIP clusters with the least progress were those where the Bank Group lacked a clear vision and measurable indicators or had weak oversight, limited collaboration, and inadequate incentives. The report's findings have clear implications for designing and reporting on future corporate initiatives.

Each of the next four chapters assesses the reporting, implementation, and outcomes of each of the four priority areas. These are (i) differentiating the Bank Group's offerings to different client country segments (or serving all clients); (ii) leading on global themes, including gender, FCV, climate change, regional integration, and knowledge and convening; (iii) mobilizing public and private capital and creating markets; and (iv) improving the effectiveness and financial sustainability of the World Bank and IFC operating models. Chapter 6 sums up the validation's findings and provides lessons for designing and reporting on future corporate initiatives. Appendix A describes the methods used, and appendix B lists the CIP's commitments and policy measures.

[1] The capital increase of the International Bank for Reconstruction and Development combines a general capital increase, based on increases proportionate to existing shareholders, and a selective capital increase, which would increase the share of some countries' commitments more than others, thereby altering the relative voting power of member countries.

2 | Priority Area 1: Differentiating Support across Client Segments

Highlights

The International Bank for Reconstruction and Development has fully implemented all of its commitments and is on track to achieve most of its targets for differentiating support across client segments.

This priority area has led to increased lending to countries below the graduation discussion income level; stable, but below-target, lending volumes to countries above the graduation discussion income level; and average lending volumes, including increased concessional lending, to small states.

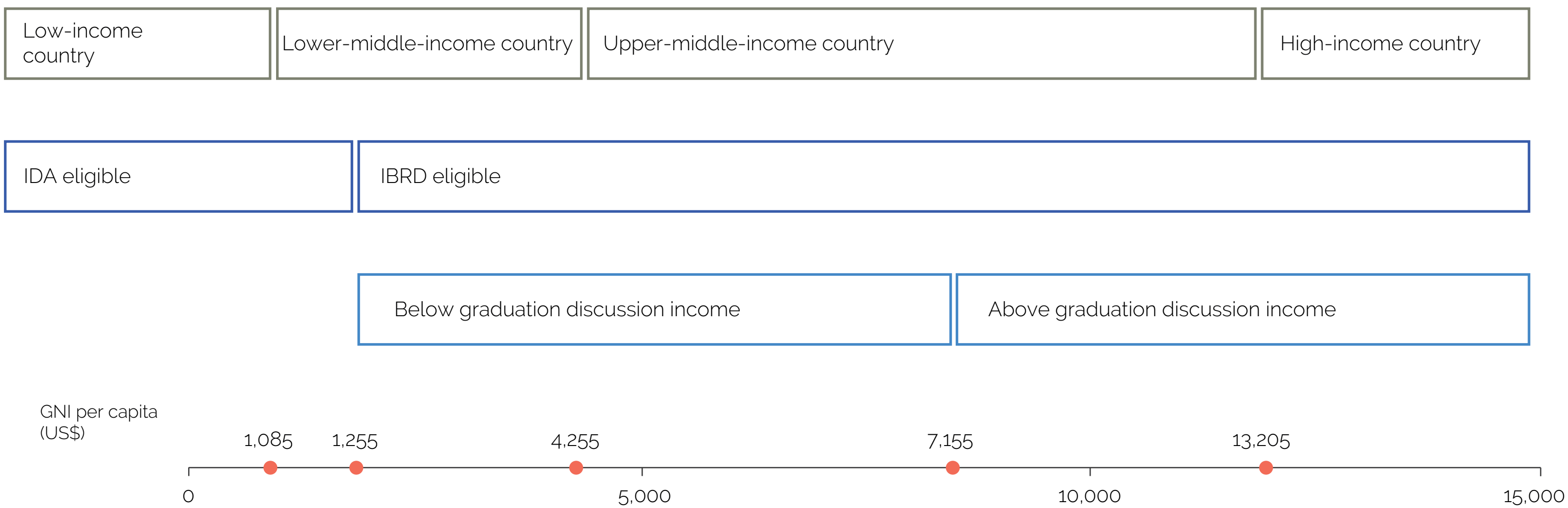
The International Finance Corporation has made limited progress in this priority area. The International Finance Corporation's financing volumes for low-income and fragile countries are not currently on track to meet their ambitious targets.

The International Finance Corporation has a well-defined approach to additionality in upper-middle-income countries, but it has not employed knowledge and innovation additionalities to a greater extent in upper-middle-income countries than in lower-middle-income countries.

The CIP's serving all clients priority area, to differentiate the Bank Group's support across client segments, is well aligned with the Forward Look's objectives. The CIP's policy measures capture all the key dimensions of the Forward Look's objectives, including the Bank Group's need to engage a wide range of clients in ways that respond to their diverse development challenges.

This priority area has 13 policy measures organized into three different country clusters (tables 2.1–2.4). IBRD's country clusters include (i) low- and middle-income countries below the per capita GDI of $7,155, (ii) upper-middle-income countries (UMICs) with a per capita income above the GDI, and (iii) small states with populations below 1.5 million. (See figure 2.1 for income thresholds for these country groupings.) IFC's policy measures were originally organized around the same country clusters, but with an additional distinction of IDA and FCS countries. However, starting in 2020, IBRD and IFC management implemented a reporting matrix that clarified the key commitments and targets, in consultation with Executive Directors. Starting with the 2020 annual implementation update, the annual CIP updates included CIP implementation status tables that reported on a subset of the original commitments and targets. The largest difference between the commitments in the original CIP Development Committee paper and those reported in the annual CIP updates is for IFC in the serving all clients priority area. Here, the simplified reporting matrix clarified that IFC's implementation was to be tracked for IDA and FCS countries, rather than using the above- and below-GDI distinction. The revisions aligned IFC's commitments in this priority area with its IFC 3.0 creating markets strategy, which focused more on IDA and FCS countries. IFC also revamped its CSC to align with the capital increase commitments as captured in the simplified reporting matrix. Accounting for the simplified reporting matrix's revision, the validation identified 11 indicators, of which 4 are quantitative, to monitor these 13 policy measures.

Figure 2.1. IBRD Country Groupings



Source: Independent Evaluation Group.

Note: GNI = gross national income; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association.

The remainder of this chapter discusses, first, IBRD's reporting on this priority area; second, its implementation of the priority area's policy measures for below-GDI countries, above-GDI countries, and small states; and, third, IFC's reporting and implementation on the priority area. The report finds that IBRD's implementation was excellent and adequately reported, in part because its commitments were specific, achievable, and measurable. IFC has so far made more limited implementation progress, in part because its CIP commitments in this priority area were highly ambitious and the global environment has not been conducive to growing IFC's investments in low-income and fragile countries.

Reporting

Whenever commitments and indicators in this priority area were specific, reporting has been satisfactory. Most of IBRD's CIP commitments were specific and had clear and measurable indicators, its reporting covered most commitments, and the 11 reporting indicators were clearly linked to the commitments' underlying objectives. Indicators focus on lending volume and do not assess qualitative aspects, such as the World Bank's support for countries' sustainable IDA graduation or enhanced coordination across Bank Group institutions. IFC's monitoring and reporting, however, has some shortfalls. For example, IFC has reported on an indicator related to IFC additionality in above-GDI countries, but the indicator was not precisely formulated and did not do a good job of capturing progress toward the intended outcome. Similarly, IFC reported its commitment to promote a regional investment approach in middle- to upper-income small states as fulfilled but has not provided any further details.

IBRD Implementation for Countries below Graduation Discussion Income

IBRD committed to increasing its financing to below-GDI countries. As shown in table 2.1, it has committed to a gradual and linear rise in its share of noncrisis lending to below-GDI countries to reach 70 percent by FY30. Its focus on noncrisis lending has meant that, during crisis situations, IBRD would have the flexibility to expand lending to above-GDI countries without breaking this commitment. IBRD has also targeted reaching a 67 percent lending share for noncrisis lending to below-GDI countries over the FY19–30 period, implying that under noncrisis circumstances, IBRD should lend relatively more to below-GDI countries and relatively less to above-GDI countries. However, when the lending terms of IBRD's crisis buffer became the same as those for regular short-term lending,[1] IBRD stopped separately tracking crisis and noncrisis lending volumes. As a result, progress on the originally defined indicator could not be validated. To achieve this commitment more generally, IBRD implemented differentiated loan pricing and single borrower limits on July 1, 2018, offering price discounts to below-GDI countries but no exemptions or discounts to above-GDI countries. Small states, FCS, and IDA-blend countries were exempted from this price increase.

As a result of its CIP commitment, IBRD's portfolio in below-GDI countries has grown steadily. It's financing share for these countries grew from 60 percent in FY17 to 76 percent in FY19 and has remained above the target average of 67 percent in each of the past five years. Moreover, the cumulative financing for below-GDI countries remains on track to meet IBRD's illustrative CIP target of $260 billion over the FY19–30 period (figure 2.2).

Table 2.1. CIP Policy Measures for IBRD for Countries below GDI

IBRD Policy Measures (below GDI)	Commitments	Indicators	Targets
IBRD will prioritize support to IDA graduates and new blends, aiming to make available resources to fully replace IDA financing for graduates.	Prioritize IBRD support to IDA graduates and new blends aiming to make available resources to fully replace IDA financing for graduates. CIP main text. Underlined and in annex summary of the capital package.	IBRD financing for recent IDA graduates relative to IDA financing before graduation. Limited reporting.	100% replacement of IDA financing for IDA graduates.
IBRD will increase noncrisis lending to MICs below GDI.	Aim for a gradual and linear rise in IBRD share of noncrisis lending to countries below GDI. CIP main text. Underlined and in annex summary of the capital package.	Percent of financing to countries below GDI.	70% by FY30; average share of 67% over FY19–30.

(continued)

IBRD Policy Measures (below GDI)	Commitments	Indicators	Targets
Increase cumulative IBRD financing to below-GDI countries.	$260 billion cumulative IBRD financing to below-GDI countries over FY19–30 in nominal terms, $110 billion, or 70%, more than if no package. CIP main text. Not underlined but listed in annex summary of the capital package as "illustrative dollar numbers."	No indicator in CIP implementation status table. Reported in implementation updates narrative.	$260 billion over FY19–30 in nominal terms.
Higher SBL increase for countries below GDI.	**Higher SBL increase for countries below the GDI.** CIP main text. Underlined and in annex summary of the capital package.	Higher SBL increase for below-GDI than above-GDI countries introduced.	Implemented (yes/no).
Price discount for below-GDI countries, with blends and recent IDA graduates exempted from the price increase.	**Price discount for below-GDI countries and exemptions for blends and recent IDA graduates from the price increase.** CIP main text. Underlined and in annex summary of the capital package.	Price discount for below-GDI countries and exemptions for blends and recent IDA graduates implemented.	Complete (yes/no).

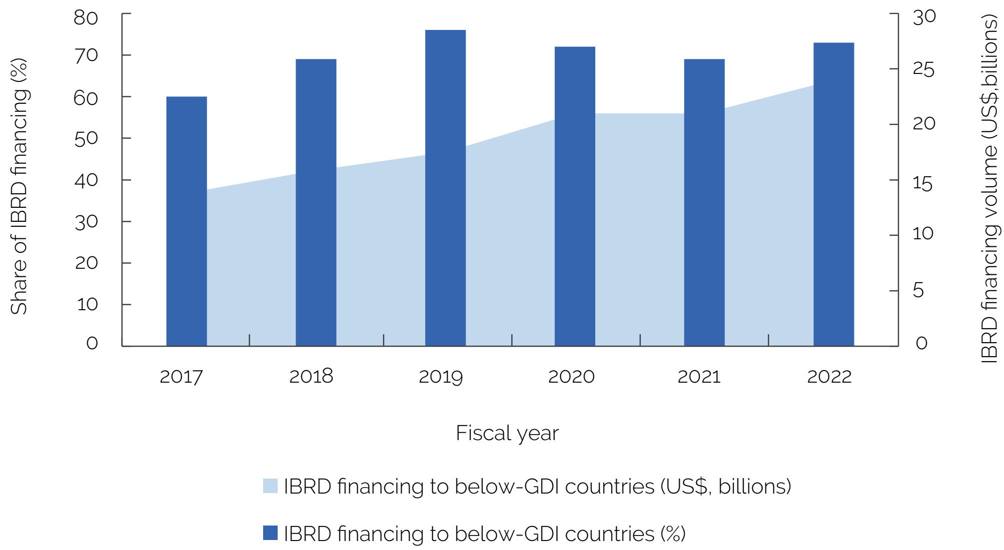
Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; GDI = graduation discussion income; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; MIC = middle-income country; SBL = single borrower limit.

Country-level data suggest that IDA graduation has not led to a decline in total World Bank lending for most IDA-blend and graduate countries. IBRD has committed to supporting IDA graduates and new IDA-blend countries by replacing 100 percent of their IDA financing with IBRD resources. IBRD used an aggregate indicator—IBRD financing for recent IDA graduates relative to IDA financing before graduation—to monitor progress on this commitment. The indicator, and this validation's review of country-level data, indicates that IBRD lending has replaced IDA after most countries graduated from

IDA, and if it was not replaced, it was mainly because (for various reasons) those graduate countries did not demand IBRD financing at the same volume that they had previously borrowed from IDA.

Figure 2.2. IBRD Financing to Countries below GDI



Source: Independent Evaluation Group.

Note: GDI = graduation discussion income; IBRD = International Bank for Reconstruction and Development.

IBRD Implementation for Countries above Graduation Discussion Income

IBRD's lending for UMICs, or above-GDI countries, has remained more or less stable, which is below the CIP's indicative expectations. IBRD committed in the CIP to increase lending volumes for above-GDI countries and provided an indicative figure of $125 billion in cumulative noncrisis financing, in nominal terms, over the FY19–30 period (table 2.2). The main indicator used for this cluster, on updating Bank Group country engagement guidance, is insufficient to assess intended outcomes. As noted, IBRD has stopped distinguishing between crisis and noncrisis volumes; thus, it was not possible to validate this cluster's result as it was originally defined. That being said, IBRD's average total lending in the FY19–22 period has remained at $5.5–$9 billion, similar to the FY17–18 levels (figure 2.3). As such, its lending to above-GDI countries has not grown as expected by the CIP.

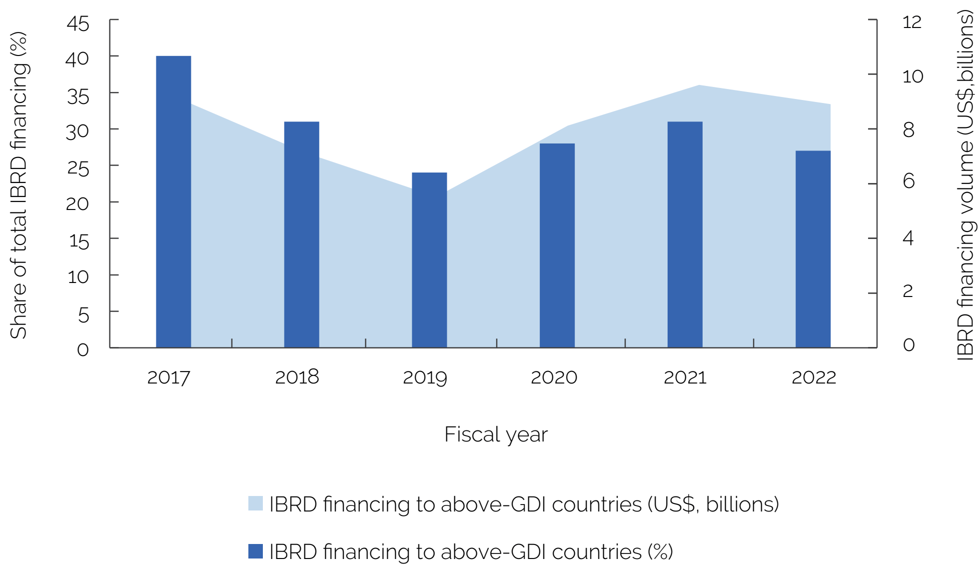
Table 2.2. CIP Policy Measures for IBRD Countries above GDI

IBRD Policy Measures (above GDI)	Commitments	Indicators	Targets
There will be a systematic analysis and assessment of the key elements of the IBRD graduation policy, reflected in CPFs and updated in Performance and Learning Reviews.	**Systematic analysis and assessment of the key elements of the IBRD graduation policy reflected in CPFs and updated in Performance and Learning Reviews of above-GDI countries. New IBRD activities will have a primary focus on interventions to strengthen policies and institutions required for sustainable IBRD graduation.** Interventions will be focused on innovative solutions for boosting shared prosperity, delivering GPGs, and creating knowledge. CIP main text. Underlined and in annex summary of the capital package.	SCD and country engagement guidance updated, and capital package agreement reflected in new CPFs for above-GDI countries.	Implemented (yes/no).
The policy package would enable IBRD to provide countries above the GDI $125 billion cumulative lending over FY19–30, or $40 billion (45%) more than without a package. It would also allow lending to the above-GDI countries for crisis response (which would be excluded from the lending share target).	**Provide countries above the GDI $125 billion cumulative lending over FY19–30 in nominal terms, or $40 billion (45%) more than without a package.** CIP main text. Underlined and in annex summary of the capital package as "illustrative dollar numbers."	No indicator in CIP implementation status table. Not reported.	$125 billion cumulative lending (noncrisis) over FY19–30 in nominal terms. $40 billion, or 45%, more than if no package. Combined with mobilization from private sector, the increase would reach $50 billion.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; CPF = Country Partnership Framework; FY = fiscal year; GDI = graduation discussion income; GPG = global public good; IBRD = International Bank for Reconstruction and Development; SCD = Systematic Country Diagnostic.

Figure 2.3. IBRD Financing to Countries above GDI



Source: Independent Evaluation Group.

Note: GDI = graduation discussion income; IBRD = International Bank for Reconstruction and Development.

Country engagement documents for above-GDI countries did not systematically focus on strengthening policies and institutions. IBRD committed in the CIP to systematically analyze and reflect on key elements of its graduation policy in country engagement documents for countries that reach the GDI. According to the CIP, new IBRD activities in above-GDI countries should focus on strengthening the policies and institutions needed to graduate from IBRD borrower status. To fulfill this commitment, the Bank Group updated its country engagement guidance in September 2018 and again in July 2021. This validation reviewed 15 country engagement documents approved since July 2021 for above-GDI countries and found that these documents did discuss strengthening policies and institutions, but not consistently or systematically (which might have been expected because of the CIP commitment and revised guidance). For example, most country engagement documents analyzed the country's institutional challenges separately rather than as a cross-cutting issue pertinent to all thematic areas. An exception to this general trend was Uruguay's Country Partnership Framework (CPF) for the period FY23–27. This CPF's design emerged as a best practice because it used a cross-cutting institution-building lens to inform the country engagement's three proposed high-level objectives. For instance, one of these objectives—to increase environmental outcomes and resilience to shocks—was informed by recent assessments on the country's institutional capacity to meet its national and international climate change commitments.

CPFs in above-GDI countries did not consistently focus on innovation and knowledge creation. The capital package emphasized the need to create knowledge and provide focused and innovative solutions to the complex development challenges of above-GDI countries. In fact, drawing knowledge from operational experiences in above-GDI countries and other UMICs to share with other countries is a core element of the Bank Group's value proposition. However, IBRD has not reported on this policy measure with indicators or qualitative narratives. This validation's review of the 15 above-GDI country engagement documents found that these countries' CPFs have limited emphasis on innovation, knowledge creation, and demonstration effects. Thus, there is limited explicit evidence that IBRD programs in these countries have made the recommended shift.

IBRD Implementation for Small States

IBRD has met its CIP commitments to small states. The CIP included two very specific policy measures to enhance IBRD's support to small states, including an increase in the base funding allocation to these countries and a waiver from IBRD's price increase for these countries (table 2.3). These measures, which went into effect in FY19, increased IBRD's concessionality for small states and recognized these countries' vulnerabilities and unique development challenges. These changes led to an increase in average lending volumes for small states (figure 2.4). In fact, they were so effective that they compelled some small states that had stopped borrowing from IBRD to resume borrowing.

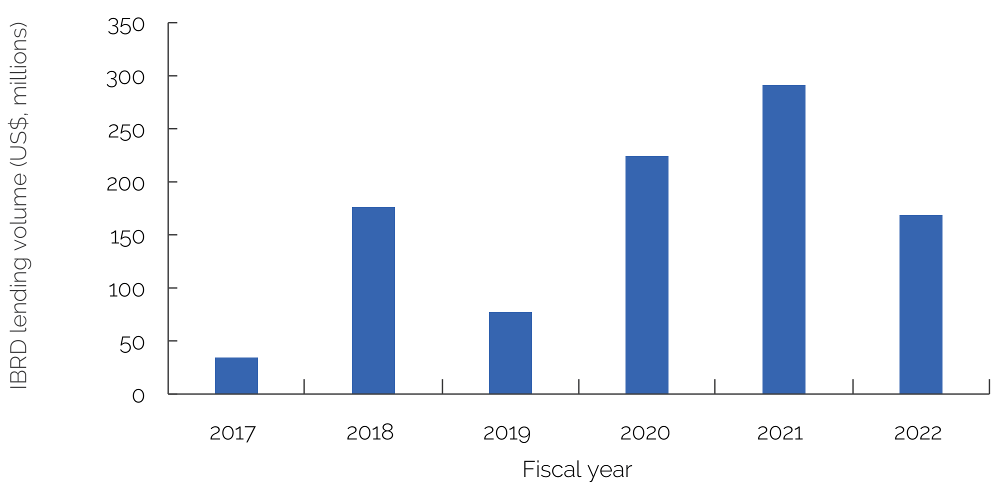
Table 2.3. CIP Policy Measures for IBRD Lending to Small States

IBRD Policy Measures for Small States	Commitments	Indicators	Targets
IBRD base allocation for small states will be doubled, subject to prudential limits.	**Double IBRD base allocation for small states, subject to prudential limits.** CIP main text. Underlined and in annex summary of the capital package.	Base allocation for small states doubled. Reporting inconsistency. Initially, results were reported aggregated by IDA cycle, and since fiscal year 2020, annual lending volumes were reported.	Complete (yes/no).
Small states will be exempted from the proposed maturity premium increase.	**Exempt small states from the IBRD price increase.** CIP main text. Underlined and in annex summary of the capital package.	Small states are exempt from capital package pricing increase.	Complete (yes/no).

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association.

Figure 2.4. IBRD Lending to Small States



Source: Independent Evaluation Group.

Note: IBRD = International Bank for Reconstruction and Development.

IFC Implementation

IFC investment shares in IDA and FCS countries have not grown as expected, despite IFC's efforts to increase financing to these countries. Table 2.4 shows IFC's commitments and targets. IFC's financing to low-income countries in the 17th Replenishment of IDA and IDA FCS countries has fluctuated around an upward trend since FY19 but averaged 9 percent as a share of its long-term own-account financing, which is below its low-end target for FY26 of 15 percent (figure 2.5, panel a). This means that to reach its lower-end target by 2026, IFC investments in these countries would have to increase by one percentage point annually. IFC has also made less than expected progress on increasing its share of long-term finance from own-account in the 17th Replenishment of IDA and FCS countries to on average 32.5 percent over the FY19–30 period (figure 2.5, panel b). However, despite IFC's efforts to increase this financing, as discussed in later chapters, its average share of financing for the 17th Replenishment of IDA and FCS countries over the last four years was only 25.5 percent, compared with its FY18 value of 21 percent.

IFC has increased its investments in IDA and FCS countries, although not at the rate needed to meet its targets, despite the availability of IDA Private Sector Window (PSW) resources. IFC committed to using IDA PSW resources to increase its share of investments in IDA and FCS countries. It has reported in CIP updates on its use of blended finance facilities and other sources of external funding, such as the PSW, to increase the financial viability of projects in IDA countries. However, as discussed in chapter 3, it has proved challenging for various reasons for IFC to increase its investments as intended in PSW-eligible countries.

Table 2.4. CIP Policy Measures for IFC for Differentiating Support across Client Segments

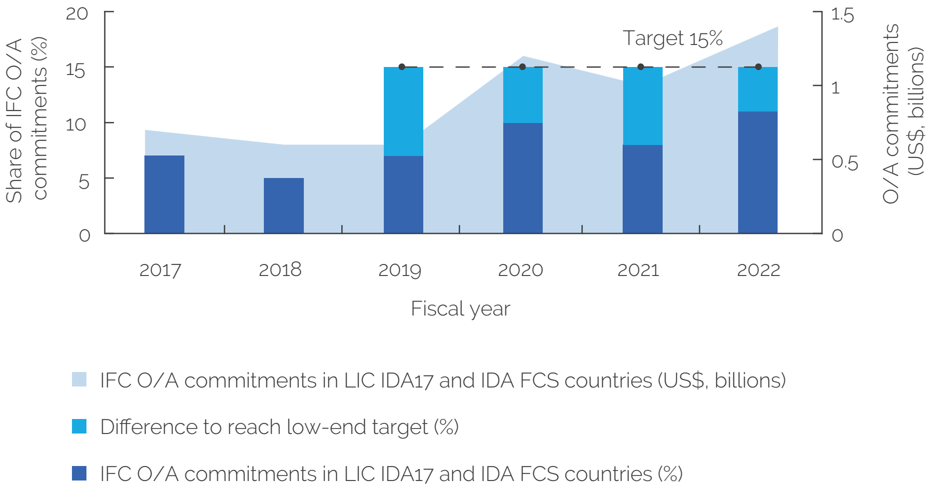
IFC Policy Measures	Commitments	Indicators	Targets
Expand commitments in IDA and FCS countries.	**Expand commitments in IDA and FCS countries.** Not underlined in CIP but listed in annex summary of the capital package.	Percent of own-account commitments in IDA17 FCS countries.	40% of all commitments by FY30, averaging 32.5% over FY19–30.
Use the IDA PSW to substantially increase own-account annual commitments in LIC IDA17 and IDA FCS countries.	**Use replenished PSW resources to increase share of IFC commitments in low-income IDA and IDA FCS countries.** CIP main text. Underlined and in annex summary of the capital package.	Percent of total annualcommitments to low-income IDA17 and FCS countries.	15–18% by FY26; 15–20% by FY30.
Selective private sector investments in UMICs by IFC, with rigorous additionality assessment and focus on regional partnerships, frontier regions, financial stability, and global public goods.	Selective private sector investments in UMICs following a rigorous approach to additionality. Not underlined but recognized as commitment in CIP implementation status tables.	Adoption of new additionality framework.	Complete (yes/no).
Promote a regional approach to investments in middle- to upper-middle-income small states and aim to leverage the use of de-risking tools for the lower-income and FCV ones.	**Promotion of regional approach to IFC investments in middle- to upper-middle-income small states and leveraging of de-risking tools for the lower-income and FCV ones.** CIP main text. Underlined and in annex summary of the capital package.	New approach incorporated in relevant papers and reports.	Complete (yes/no).

Source: Independent Evaluation Group.

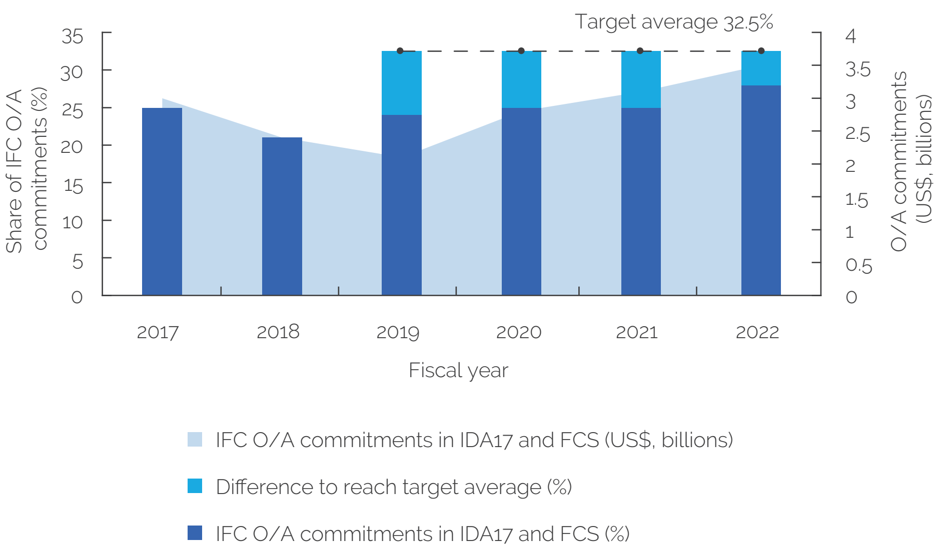
Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FCS = fragile and conflict-affected situation; FCV = fragility, conflict, and violence; FY = fiscal year; GDI = graduation discussion income; IDA = International Development Association; IDA17 = 17th Replenishment of IDA; IFC = International Finance Corporation; LIC = low-income country; PSW = Private Sector Window; UMIC = upper-middle-income country.

Figure 2.5 IFC Own-Account Commitments

a. In low-income IDA and FCS countries



b. In all IDA and FCS countries



Source: Independent Evaluation Group.

Note: Panel a: The target for this commitment was to increase the share of IFC investments in low-income IDA and IDA FCS countries to 15–18 percent by 2026 and 15–20 percent by 2030. The low end of the target for FY26 is 15 percent. Panel b: IFC aimed to expand commitments in IDA and FCS countries and reach up to 40 percent of IFC commitments by 2030 and an average of 32.5 percent over fiscal years 2019–30. FCS = fragile and conflict-affected situation; IDA = International Development Association; IDA17 = 17th Replenishment of IDA; IFC = International Finance Corporation; LIC = low-income country; O/A = own account.

IFC has a well-defined approach to additionality in UMICs. Its ability to add value through financial features (for example, financing structure, innovative financing instruments, and resource mobilization) and nonfinancial features (for example, noncommercial risk mitigation, knowledge, innovation, and capacity building) is central to its value proposition in UMICs. To ensure that this value is realized, the CIP committed IFC to following a rigorous approach to additionality for private sector investments in UMICs (table 2.4). Additionality refers to the unique contributions that IFC brings to investment projects that are not offered by commercial sources of finance, thereby ensuring that IFC's investment adds value without crowding out private sector activity. IFC's corporate strategies indicate that as country income rises, IFC will rely more on additionality types based on both financial and nonfinancial innovation and deployment of knowledge. A recent IEG evaluation found that IFC does pay closer attention to documenting additionality in UMICs but does not differentiate the type of additionality it anticipates between UMICs and lower-middle-income countries, and, in practice, the type of additionality it anticipates in UMICs is not different from other client groups (World Bank 2023a). The evaluation also found that, contrary to its strategic expectations, IFC did not realize knowledge and innovation additionalities to a greater extent in UMICs than in lower-middle-income countries. According to IFC, the financing needs of middle-income countries remain large and exceed the supply of commercial sources of financing.

IFC's small states commitment was not precisely defined and could not be validated. IFC is committed to a regional approach for investing in middle- to upper-income small states and to leveraging blended finance and other tools to limit investment risks in fragile and lower-income small states. The indicator that IFC uses to measure its small states commitment was vaguely defined as a "new approach incorporated in relevant papers and reports" (World Bank Group 2020a, 21). CIP updates have subsequently reported this commitment as complete since FY21 without corroborating evidence. As with other commitments, the weaknesses in the indicator and reporting mean that the commitment could not be validated; IFC may still have focused on small states.

There are several reasons for the differences in IBRD's and IFC's achievement of CIP targets for the differentiated support across the client segment priority area. First, IFC's targets for IDA and FCS were more ambitious than IBRD's targets for this cluster. Second, IBRD's instruments made it easier to deliver. For example, IBRD could stimulate borrowing from certain countries by exempting them from rate increases, whereas IFC needs to set loan charges commensurate with these countries' commercial risks. Third, low growth and a difficult macroeconomic environment in IDA and FCS countries in recent years have limited IFC's investment opportunities. Tight credit in many countries during the COVID-19 pandemic also shifted demand for IFC's investments to short-term and trade-related finance.

[1] The crisis buffer includes additional International Bank for Reconstruction and Development funds that can be activated to cover financing surges during crises.

3 | Priority Area 2: Leading on Global Themes

Highlights

The International Bank for Reconstruction and Development and the International Finance Corporation both made excellent progress implementing their global themes capital increase package commitments and achieved most of their targets, particularly for gender and climate change. For example, the International Bank for Reconstruction and Development's and the International Finance Corporation's climate co-benefits reached record-high volumes in fiscal year 2022 after maintaining above-target values since fiscal year 2018.

The World Bank Group has regularized its surge in support for crises, conflicts, and fragility and moved toward greater prevention—issues that have taken on increased importance since the capital increase package was established.

This chapter covers the five clusters under the CIP's second priority area—leading on global themes—namely, crisis and FCV, climate change, gender, knowledge and convening, and regional integration.

Crisis and Fragility, Conflict, and Violence

Crisis response is an important theme in both the Forward Look and the CIP. The CIP committed the Bank Group to continue strengthening its response to global and regional crises of all types, with a special emphasis on preventing FCV situations. Table 3.1 shows that the CIP had four FCV- and crisis-related commitments—one for IBRD, two for IFC, and one for both institutions. In summary, these commitments include the following: (i) IFC and the World Bank focusing more on conflict prevention; (ii) IBRD providing innovative financing solutions, such as its crisis buffer; (iii) IFC providing more upstream diagnostics and using de-risking financing tools, such as the PSW; and (iv) IFC improving its collaboration with the World Bank on FCV issues. The CIP monitored these commitments using two qualitative indicators with yes or no targets (table 3.1). These indicators focused on IBRD and IFC actions but did not capture their quality, effectiveness, and intended outcomes. The broad commitments and the few indicators on crisis response and FCV make it difficult to know what successful implementation of the CIP commitments was expected to look like for both institutions.

Crisis response became an even more dominant theme for the Bank Group than was called for in the CIP. The Forward Look and CIP objectives were defined with the expectation that the Bank Group would need to respond to occasional major crises, but the reality has turned out differently, with the Bank Group being forced to respond to several major and overlapping crises. As a result, the Bank Group has enhanced the way it prevents and responds to these events, as described in *Navigating Multiple Crises, Staying the Course on Long-Term Development: The World Bank Group's Response to the Crises Affecting Developing Countries* and other reports (World Bank Group 2022c). The main takeaway from these documents is that as crises become more frequent and severe, there are increasing demands on the Bank Group to build resilience and respond to them.

Table 3.1. CIP Policy Measures for the World Bank Group for Crisis Management and Fragility, Conflict, and Violence

IBRD and IFC Policy Measures	Commitments	Indicators	Targets
Enhanced IBRD's crisis response capacity incorporated in the Financial Sustainability Framework.	**Incorporate crisis response into IBRD Financial Sustainability Framework.** CIP main text. Underlined and in annex summary of the capital package.	Crisis buffer introduced. Annual approved amount of crisis buffer and resulting buffer-adjusted SALL level.	Complete (yes/no). Monitored.
IFC to strengthen partnerships with the World Bank and others to ensure a coordinated approach to crisis management and FCV.	**Strengthen IFC partnership with the World Bank and others to ensure a coordinated approach to crisis management and FCV.** CIP main text. Underlined and in annex summary of the capital package.	IFC's FCS strategy integrated into World Bank Group FCV strategy. Reported in implementation updates narrative.	Implemented (yes/no).
Building on the Global Crisis Management Platform, the World Bank Group proposes to strengthen its efforts to support FCV situations, with a view to reinforcing country, regional and global stability, and development. Strong emphasis on crisis prevention.	**Strengthened response to national, regional, and global crises. Focus on preventing escalation of FCV situations and their spillover.** CIP main text. Underlined and in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
IFC's upstream diagnostic work to guide its investments in high-risk FCV markets and implementation of specific de-risking solutions, such as PSW.	Increasing IFC investments in high-risk FCV markets accompanied by upstream diagnostic work and implementation of specific de-risking solutions, such as PSW. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FCS = fragile and conflict-affected situation; FCV = fragility, conflict, and violence; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; PSW = Private Sector Window; SALL = sustainable annual lending limit.

Reporting

The Bank Group's reporting on the FCV strategy stands out for its depth and candor of analysis. The importance of the Bank Group's crisis and FCV agenda and the adoption of the FCV strategy in 2020 have meant that management has reported extensively on it. There have been regular Board updates on the Bank Group's crisis responses, particularly its COVID-19 response and the FCV strategy's implementation. The March 2022 Board update on the FCV strategy discussed the progress and challenges in addressing FCV issues and the limits to some of the Bank Group's FCV response tools. For example, there is an increasing need for the Bank Group to engage on FCV issues in middle-income countries, but its response in these settings has been constrained by weak subnational capacity, limited concessional financing, and political hesitancy in some countries to involve the Bank Group in "domestic" conflicts, among other reasons (World Bank Group 2020b). The Bank Group's narrative reporting on its FCV strategy addresses its specific CIP commitments, and, according to the validation team, it stands out among corporate reporting for its depth and candor, particularly on the challenges of operating and achieving results in FCV contexts. This reporting shows that high-quality reporting on qualitative commitments is feasible, although in this case it is driven by the FCV strategy more than by the CIP and its two yes-and-no indicators.

Implementation

IBRD and IFC have fully implemented their crisis and FCV commitments. IBRD's first commitment was a specific action to incorporate a crisis response into its FSF. This has been achieved with IBRD's crisis buffer allocation (described in chapter 5), which essentially sets aside IBRD funds for crisis lending. IBRD's second FCV commitment included a broad set of actions to shift the Bank Group's crisis work from response to prevention. The IFC commitments for this cluster were, first, to strengthen its partnerships and coordination on FCV approaches with the World Bank and other donors and, second, to increase IFC's investments in high-risk FCV markets and accompany them with upstream diagnostic work and de-risking solutions. These commitments both require a broad set of actions that are not covered by any indicator. However, IFC has reported on these actions in its annual FCV strategy updates.

Crisis Response

The Bank Group provided a surge in financing for COVID-19 and other global and regional crises. This large financing response was enabled by the CIP, IBRD's crisis buffer, the front-loading and early replenishment of IDA funds, and certain financial innovations, including new types of sustainable development bonds and IFC's COVID-19 fast-track facility. These crisis responses were fast, flexible, at scale, globally coordinated, and tailored to the specific needs of recipient countries (World Bank 2022k). IFC's early response—especially through the Financial Institutions Group—was mostly relevant to firms and in line with IFC's expected countercyclical role (World Bank 2023b). The Bank Group's COVID-19 response, in particular, assisted countries in addressing the pandemic's health threats and social and economic impacts, while staying focused on the country's long-term development goals (World Bank 2022k).

The Bank Group's current approach to crisis response is built on its extensive experience responding to earlier crises and pandemics. IEG evaluations have pointed out many ways that the Bank Group has learned from past crisis interventions, including technical lessons in pandemic response, and the suitability of various financing instruments, such as the multiphase programmatic approach (World Bank 2022k). These evaluations also show that the Bank Group's country-level crisis responses were more effective when they built on prior Bank Group engagements; for example, COVID-19 responses were more robust when they built on prior World Bank support for countries' health and social protection systems (World Bank 2022k). In many countries, World Bank–supported social protection programs adjusted to the crises by scaling up and adding crisis response mechanisms. Another IEG evaluation found that the Bank Group was less effective in working with clients to expand fiscal buffers, strengthen institutions, and build capacity for better management of fiscal and financial crises (World Bank 2021a).

The Bank Group has begun taking a longer-term perspective to pandemic preparedness, although its efforts in this area have waxed and waned over the years. The 2014–15 Ebola outbreak led to the Bank Group's renewed focus on pandemics. The Forward Look emphasized pandemic preparedness, the CIP less so. However, COVID-19 led the Bank Group to increase its focus on pandemics. As part of its response, the World Bank strengthened public health preparedness and built resilience in health, education, and social protection systems. The Pandemic Emergency Financing Facility (PEF), launched by the Bank Group in 2016 (largely in response to the Ebola outbreak), played a modest role in the pandemic response. PEF grants supported countries' COVID-19 plans, but the grant amounts were small, and the allocation of just-in-time PEF resources was slow. This was because the PEF required that an emergency be declared before World Bank teams could access funding, and this funding had to be included in a World Bank financing project in order for recipient governments to use it. The Bank Group also started to take a longer-term view of pandemic preparedness. The international community has a long history of calling for increased investments in crisis preparedness after major disasters and pandemics only to see the funding and political commitment fade after the crisis' immediate urgency passes (World Bank 2013). To help address this cycle of neglect, the Bank Group created the Financial Intermediary Fund for Pandemic Prevention, Preparedness, and Response in 2022. The fund has so far received $1.4 billion in capital commitments, against an estimated annual need of $10.5 billion for a fit-for-purpose pandemic preparedness and response architecture (WHO and World Bank 2022; World Bank 2022d).

Fragility, Conflict, and Violence

The Bank Group has strengthened its approach to FCV challenges. It adopted the FCV strategy (2020–25), introduced a new operational policy, and increased FCV funding, primarily through IDA's FCV envelope. In addition, the Bank Group strengthened its partnerships with the United Nations and humanitarian agencies to coordinate responses to the humanitarian and development needs of conflict-affected countries. The World Bank has also improved its conflict and fragility analytics to help meet its commitment to greater conflict prevention, and it has revised its methodology for conflict analysis, which included making Risk and Resilience Assessments a "core diagnostic." A recent IEG evaluation found that the Bank Group's conflict analyses have become better at identifying fragility drivers and their influence on conflict and violence. This evaluation also found that World Bank investment projects in conflict-affected areas increasingly address conflict and fragility drivers but that the World Bank could do more to inform country engagements with timely analyses on conflict dynamics and risks (World Bank 2021c).

The PSW has helped IFC enter new markets and sectors, but it has been challenging for IFC to increase investments in FCV because of the risks, complexities, and informality of FCV environments. Taking the longer perspective over the FY10–21 period, IFC's long-term financing commitments to FCS have been relatively flat (averaging 5.2 percent of its total commitment volume and 8.6 percent of its total number of committed projects), despite IFC introducing or adapting a suite of instruments partly to target FCS, including upstream advisory services, blended finance, and country diagnostics. IDA's PSW is IFC's largest blended finance program and was designed to mobilize private sector investment in IDA-only and IDA FCS countries through de-risking at both the country and transaction levels. Although IFC's business volume in PSW-eligible countries did not increase during the 18th Replenishment of IDA, the PSW has helped IFC enter new markets and sectors. More generally, nonconducive business environments and the shortage of potentially bankable projects, or projects that meet IFC standards and criteria, are constraining its attempts to scale up its business in FCS, more than the lack of available finance. IFC has responded to the shortage of bankable projects by investing in upstream project development and pursuing blended finance, among other responses (World Bank 2022c).

The World Bank and IFC face both internal and external challenges in supporting FCS that are unique to those situations. Research shows that most jobs and economic opportunities in FCS, particularly for the disadvantaged, are in the informal sector, but the Bank Group has few instruments for working directly with the informal sector. FCS rarely have conducive business environments and project sponsors with relevant experience. Moreover, loans are typically small, and transaction costs are high in FCS. It can also be hard to attract staff to these locations. For IFC, scaling up in FCS would require further adjustments to its risk tolerance, cost structure, institutional incentives, and willingness to experiment and pilot new approaches and instruments. It would also require greater collaboration with the World Bank (World Bank 2022c).

Climate Change

The climate change cluster has specific measurable commitments and is aligned with other corporate strategy documents. This cluster's six commitments focus on integrating climate considerations in operations and country strategies (table 3.2). The commitments, which the CIP monitored with one qualitative and four quantitative indicators, are aligned with the Bank Group's 2016 Climate Change Action Plan (World Bank Group 2016a), IDA's climate change commitments, and the Forward Look's climate objectives. Moreover, the CIP expands the Forward Look's climate ambitions by increasing the Forward Look's climate co-benefit targets and expanding its focus on private sector solutions and global climate advocacy. Bank Group management has consistently reported on all CIP climate change commitments, using the agreed-on corporate indicators, most of which are specific, measurable, achievable, relevant, and time-bound. However, they focus on the Bank Group's lending and do not do justice to the breadth of the Bank Group's nonlending work on climate action. Moreover, the co-benefits accounting methodology, which is a joint multilateral development bank (MDB) methodology, has limitations, such as not capturing the intended outcomes, only capturing projects' ex ante intentions, and combining investment and development policy operations' co-benefits in a single metric despite underlying differences.[1]

Table 3.2. CIP Climate Change Policy Measures for IBRD and IFC

Policy Measures	Commitments	Indicators	Targets
For IBRD, the package will support increasing the climate co-benefit target of 28% by FY20 to an average of at least 30% over FY20–23, with this ambition maintained or increasing to FY30.	IBRD average climate co-benefits of at least 30% over FY20–23, with this ambition maintained or increasing to FY30, reaching a cumulative $105 billion, 1.8 times or $45 billion more than if no package. CIP main text. Underlined and in annex summary of the capital package.	Share of climate co-benefits in total commitments (%).	At least 30% average over FY20–23. Ambition maintained or higher in FY24–30.
All IBRD-IFC projects will be screened for climate risk.	All projects screened for climate risk. CIP main text. Underlined and in annex summary of the capital package.	IBRD: Annual percent of operations screened for climate risk. IFC: Annual percent of projects screened for climate risk within the sectors where climate risk screening was mainstreamed.	100%.
IBRD-IFC investment operations in key emission-producing sectors will incorporate the shadow price of carbon in economic analysis and apply GHG accounting, with annual disclosure of GHG emissions.	IBRD-IFC investment operations in key emission-producing sectors to incorporate the shadow price of carbon in economic analysis and to apply GHG accounting, with annual disclosure of GHG emissions. CIP main text. Underlined and in annex summary of the capital package.	IBRD: Annual percent of operations screened for climate risk. Annual disclosure of related GHG emissions. IFC: Annual percent of eligible projects incorporating shadow carbon pricing. Annual percent of eligible projects applying GHG accounting and disclosure.	100%. Implemented (yes/no). 100% by FY20. 100% by FY20.

(continued)

Policy Measures	Commitments	Indicators	Targets
In cooperation with other MDBs, the World Bank Group will review the methodology used for computing climate co-benefits with a view to better capturing adaptation benefits.	**In cooperation with other MDBs, the Bank Group will review the methodology used for computing climate co-benefits with a view to better capturing adaptation benefits.** CIP main text. Underlined and in annex summary of the capital package.	Progress in reviewing and improving methodology for computing climate co-benefits to improve capturing of adaptation benefits.	Complete (yes/no).
IFC will increase climate investments, including mitigation and adaptation projects, to 35% of commitments by 2030. Over FY19–30, the average would be 32%.	**Increasing share of climate investments to 35% by FY30** and reaching an average of 32% between FY20 and FY30 compared with 28% in the no-capital increase scenario. CIP main text. Underlined and in annex summary of the capital package.	Share of climate investments as a percent of LTF own-account commitments.	35% by FY30. 32% average in FY20–30.
IFC will leverage World Bank policy work (under the Cascade approach) and expand the use of private sector solutions that cut across sectors and country groups.	**IFC will leverage World Bank policy work and expand use of private sector solutions** that cut across sectors and country groups, expand share of early-stage equity investments and new technologies, and help countries meet their NDCs. CIP main text. Underlined and in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; GHG = greenhouse gas; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; LTF = long-term financing; MDB = multilateral development bank; NDC = nationally determined contribution.

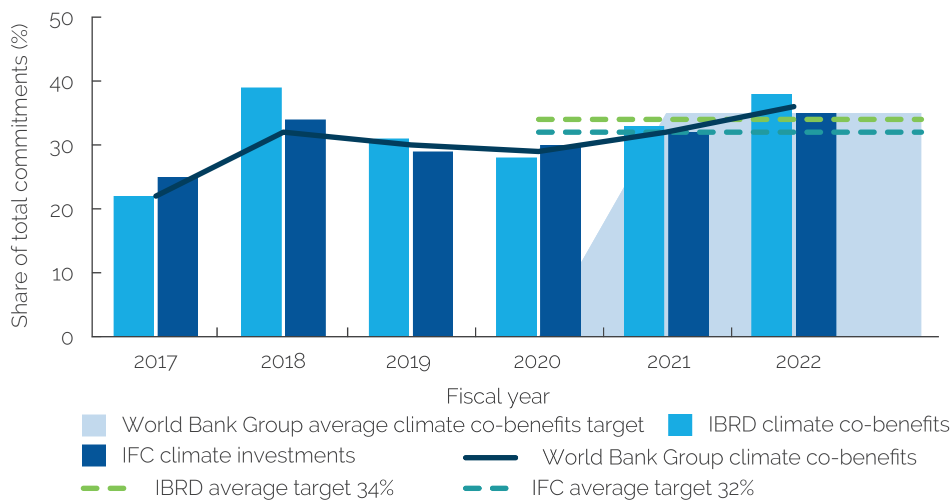
Implementation

Bank Group management has fully implemented the climate change commitments. It put internal climate commitment tracking tools in place, including climate risk screening, greenhouse gas accounting, co-benefit tracking, and adapted information technology systems, and provided guidance and training to staff on complying with these commitments. All

18 country engagement documents reviewed for this validation prioritize climate action; 12 of them strongly link those actions to the country's nationally determined contributions and national climate change strategies, and 15 include private sector solutions in the proposed work programs. The CIP's focus on engaging the private sector in climate action has also been reflected in the Bank Group's commitments under the Climate Change Action Plan 2021–25, and in its sector- and country-level climate strategies.

IBRD and IFC met or exceeded all of the CIP's quantitative climate change targets. The share of climate lending and investments averaged 34 percent against a minimum target of 30 percent for IBRD and averaged 32 percent against a target of 32 percent for IFC over the FY20–22 period (figure 3.1). The shares of IBRD and IFC co-benefits in total commitments reached an average of 36 percent in FY22 and have remained above the Bank Group's CSC target of 35 percent set for the FY21–25 period. IBRD and IFC screen all investment operations in the most greenhouse gas emissions-intensive sectors for climate risk, incorporate carbon shadow prices into their economic analyses, undertake greenhouse gas accounting, and disclose investments' contribution to greenhouse gas emissions reductions. Moreover, the Bank Group has scaled up its climate change analytics through its Country Climate and Development Reports and other tools.

Figure 3.1. World Bank Group Climate Finance



Source: Independent Evaluation Group.

Note: The World Bank Group Climate Change Action Plan target is to average 35 percent of the World Bank Group's financing to have climate co-benefits over fiscal years 2021–25. IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation.

Climate indicators and the systems that track them have created incentives for operational teams to expand their projects' climate change components. Corporate indicators and targets, such as those committed to in the CIP, have acted as internal measures that hold business units accountable for achieving specific climate outputs. As such, these indicators have cascaded through results agreements, incentivizing management and project teams to maximize climate co-benefit volumes in their portfolios and projects.

The Bank Group is boosting its adaptation efforts and enhancing some climate result measurement methodologies. The Bank Group collaborates with other MDBs on a harmonized climate co-benefits methodology, thereby achieving a CIP commitment. For mitigation co-benefits, the task redefined the activities that qualified as co-benefits based on sector and subsector taxonomies. For adaptation, the Bank Group developed a climate resilience rating system to complement its climate co-benefit methodology, which provides guidance to teams on developing climate-resilient projects and measuring the project's ability to withstand natural disasters and climate change impacts and build resilience among beneficiaries (World Bank 2021b). In addition, the World Bank Group's Action Plan on Climate Change Adaptation and Resilience set an adaptation financing target for the World Bank of $50 billion over the FY21–25 period, which is more than double the levels from the FY15–18 period (World Bank Group 2019b).[2] In FY22, the World Bank's CSC started monitoring the share of adaptation co-benefits within total climate co-benefits, aiming for at least a 50 percent share.

The Bank Group's corporate climate change indicators, such as those used in the CIP, do not assess higher-level climate outcomes. These indicators have many strengths, including being attributable, specific, measurable, achievable, and relevant. Moreover, the Bank Group's climate co-benefit indicator has embedded climate considerations into Bank Group operations. However, like many other corporate results indicators, it measures inputs and processes rather than outcomes. Specifically, the climate co-benefit indicator estimates the dollar amount that the Bank Group commits to activities with potential climate change benefits. It does not measure whether funds were disbursed, nor if outputs resulted in actual climate change benefits, such as avoided emissions or increased resilience. In other words, the co-benefit indicator measures the breadth of the Bank Group's climate action rather than its depth, which reinforces a staff incentive to comply with commitments instead of achieving greater development impact. At the project level, climate-related indicators complement the climate co-benefit indicator. Since FY21, projects with climate finance of 20 percent or higher include a climate-related indicator to track the achievement of results over the project cycle. An IEG learning engagement showed that these indicators contain a lot of useful evidence on achieving climate change results and, with some improvements, could be used to improve corporate reporting on climate change (World Bank 2022g). Conversely, a recent IEG evaluability assessment of IFC's climate change monitoring identified important limitations that prevent IFC from transitioning to more outcome-oriented indicators. These limitations include IFC's weak tracking of climate change savings during project implementation or closure and the limited provision of climate change-related data from clients (World Bank 2022b).

IFC has led on innovative climate solutions. It is diversifying its portfolio beyond renewables to include investments in climate-smart cities and blue finance (including blue bonds and loans for protecting clean water resources). IFC is playing a leadership role among clients, partners, and financial institutions to develop a global blue economy finance market. In 2022, IFC developed global guidelines for blue bond lending and issuances. In emerging markets, IFC is also increasing sustainability-linked financing, such as investments in so-called super green structures—that is, sustainability-linked instruments that companies commit to using the proceeds from to fund green or social projects (IFC 2022c). IFC has successfully promoted green buildings through its Excellence in Design for Greater Efficiencies certification and standards process to advance energy efficiency priorities across market segments (World Bank 2023c).

IEG's climate-related evaluations have found that the Bank Group's climate change efforts are yielding positive results despite some common challenges. An IEG evaluation found that the Bank Group's convening on climate issues was in high demand and often successful (World Bank 2020c). This validation's synthesis of three IEG evaluations and one Evaluation Insight Note conducted after 2018 (World Bank 2018, 2022f, 2022h, 2022i) find that the Bank Group has consistently expanded its climate support, achieved ambitious targets, built country capacities to act on climate change, and provided proof of concept for innovative approaches. These evaluations also identified three common shortcomings in the Bank Group's climate support—namely, (i) challenges in sustaining outcomes. For example, evaluations noted challenges to the financial sustainability of municipal solid waste management projects (World Bank 2022h), and to disaster risk reduction projects which did not always ensure the necessary maintenance of infrastructure (World Bank 2022f); (ii) challenges in continuously updating staff's specialized technical climate skills because the needs keep evolving, as in, for example, when the adoption of nature-based solutions for disaster risk reduction became limited by perceptions that they are too complex because they require many staff specializations (World Bank 2022f); and (iii) weak internal collaboration, which leads to a fragmented approach. For example, an evaluation in 2018 found that, at the time, coordination and collaboration between IBRD and IFC on carbon finance was limited (World Bank 2018). In a notable exception, IFC's climate team fostered excellent collaboration across industry groups on energy efficiency (World Bank 2023c).

Gender

The gender cluster's CIP policy measures and commitments were aligned with the Bank Group's gender strategy. IBRD and IFC's CIP gender commitments, indicators, and targets came directly from the Bank Group's gender strategy, and all six commitments had quantitative indicators and targets, which facilitated reporting (tables 3.3 and 3.4). The CIP's gender indicators relied on the flag-and-tag methodology, which only captures projects' intent at design. They do not capture the quality, effectiveness, or outcomes of the Bank Group's interventions. The IBRD indicators provide incentives to focus on individual projects instead of encouraging a country-driven approach to addressing gender gaps. As we will see later in this section, IBRD has fully implemented its two CIP gender commitments and exceeded its targets for these. Likewise, IFC has fully implemented its four gender commitments and has a well-organized approach to implementing the gender strategy.

Table 3.3. CIP IBRD Gender Policy Measures

IBRD Policy Measures	Commitments	Indicators	Targets
Continuous implementation of the gender action plan, with at least 55% of IBRD operations contributing to narrowing the gender gap by FY23.	**Increase the proportion of IBRD operations that narrow gender gaps ("gender tagged").** CIP main text. Underlined and in annex summary of the capital package.	Percent of operations that are gender tagged.	55% by FY23 with ambition maintained or increasing to FY30.
60% of operations with financial sector components narrowing gaps in access to financial services by FY23, with this ambition maintained or increasing to FY30.	**Increase in the share of IBRD operations with financial sector components that include specific actions to close gender gaps in access to and use of financial services.** CIP main text. Underlined and in annex summary of the capital package.	Percent of operations with financial sector components that include specific actions to close gender gaps in access to and use of financial services.	60% by FY23 with ambition maintained or increasing to FY30.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; IBRD = International Bank for Reconstruction and Development.

Table 3.4. CIP IFC Gender Policy Measures

IFC Policy Measures	Commitments	Indicators	Targets
IFC will quadruple the amount of annual financing dedicated to women and women-led SMEs by 2030.	**IFC aims to quadruple the amount of annual financing dedicated to women and women-led SMEs.** CIP main text. Underlined and in annex summary of the capital package.	Amount of annual financing dedicated to women and women-led SMEs.	$1.4 billion per year by FY30.

(continued)

IFC Policy Measures	Commitments	Indicators	Targets
Increase the amount of annual commitments to financial intermediaries specifically targeting women.	**$2.6 billion in annual commitments to financial institutions specifically targeting women by 2030.** CIP main text. Underlined and in annex summary of the capital package.	Amount of money committed to financial institutions targeting women.	$2.6 billion by FY30.
IFC will also flag all projects with gender components by 2020.	Flagging all projects with gender component by 2020. CIP main text. Not underlined but listed in annex summary of the capital package.	All projects with gender component flagged as applicable.	100%.
IFC aims to double the share of women directors that IFC nominates to boards of companies where it has an equity investment.	Doubling the share of women directors IFC nominates to boards of companies where it has an equity investment (from 26% currently to 50%). CIP main text. Not underlined but listed in annex summary of the capital package.	Percent of women directors IFC nominates to boards.	50% of women directors by FY30 (increase from 26% baseline).

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; IFC = International Finance Corporation; SME = small and medium enterprise.

Reporting

IBRD's and IFC's reporting on their CIP gender implementation has been mostly adequate. Reporting was aligned with gender strategy reporting and facilitated by existing corporate metrics on gender. IBRD has two well-defined CIP indicators that focus on improving gender project designs, but they do not capture the full scope or richness of the World Bank's gender work. Annual CIP updates also contain meaningful descriptions of the Bank Group gender strategy's implementation, including the use of gender action plans by Regions and Global Practices. IFC's CIP reporting framework adequately covers its four CIP gender commitments, using indicators that monitor the breadth of its actions. However, IFC's CIP targets for three of its four CIP gender commitments are set for 2030—a distant result—whereas CSC sets annual targets and their achievements for some of the commitments.

Implementation

World Bank and IFC staff, management, and partners have demonstrated their commitment to the Bank Group's gender strategy—a precondition for its success. IEG's Mid-Term Review of the gender strategy found that it, along with its gender flag-and-tag approach, which defines a logical process for addressing a gender gap with actions, analyses, and indicators for each project, has generated attention and accountability. Specifically, the gender flag-and-tag and associated targets increased staff attention to gender issues, fostered accountability, and led to improvements in project design. The Mid-Term Review also found that IFC and the World Bank have collaborated well on implementing the gender strategy. The review of the strategy by GIA echoed the Mid-Term Review's findings stating that management created incentives to ensure that processes reinforce the strategy's aims (GIA 2020). IBRD has exceeded its target of having 55 percent of its project designs close gender gaps, reaching 90 percent of all of its operations approved in FY22. Likewise, in FY22, IBRD exceeded its target of having 60 percent of IBRD project designs with financial sector components closing gender gaps in access to finance, reaching 63 percent (World Bank Group 2022a). Moreover, IBRD also made progress in developing and updating gender action plans, conducting country diagnostics, and integrating these into country plans. The close monitoring of indicators and targets has incentivized frontline units to prioritize gender issues, develop their own gender action plans, appoint gender focal points to advise operational teams, organize trainings and communities of practice, establish a knowledge repository, develop a competency framework for gender experts, and create a career path for gender experts (World Bank 2021d). IEG's Mid-Term Review also highlighted IFC's well-organized internal coordination for closing gender gaps and implementing the strategy. IFC created gender leads and focal points. Its Gender Business Group works through regional and product gender leads and coordinates with focal points in industry groups. These coordination efforts have created effective links between country-level advisory services and global programs, such as the Women's Insurance and Tackling Childcare projects (World Bank 2021d).

There were also areas where implementation of the gender strategy could have been more comprehensive. The Gender Group and other units have improved data and evidence. However, the implementation of the gender strategy was affected by the general lack of familiarity with the gender gap approach among staff, and competing requirements to integrate many other cross-cutting priorities into operational practices. Not all Regions and Global Practices were able to provide their staff with well-organized support from gender specialists to overcome these shortcomings. Similarly, the World Bank's COVID-19 response lacked hands-on assistance from gender specialists and did not pay enough attention to supporting gender equality (World Bank 2022k). Moreover, the gender strategy proposed a country-driven approach to narrowing gender gaps through multiple instruments acting in concert; however, in practice, implementation often took the form of standalone projects. IEG's Mid-Term Review of the gender strategy concluded that Bank Group management could address these concerns by letting teams from different Regions, Global Practices, and industry groups jointly develop country gender portfolios with greater synergies, promote knowledge generation to inform country gender priorities, improve the gender capacity of staff working on gender issues, and consider new corporate gender indicators that could better assess gender outcomes and support timely course corrections (World Bank 2021d).

The World Bank's and IFC's flag-and-tag approach to tracking gender commitments has had unintended effects on staff incentives. More specifically, this approach incentivizes teams and managers to focus on completing the tag and achieving the target indicator rather than pursuing a higher-level outcome. As a result, in some cases, project staff adjusted projects to the minimum level necessary to satisfy these indicator commitments. Likewise, the gender flagging tracks project design intentions regarding gender, but it does not adequately monitor and evaluate projects' and country engagements' implementation and outcomes (World Bank 2021d).

Knowledge and Convening

The CIP's knowledge and convening cluster contained six policy measures. This included two policy measures for the Bank Group, two for IBRD, and two policy measures for IFC (table 3.5), which the CIP monitored with two qualitative indicators, but no targets. This cluster's intended outcome was for the Bank Group to improve its knowledge and convening power to address global issues, but the policy measures were not clearly defined, and its indicators did not capture the quality or effectiveness of the World Bank's efforts in this area. IEG could not validate the degree to which the Bank Group has achieved this because of the cluster's lack of specificity and some reporting shortfalls. More specifically, the Bank Group does not monitor the uptake, quality, and relevance of its knowledge products nor the quantity and outcomes of its convening activities. Indeed, these things are not easy to monitor, but the absence of monitoring reduces the Bank Group's accountability for delivering results in these strategically important areas.

Table 3.5. World Bank Group's CIP Policy Measures for Knowledge and Convening

World Bank Group Policy Measures for Knowledge and Convening	Commitments	Indicators	Targets
The World Bank Group—Leveraging Bank Group knowledge and convening role for greater impact, including demonstration effects of implementing the Cascade approach.	» Help countries share experience with Cascade approach to maximize finance for development. » Help countries share experience on Maximizing Finance for Development. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
The Bank Group—Convening the public and private sectors on pressing global challenges.	CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
The World Bank will develop SFK generation and sharing to preserve and enhance its comparative advantage in this area. World Bank Group efforts will focus on sharing new research to underpin improved policy-making on emerging challenges; systematically harnessing and sharing knowledge (for example, South-South exchange) embedded in financing operations across the income spectrum; supporting innovative approaches for data collection; and continuing to strengthen public access to development data.	Develop SFK generation and sharing. CIP main text. Underlined and in annex summary of the capital package.	SFK generation and sharing developed and presented to the Board.	Complete (yes/no).

(continued)

World Bank Group Policy Measures for Knowledge and Convening	Commitments	Indicators	Targets
Dedicate part of IBRD income to provide concessional financing GPG.	Establish an IBRD fund that uses IBRD surplus income to provide concessional financing for GPG. CIP main text. Not underlined but listed in annex summary of the capital package.	Annual amount of funding dedicated to GPG fund from IBRD surplus.	Implemented (yes/no). Monitored (no target).
IFC will focus on critical mentoring and financial infrastructure to support entrepreneurship and innovation.	CIP main text. Not underlined and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Not reported.	No target.
IFC will invest with players that have the potential to become regional champions and facilitate transfer of new technologies to solve development issues. To scale up in this area, IFC will work more closely with the World Bank to advise and support policy improvements.	IFC to also invest with private companies that have the strategy and the potential to become regional champions. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; GPG = global public good; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; SFK = Strategic Framework for Knowledge.

Reporting

IBRD and IFC have only partially reported their actions on knowledge and convening, which hampered IEG's validation of this cluster's results. Actions include IBRD's introduction of the Strategic Framework for Knowledge (SFK) and both institutions' efforts to focus knowledge products on core diagnostics, such as the Bank Group's Country Climate and Development Reports and IFC's Country Private Sector Diagnostics (CPSDs). However, CIP reporting has not covered some of the less specific policy measures in this cluster. For example, it is unclear to what extent IFC implemented the CIP policy measure to invest in companies with the potential to become "regional champions," which refers to companies that invest in one country then expand into another emerging market. It is also unclear to what extent the Bank Group helped countries share their experiences implementing the Cascade approach and Maximizing Finance for Development (MFD).[3] The Bank Group's lack of explicit commitments made progress difficult to judge. In addition, the lack of indicators, internal databases, and results systems on knowledge and convening hampers reporting and the understanding of outcomes in this cluster.

Implementation

IBRD has implemented its policy measures in the knowledge and convening cluster, although their results are difficult to independently validate. IBRD created the SFK (discussed in this chapter), widely shares its data and research with the public, and set up the global public goods fund to provide concessional finance for global public goods in middle-income countries. It also provided an initial $85 million in surplus funds to this fund as capital, although it was clear that this would not be enough over the fund's life. As the CIP document states, there should be "up to $45 million per year for potential income support for [global public goods] projects" (38). The original CIP document does not define the fund's duration nor the amount or frequency of IBRD's annual surplus transfers. The fund continues to operate, and the provision of concessional resources for global public goods and the role of the fund is a major theme in discussions about the Bank Group's evolution. The results of this cluster's other commitments were also hard to validate, including commitments for convening, knowledge sharing, and data innovation. However, although these areas did not have indicators or targets in the CIP, the Bank Group still focused on them and launched several high-profile and innovative initiatives, including on COVID-19 crisis monitoring.

Knowledge

The World Bank has developed various approaches to managing knowledge since the mid-1990s. It introduced the "Knowledge Bank" concept in 1996 to systematically make its knowledge available to anyone who wanted it. The World Bank then created sector networks in 1997; developed the knowledge strategy in 2010 (World Bank 2010); underwent organizational reforms in 2014 (which created Global Practices to strengthen global knowledge flows); in 2017 developed a Knowledge Management Action Plan and a central knowledge management team led by a director (now disbanded); and realigned staff reporting lines from Global Practices to Regions in 2019 and 2020 to ensure that global knowledge is serving country programs (World Bank Group 2021e).

The SFK captures the Bank Group's current approach to knowledge management (World Bank Group 2021e). Its diagnostics are built on IEG's evaluation research and other Bank Group evidence on knowledge and identified ways for the Bank Group to strengthen its knowledge management. The SFK took a broad-brush approach to the question of how to manage the Bank Group's knowledge. It raised critical questions with unknown or contested answers, including questions on how to measure knowledge and formalize tacit knowledge, but it did not include an action plan. It is too early to assess the SFK's success, but the Bank Group's Board of Executive Directors has expressed doubts about its effectiveness in strengthening knowledge. On a related note, IEG has begun evaluating the knowledge embedded in financing operations—a key part of the SFK.

The Bank Group has started identifying knowledge gaps in its country engagement products. This assessment reviewed 18 country engagement products that have been issued since July 2021. The review shows that most of the documents identify knowledge gaps, but only 5 out of 18 do so in a systematic way by linking the gaps to the CPF's proposed objectives and work areas. One of these 5 was the Uzbekistan CPF for FY22–26 because it identified knowledge gaps for each CPF objective and established clear links to the planned country program.

Convening

The Bank Group has strong convening power on global and regional issues. Effective convening is about engaging partners to drive collective action from many actors. IEG evaluations find that the Bank Group's knowledge, global reach, and ability to link global issues with action in country programs make it a sought-after convenor on many international development topics (World Bank 2020c).

The Bank Group can enhance its convening outcomes by focusing more intentionally and selectively on those topics where it has strong capacity. According to IEG's convening evaluation, the Bank Group tends to be a more effective convenor when the convening issue aligns with the Bank Group's core goals and mandates and is embedded in select country programs. Other factors that sustain convening over the longer term include adequate resources, established expertise and experience, and data and knowledge work that can inform and persuade partners. The Bank Group does not have the capacity to provide strong and sustained leadership on all the topics where the international community seeks its engagement. However, corporate strategy documents do not provide clear guidance on this—they do not have a defined set of issues in which the Bank Group is well placed to convene around nor address how convening efforts link with the Bank Group's country-driven model. When Bank Group convening has been unsuccessful, it has often been because convening efforts were spread too thin or because internal or external consensus on an approach to the topic was missing.

Regional Integration

Reporting

The regional integration cluster has a single, broad policy measure (table 3.6). Stated simply, this cluster's goal is to integrate countries through connective infrastructure and complementary policies and institutional reforms. As a result, it largely focuses on improving cross-border energy and transportation, and information and communication technologies infrastructure. The indicator used by the CIP to monitor this cluster's commitment was unclear, not measurable, and limited to World Bank actions and not its intended outcomes. The CIP did not set targets for this cluster, and its reporting has been qualitative, describing the World Bank's Africa regional integration lending portfolio; offering examples of technical assistance and advisory services, often on trade; and describing IFC and MIGA's financing, upstream work, and advisory services. This reporting gives an idea of what types of regional integration activities the Bank Group pursues but does not provide much detail on the depth or scope of this work nor on its results.

Table 3.6. World Bank Group's CIP Policy Measures for Regional Integration

World Bank Group Policy Measures for Regional Integration	Commitments	Indicators	Targets
The World Bank Group will continue to work with regional entities, other development partners, and the private sector to help build the connective infrastructure in areas such as transport, information and communication technologies, and energy. The Bank Group will support efforts on complementary policy and institutional reforms that are needed to ensure that gains from regional cooperation on infrastructure materialize fully, to foster growth of businesses and create good local jobs and value addition in all participating countries in an inclusive and sustainable manner.	Supporting inclusive and sustainable regional integration through connective infrastructure and complementary policy and institutional reforms. CIP main text. Not underlined and not listed in annex summary of the capital package but recognized as commitment in implementation status table.	IBRD—Progress in supporting regional integration through projects and advisory services and analytics. Reported in CIP implementation status table and implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: CIP = capital increase package; IBRD = International Bank for Reconstruction and Development.

Implementation

The World Bank has expanded and broadened its regional integration support. More specifically, it has expanded its focus beyond Africa—the Region where it has most actively and effectively fostered regional integration (World Bank 2019b). The World Bank has also expanded beyond its traditional focus on trade and infrastructure. For example, IDA's CIP commitments address transboundary drivers of fragility and strengthen its regional crisis risk preparedness. IDA has also increased funding for the Regional Window of the 20th Replenishment of IDA to support regional projects. The World Bank's two Sub-Saharan Africa Regions and its Middle East and North Africa Region jointly presented a regional integration strategy update to the Board in 2021. This update expanded the strategy's focus on addressing fragility risks in Africa's various subregions. In South Asia, the World Bank refocused its regional integration, cooperation, and engagement approach. It has also increased its engagement with regional organizations. For example, the World Bank's COVID-19 response supported and collaborated with regional organizations, including the African Union and the Africa Centres for Disease Control and Prevention (World Bank 2022k). It also worked with the African Union to implement the African Continental Free Trade Area and identify trade benefits for the African Union's trade negotiations with individual governments (World Bank Group 2021f). The World Bank has also continued to support transport and trade connectivity through diagnostics and technical assistance in South-East Asia, Latin America, the Horn of Africa, and the Africa Continental Free Trade Area (World Bank Group 2022a).

The World Bank has internal and external constraints preventing it from deepening its support for regional integration: its systems, accountability mechanisms, and incentive structures follow the country-driven model and are therefore oriented toward individual countries and not well geared for engaging across countries (World Bank 2019b). The World Bank addresses such constraints by adopting regional integration strategies and appointing regional directors to implement them, mirroring the way that country directors oversee country engagements. However, it has not clarified exactly what success on regional integration looks like. There are also external constraints. For example, regional integration projects are harder to design and implement because they require external collaboration, regional champions, and strong implementation capacity among all the involved countries.

[1] The assignment of climate co-benefits to development policy operations is problematic, although it is based on a joint multilateral development bank methodology. Because the financing provided by a development policy operation does not go to finance the reforms supported by a prior action, there is a qualitative difference in assigning a value to the climate co-benefits of a development policy operation as compared with assigning a value to an investment project. Whereas investment projects in principle have a link from the amount of financing to the supported climate actions, that is not the case for development policy operations.

[2] The International Finance Corporation does not have a volume or percentage target for adaptation finance.

[3] Both the Cascade approach and Maximizing Finance for Development leverage private capital to maximize the impact of public financing.

4 | Priority Area 3: Mobilizing Capital and Creating Markets

Highlights

The International Bank for Reconstruction and Development (IBRD) has made limited progress in mobilizing public and private capital. IBRD's average annual private capital mobilization from fiscal year 2019 to fiscal year 2022 was 7.4 percent, well under its target of 25 percent.

The International Finance Corporation's core mobilization ratio has been 94 percent averaged over the capital increase package period, exceeding the target of 80 percent of own-account commitments.

The World Bank Group's implementation of the creating markets agenda and the Cascade approach has not been systematic and has lacked oversight, metrics, and targets.

IBRD intensified its domestic revenue mobilization work since 2018, but this work showed weak strategic coherence, and, internally, IBRD did not collaborate effectively.

This chapter covers the two clusters under the CIP's mobilization and creating markets priority area. These include (i) creating markets and PCM and (ii) domestic revenue mobilization (DRM), which is how the Bank Group engages the public sector on taxes and other revenue sources.

Creating Markets and Private Capital Mobilization

The CIP's creating markets and PCM cluster had five policy measures. These included two formal commitments that were monitored through one quantitative and one qualitative indicator (see table 4.1), which capture the progress toward a part of the intended outcomes (namely, mobilization) and do not fully capture the newer concept of creating markets.

Table 4.1. World Bank Group's CIP Policy Measures for Creating Markets and Private Capital Mobilization

World Bank Group Policy Measures (PCM)	Commitments	Indicators	Targets
Adopting a systematic approach to creating markets across the World Bank Group by linking policy reform, advisory, investment, and mobilization to deliver solutions packages and using the Cascade approach as the operating system to MFD. From diagnostics to investments, the Bank Group instruments will be leveraged to crowd in the private sector.	Adopting a systematic approach to creating markets across the Bank Group using the Cascade approach as the operating system to MFD. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
The Bank Group—Growing use of private sector solutions and mobilization of private finance with annual Bank Group mobilization by IBRD and IFC 1.7 times higher in FY30 than in no-capital increase scenario.	CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

(continued)

World Bank Group Policy Measures (PCM)	Commitments	Indicators	Targets
IBRD aims to increase its mobilization ratios to 25% on average over FY19–30.	**IBRD will increase its mobilization ratio to 25% on average over FY19–30.** CIP main text. Underlined and in annex summary of the capital package.	IBRD private mobilization ratio.	25% on average over FY19–30.
IFC aims to increase its mobilization ratios to 90% by 2030 and reach 80% on average over FY19–30.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.
The Bank Group continues to implement many important processes and tools to deliver this agenda, focusing on Bank Group coordination, upstream sector prioritization and project development, improved metrics to assess and anticipate the potential for market development, and new tools for supporting high-risk private sector projects and to enhance mobilization. To implement IFC 3.0, IFC has also put in place a new management structure and developed a set of new tools to enhance delivery.	IBRD—Supporting policy reforms to unlock opportunities for private sector investment. IFC—Scaling up private sector solutions by » Deepening Bank Group collaboration for policy reform to eliminate obstacles to private investment. » Using advisory services for upstream project preparation and de-risking tools where needed to build up the pipeline of bankable projects. » Drawing in new private sector investors by own-account investments and creating new instruments and platforms for mobilization. CIP main text. Not underlined but listed in annex summary of the capital package.	Pipeline of upstream projects. Reported in CIP implementation status table and implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; MFD = Maximizing Finance for Development; PCM = private capital mobilization.

The CIP's creating markets agenda involved a solutions package and the Cascade approach. These components comprise the overall narrative of MFD and are aligned with the broader directions expressed in the 2030 Agenda and *From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance* (AfDB et al. 2015; UN 2015). The concept of a solutions package implies the use of a combination of tools in a mutually reinforcing way to crowd in private resources. Similarly, the Cascade approach encourages Bank Group teams to use private financing and limit the use of concessional funds (which frees up public resources for where they are most necessary). The CIP's PCM cluster includes a quantitative indicator of private capital mobilized, which is a subset of the market creation agenda. Although it includes a formal target for IBRD mobilization, it does not include any commitments from IFC. The cluster does not contain indicators or targets for solutions packages, nor does it systematically track the use of individual market creation tools.

This cluster's solutions packages combine new and established Bank Group instruments to create markets and mobilize private capital. Established instruments include the World Bank's analytical and lending support for private sector reforms; the Bank Group's diagnostic and strategic country engagement products, such as Systematic Country Diagnostics and CPFs; and IFC's investment and advisory operations. IFC has an extensive suite of new instruments that include the Bank Group's CPSDs and IFC's industry deep dives, both of which are mechanisms to systematically integrate private sector concerns into the Bank Group's diagnostic and strategy work. IFC's Creating Markets Advisory Window—another new instrument—builds local capacity, makes regulatory improvements, and supports upstream advisory work to prepare the enabling environment for PCM and develop bankable projects. The IDA PSW and other blended finance instruments also help create markets by making small amounts of concessional finance available and de-risking projects until they are attractive to the private sector. IFC's new Anticipated Impact Measurement and Monitoring (AIMM) system (also discussed in chapter 5) assesses the likely impacts of projects on markets.

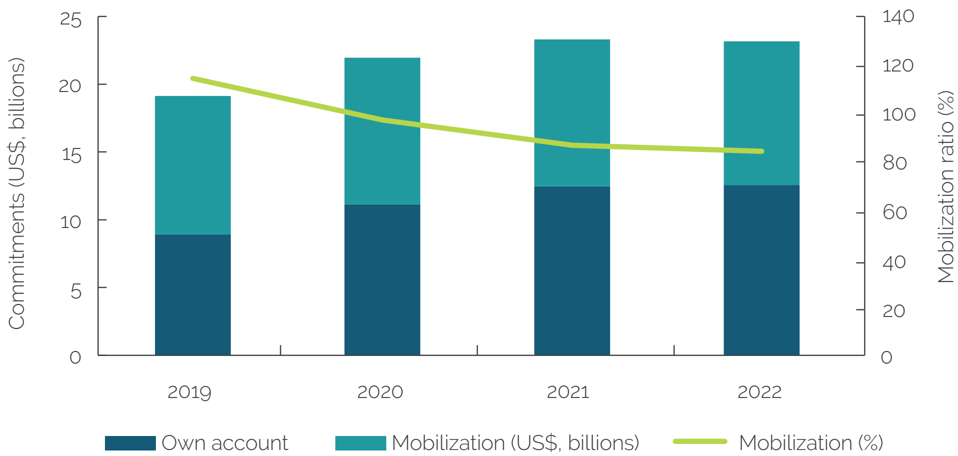
Reporting

The CIP only made a PCM commitment for IBRD and provided illustrative projections of IFC's PCM. The World Bank's and IFC's CSCs, CIP implementation updates, IFC's Strategy and Business Outlooks, and the Bank Group's annual reports regularly report PCM data based on a common MDB methodology for standardized reporting of PCM. For IFC, the CIP provides figures of $175 billion in cumulative core mobilization from FY19 to FY30 alongside $220 billion in cumulative own-account investments for illustrative purpose. The CIP's main text refers to IFC reaching a mobilization ratio of 90 percent of its own-account commitments by FY30 and averaging 80 percent over the CIP's implementation period (World Bank Group 2018b).

IFC has exceeded the illustrative projections for mobilization. Its own-account commitments have grown from $8.9 billion in FY19 to $12.6 billion in FY22, exceeding the growth of its mobilization totals, which increased from $10.2 billion in FY19 to $10.5 billion in FY22 (figure 4.1). IFC's mobilization ratio has averaged 94 percent over the period, exceeding the 80 percent average indicated in the CIP for 2030. To meet the FY30 illustrative projections of $220 billion own-account investment and a 90 percent mobilization ratio at the end of the CIP period, IFC will need to continue to increase its own-account commitments and mobilization.

IBRD has not yet met its PCM target and has emphasized data in its reporting in an inconsistent manner. IBRD reported either annual PCM ratios or multiyear PCM averages, focusing on average figures in years when PCM ratios were low. This inconsistent emphasis in reporting approach dilutes accountability. Following the capital increase in FY18, IBRD's PCM ratio of mobilization to own-account financing decreased from 16 percent to 3 percent in FY21 but then rebounded to 9 percent in FY22, resulting in an average annual PCM of 7.4 percent between FY19 and FY22, compared with a target of average 25 percent mobilization ratio between FY19–30. Only in 2017, before the CIP, did IBRD meet its 25 percent mobilization target.

Figure 4.1. IFC Commitments: Own Accounts Compared with Core Mobilization



Source: Independent Evaluation Group based on International Finance Corporation's reported data.

Note: IFC = International Finance Corporation.

The CIP's market creation objectives were never fully articulated, and reporting relied on individual examples. At the time of approval, the CIP did not articulate a framework on how the Bank Group should create markets. IFC's FY20–22 Strategy and Business Outlook stated that cross–Bank Group working groups are working to develop a comprehensive MFD Results Measurement Framework (IFC 2019), which would presumably include market creation, but subsequent reporting made no further reference to the framework. A 2020 Assurance Review by GIA found that the Cascade approach to creating markets "is not systematically monitored and reviewed across Bank Group institutions" and that the approach has no "measurable metrics and milestones." Without such clarity, CIP reporting on market creation policies has been vague and relied on limited case examples. This reporting was usually in CIP implementation updates, which provided examples of internal collaboration, institutional changes, and market creation products. The updates also reported on the delivery of new diagnostics and strategies, such as the number of CPSDs finalized. These examples illustrate the efforts that the Bank Group has made to create markets but have a limited use for judging the Bank Group's aggregate progress.

Implementation

Bank Group management took steps toward implementing MFD through the Cascade approach, but implementation was not systematic. GIA's Assurance Review and the CIP's implementation updates report several steps the Bank Group took in implementing the Cascade approach, including issuing guidance notes to incorporate the approach in country engagement products, providing communication and training materials, and establishing working groups. In 2020, the Bank Group established three World Bank–IFC working groups at the vice-presidential level to implement the Cascade approach focused on incentives, country programs, and operations. The Cascade approach lacked oversight and clear metrics and milestones, which hampered its implementation. For example, most of its oversight committees, which were established in FY17, had still not met by FY19, diminishing the working groups' momentum. More generally, GIA found that in the absence of systematic monitoring, "most projects had no evidence of the analysis carried out by project teams in deciding not to consider private solutions to maximize developmental impact."

IFC made organizational changes, and the Bank Group strengthened analytical capacity; however, despite IFC's annual reporting there is little evidence that this led to systematic operational work to create markets. IFC created global and regional upstream units to get involved much earlier in the sector and project development process (IFC 2020a). In addition, IFC's Economics Vice Presidential Unit created a series of analytic tools, such as CPSDs, which identify opportunities for market creation at the country level, and Sector Deep Dives, which present systematic overviews of sectors and subsectors that have the potential for PCM and market creation. However, in the absence of a monitoring framework, there was no evidence that these efforts were systematic or successful. The GIA's Assurance Review reached the conclusion that Bank Group diagnostics work is robust but was not clearly translated into subsequent operational actions.

IFC made organizational changes that constrained or reversed earlier organizational changes that were enacted to create markets. IFC's upstream operating model was launched in 2020 and envisaged a strong role for global units in creating markets. However, in 2022, IFC carried out additional organizational changes that moved most staff from these global upstream units to regional upstream units and further merged upstream and advisory teams. There was no clear or substantive explanation for this change, except for IFC's need for "organizational simplification" and "being closer to the client."[1] Findings by IEG and others have established that market creation tends to have gestation periods of a half-decade or longer. This calls into question the rationale for the 2022 changes, which went into effect less than three years after the initial reforms—much too short of a period to derive meaningful lessons from the 2020 changes. Similarly, the discontinuation of joint World Bank–IFC Global Practices appears at odds with the Bank Group's emphasis on collaboration, which is particularly important for creating markets. In general, frequent institutional changes, such as these, undermined the Bank Group's ability to apply lessons from complex initiatives with long gestation periods and diluted accountability for delivering results.

The Bank Group's Cascade approach for creating markets was at odds with internal staff incentives. A primary area of concern in institutional evaluations is how to incentivize market creation activities because of the Bank Group's broader staff incentive structure. Staff incentives, including promotions, often favor sector- and unit-specific goals over corporate goals, such as creating markets or the Cascade approach. Furthermore, staff are incentivized to deliver results over a medium-time horizon, which is shorter than the long implementation times for market creation initiatives. IEG's evaluation on creating markets established that "most reform efforts studied lasted more than 10 years" (World Bank 2019a, 47). It found that investment may be possible while reforms are being implemented but that there are minimum legal and regulatory requirements that need to be met. Volume and process efficiency targets focusing on the short-term disincentivize staff from focusing on market creation because of its longer lead times and a higher risk of financing not being approved or committed.

Current measurements of capital mobilization are generally effective, but they only capture part of IBRD's contribution to private capital flows. A 2020 IEG evaluation, *World Bank Group Approaches to Mobilize Private Capital for Development*, found that the Bank Group's approach to PCM is relevant to clients and mostly effective in mobilizing private capital (World Bank 2020a). The evaluation made recommendations on how to increase IBRD's PCM, such as improving how incentives cascade down to organizational units. In addition, MDBs, including the Bank Group, have discussed developing a complementary framework to track "facilitated" or "enabled" private financing, which would capture a broader range of the MDBs' PCM activities (AfDB et al. 2017). There is no clear indication as to when this framework will be finalized or rolled out.

Domestic Revenue Mobilization

DRM has become an important part of the global development agenda. High fiscal deficits and high and rising debt levels in lower-income countries make DRM an urgent priority in those economies (World Bank 2023d). DRM requires improving the public sector's spending effectiveness and resource mobilization. As a result, DRM was an important theme at the 2015 International Conference on Financing for Development in Addis Ababa. It was also a prominent theme in successive IDA replenishments. Not surprisingly, then, both the Forward Look and the CIP have discussed the Bank Group's role in DRM. However, as table 4.2 shows, the CIP DRM cluster's two policy measures were vague, were written as broad statements of intent, and lacked indicators and targets, which made reporting difficult. The CIP document also mentioned illicit financial flows, but this validation did not identify any policy measures or reporting on this issue.

Table 4.2. CIP DRM Policy Measures for IBRD and IFC

World Bank Group Policy Measures (DRM)	Commitments	Indicators	Targets
The World Bank has created a Global Tax Team charged with broadening and deepening the tax base of client countries, working closely with IMF.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
IFC aims to support DRM by investing in local capital market players (such as insurance companies and fund managers, and so on) and deploying innovative solutions to develop the local capital markets (including bond issuance, partial credit guarantees, and securitizations).	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Not reported.	No target.

Source: Independent Evaluation Group.

Note: CIP = capital increase package; DRM = domestic revenue mobilization; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; IMF = International Monetary Fund.

Reporting

IBRD and IFC's CIP reporting on DRM has been unsatisfactory. The CIP has no formal DRM commitments and no indicators to measure DRM, and the CIP's annual reporting has only described the World Bank's DRM work in cursory fashion. The CIP's lack of explicit commitments and indicators on DRM, and its broad wording of DRM policy measures create monitoring challenges, and reduce management's accountability for acting on the CIP's DRM policy measures. More complete indicators on DRM and tax equity are feasible and are, in fact, used in the results measurement system for the 20th Replenishment of IDA. Other non-CIP reporting to the Board on the World Bank's DRM work started only in FY22 (World Bank Group 2021c). More specifically, this validation did not find evidence that IFC reported explicitly on the CIP measure to support DRM by investing in local capital market players and deploying innovative solutions to develop the local capital markets, although IFC did report on its development of mobilization platforms.

Implementation

The World Bank has intensified its DRM work since 2018 and pivoted toward tax policy. IEG's 2023 evaluation of the World Bank's DRM work finds that the World Bank's support was greatest in countries with low revenue-to-GDP ratios, such as those in Sub-Saharan Africa and IDA-eligible countries (World Bank 2023d). The Global Tax Program, established by the World Bank and various donor countries in June 2018, has provided trust fund resources to increase the scale and quality of the World Bank's DRM engagements in client countries. Separately, the World Bank also increased its use of development policy operations to support DRM during the FY16–19 period relative to the FY12–15 period. Management data suggest that IBRD gave increased attention to DRM and tax policy and increasingly used development policy financing (World Bank 2023d).

World Bank client governments have reversed many of the tax policies supported by development policy financing loans. IEG case studies show that governments frequently reintroduced tax exemptions that development policy financing prior actions had sought to eliminate (World Bank 2023d). Reasons for these policy reversals occurred because of corruption, elite capture, political protests, opposition from vested national interests, and so on.

The World Bank has shown limited internal collaboration and policy coherence on DRM. Two evaluations uncovered weaknesses in the World Bank's internal collaboration and planning related to DRM, which included weak links between its diagnostic work and its operational work on tax reforms (SEO Amsterdam Economics 2023; World Bank 2023d). This weak link occurs partly because not all World Bank teams see taxation as an important development tool (SEO Amsterdam Economics 2023) but also because of the World Bank's limited internal capacity on taxation. Interviews suggest that donor priorities in the donor-funded Global Tax Program have sometimes shaped the World Bank's DRM work. Moreover, IEG's DRM evaluation and the interviews for this validation show that the Bank Group's direction and strategic coherence on DRM have varied because key managers have championed different DRM approaches, internal responsibility for tax issues has repeatedly shifted between departments, and senior management's support has not been as visible and concerted for DRM as it has been for other CIP priority areas (World Bank 2023d). The World Bank's Equitable Growth, Finance, and Institutions Global Practice listed its DRM priority areas and approaches, including its position on redistributive fiscal policies, progressive tax systems, and fiscal policies for climate action in a 2021 presentation to the Board of Executive Directors (World Bank Group 2021c). However, this presentation has not yet been accompanied by an action plan.

At the same time, the Bank Group's collaboration with external partners on DRM has improved. For example, the Bank Group and the International Monetary Fund collaborate well on DRM, according to IEG's DRM evaluation. The Platform for Collaboration on Tax, with its secretariat located at the World Bank, has contributed to this improved collaboration (SEO Amsterdam Economics 2023; World Bank 2023d).

The Bank Group updated its policy on intermediary jurisdictions in July 2022 to align with leading international standards. The policy regulates IFC's due diligence on its investee companies' taxation in operations that use intermediary jurisdictions in their holding structure. The policy is meant to curb tax avoidance and illicit financial flows in IFC projects and ensure investee companies' compliance with national legal standards.

[1] See https://worldbankgroup.sharepoint.com/sites/ifcupstream/SitePages/Implementation-of-organizational-changes-impacting-Upstream-and-Advisory-teams.aspx (internal document).

5 | Priority Area 4: Improving the World Bank Group's Internal Model

Highlights

The capital increase package (CIP) emphasized efficiency commitments to tighten budget discipline, whereas the Forward Look emphasized putting in place the human capacity to deliver on the World Bank Group's various strategies, including by investing in staff.

Prominent CIP initiatives, such as the Agile Bank was discontinued. The International Bank for Reconstruction and Development (IBRD) has instead reported on actions to improve its internal operating model through organizational reforms, human resources initiatives, and enhanced assessment tools and policy frameworks. None of these actions were CIP policy measures or commitments.

Changes by the International Finance Corporation (IFC) to its internal operating model included establishing the portfolio approach, the Anticipated Impact Measurement and Monitoring system, the Accountability and Decision-Making Framework, regional vice presidencies through decentralization efforts, and a new workforce composition.

Both IBRD and IFC have fully implemented the CIP's financial sustainability commitments. This allowed IBRD to increase its crisis lending and fast-disbursing loans and contributed to IBRD's financial sustainability by increasing its capital base and income and optimizing its balance sheet—all of which allowed IBRD to expand lending. IFC also took several steps to enhance its financial sustainability, including updating its capital adequacy framework and economic capital model, which allowed IFC to strengthen its capital base.

This chapter covers the CIP clusters on improving the effectiveness and financial sustainability of the Bank Group's internal operating model. It analyzes IBRD and IFC clusters separately in the following order: (i) IBRD's operating model effectiveness, (ii) IFC's operating model effectiveness, (iii) IBRD's operating model financial sustainability, and (iv) IFC's operating model financial sustainability.

The CIP's operating model commitments do not fully capture the Forward Look's objectives. More specifically, the CIP commitments do not comprehensively cover the Forward Look's emphasis on improving the scale, results, learning, innovation, staff incentives, and improvements to the Bank Group's evaluation framework. For example, the Forward Look proposed a new human resources (HR) initiative to strengthen staff capacity—the people strategy—which the CIP did not pursue. Instead, the CIP featured efficiency commitments to tighten budget discipline, with a substantive cost savings and cost avoidance target of $1.8 billion for the FY19–30 period. To achieve this, the Bank Group implemented efficiency measures to control costs related to the workforce, corporate procurement, and global real estate and Bank Group facilities. This validation did not assess IBRD's and IFC's budget commitments and related savings measures because GIA will cover these in its upcoming Assurance Review of CIP commitments and their governance.

Table 5.1. CIP Policy Measures for Improving the World Bank Group's Internal Model

World Bank Group Policy Measures (Effectiveness)	Commitments	Indicators	Targets
Further implementing "agile" reforms and administrative simplifications to deploy World Bank Group resources more efficiently.	Further implementing "agile" reforms and administrative simplifications to deploy Bank Group resources more efficiently, including through » Empowered and engaged staff seeking continuous improvement » Solution-driven, mobilization-driven, and adaptive approaches CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.
The Bank Group—Introducing a range of new efficiency measures, including managing salary and workforce growth and achieving savings in corporate procurement and real estate and savings from administrative simplification and agile approaches. These measures, in addition to the continuous implementation of the Expenditure Review measures, will help maintain budget discipline.[a]	Revise staff compensation methodology to control salary growth and pursue other human resources measures. CIP main text. Not underlined but listed in annex summary of the capital package.	Revised staff compensation methodology adopted.	Complete (yes/no).
IBRD—The new Environmental and Social Framework is being rolled out to help improve the sustainability of investments.	No commitment. Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: CIP = capital increase package; IBRD = International Bank for Reconstruction and Development.
a. This commitment is outside the validation's scope as mentioned in chapter 1.

It was difficult to assess the effectiveness results from changes to the operating model because of a lack of measurable data. Table 5.1 shows four CIP policy measures and two commitments related to the Bank Group's operating model effectiveness, but only one indicator related to the adoption of a revised staff compensation methodology, which is not aligned with institutional metrics and does not reflect the effectiveness of the implemented changes. The results from the IBRD and IFC implementation of this cluster proved hard to validate because some key initiatives were abruptly discontinued without explanation, many reform outcomes were unknown, monitoring and reporting were inconsistent, and there were no documented attempts to learn from the implementation's successes and challenges. This lack of details stands in contrast to the CIP's detailed and carefully monitored capital adequacy and cost reduction targets.

Operating Model Effectiveness of IBRD

World Bank management has taken steps during the review period to enhance the effectiveness of IBRD's internal operating model. These steps include the following CIP policy measures: procurement reforms, the Agile Bank initiative, and the Environmental and Social Framework (ESF). The World Bank also undertook additional reforms to improve IBRD's internal model effectiveness that were not explicit policy measures or commitments but were described in CIP progress reports, such as trust fund reforms; the decentralization of staff and decision-making, known as the global footprint; and enhancements to its Country Engagement Framework, including increased outcome orientation. These efforts were organized in three categories that are explained in this chapter: (i) organizational reforms, (ii) assessment tools and policy frameworks, and (iii) HR initiatives.

Organizational Reforms

World Bank management discontinued the Agile Bank initiative. Launched in 2016 and listed in the CIP as a formal commitment, the Agile Bank initiative was designed as a long-term flagship program to enhance the World Bank's operating model and promote a culture of continuous improvement, seeking enhanced cost efficiency, operational quality, and simplified administrative processes. The initiative consumed extensive resources. For example, the initiative had engaged with approximately 1,800 staff after its first year in 2017. By the end of FY19, the initiative piloted more than 170 interventions across all Regions and, of those, mainstreamed 11 interventions into World Bank operations, mainly to simplify project cycle documents and streamline administrative processes and procedures (World Bank Group 2019a). The World Bank quietly discontinued the initiative, and, consequently, there is limited evidence of its results.

CIP implementation updates from FY20 onward ceased to report on the Agile Bank initiative, and its results are unclear. This initiative used the staff engagement survey's "engagement index" and client feedback on World Bank responsiveness to assess the initiative's effectiveness. However, the resulting indicators do not fully measure the initiative's underlying objectives and show little change over time. Moreover, targets for these indicators were conservatively set in IBRD's CSC, only slightly above their baseline values. The abrupt and quiet end of reporting on this initiative, which was the most prominent commitment in this cluster, is a missed opportunity for learning about the World Bank's organizational change management.

The World Bank's trust fund reforms have been generally successful and are still under implementation. The World Bank started these reforms independently of the CIP but reported on them in the CIP updates. The reforms consolidate the World Bank's trust fund portfolio into fewer programs that fall within larger Umbrella 2.0 programs, under a single governance structure with a common monitoring and reporting framework. So far, the reforms consolidated hundreds of stand-alone trust funds into 71 umbrella programs, of which 62 have so far become active. As of the end of FY22, 88 percent of the World Bank's trust funds are channeled through these umbrella programs with the remainder being stand-alone funds. It is still too early to assess the reform's outcomes because most are still active, but, according to management's reporting and interviews done for this validation, reforms led to better managerial oversight of the World Bank's trust fund portfolio, increased oversight of fundraising, and improved monitoring and reporting.

The links between trust funds and operations are not always strong. Such links would enhance the strategic alignment within IBRD's operating model. However, internal processes do not yet reflect this alignment according to

IEG interviews, IEG's convening evaluation, and the World Bank's internal reports (World Bank 2020c, 2022j). Alignment can be particularly challenging for trust fund programs in themes that cut across organizational boundaries. It is also challenging because trust fund resource allocation is not usually aligned with operational budget cycles.

Assessment Tools and Policy Frameworks

The World Bank's ESF was approved in August 2016 and made operational in October 2018. The ESF was a CIP policy measure that protects people and the environment from the potentially adverse impacts from World Bank–financed projects. It uses a risk-based approach to monitor 10 social and environmental standards that projects are expected to meet. This approach requires more subjective judgment than the earlier mandate-focused safeguard policies, which the ESF replaced. The World Bank rolled out the ESF with defined procedures, staff guidance, implementation tools, and a new monitoring system. The World Bank also trained over a thousand staff and organized workshops on the new framework with borrowers and other stakeholders.

Implementing the ESF has proven challenging. Interviews and surveys point out that after its first year of implementation, the ESF's flexible risk-based approach was not always practiced by staff because of risk aversion (GIA 2020). Moreover, many borrowers had an insufficient understanding of the new framework. Borrowers' steep learning curve was exacerbated by delayed ESF trainings and their need to respond to urgent COVID-19 demands (World Bank 2022k). There was also a shortage of accredited World Bank environmental and social specialists to support borrowers. A comprehensive IEG evaluation of the ESF is planned for FY25.

The World Bank introduced a new Procurement Framework for investment financing. The Procurement Framework, which became effective in July 2016 and was a CIP policy measure, promotes shorter processing times for loans, applies value-for-money and fit-for-purpose principles in project designs, expands the range of procurement tools and techniques for project managers, and provides hands-on implementation support to clients in FCV and low-capacity countries. According to World Bank management's 2022 retrospective, the new Procurement Framework improved borrower capacity, increased the value for money of loans, streamlined procurement processes, and increased competition in contract bidding (World Bank 2022e).

The Bank Group's country strategies now frame their objectives in terms of country outcomes (World Bank 2020b). The Bank Group (2021b) updated its country engagement guidance in July 2021, in line with the Forward Look's objective to improve the outcome orientation of country programs. The new guidance proposes a structured approach for country program strategies to set high-level outcomes that are anchored in the country's development priorities. So far, operational units have been successful in implementing this guidance according to this validation's review of 18 country engagement documents. The review shows that recent CPFs have started to focus more clearly on a few high-level development outcomes rather than outputs and targets. However, according to IEG's 2020 evaluation of the World Bank Group's outcome orientation at the country level (World Bank 2020b), CPF results frameworks continue to mainly capture the effects from past operations, creating a timing mismatch between CPF's objectives and their measurement. Furthermore, IEG's evaluation found that country-level results systems produce little value and are rarely used by operational teams. Despite this, country programs have made few discernible attempts at reforming these results reporting systems (World Bank 2020b).

Human Resources Initiatives

In 2016, the Bank Group developed and implemented a comprehensive people strategy, thereby achieving a Forward Look target. The Forward Look promoted the FY17–19 Bank Group people strategy to strengthen the Bank Group's internal capacity by enhancing Bank Group staff's skills, improving employment conditions, and steering the organizational culture toward achieving results and innovation, among others. To develop the people strategy, the Bank Group reviewed workforce trends, benchmarked these trends against other institutions, and consulted more than a thousand staff and managers in over 120 engagement sessions. The Bank Group's roll out of the strategy was accompanied by a detailed implementation plan (organized in 18 thematic clusters) and a scorecard with 42 indicators—four of which were directly associated with the CIP's operating model effectiveness cluster.

IBRD's CIP commitments were not aligned with the people strategy, nor with the spirit of the Forward Look's HR objectives. The CIP's operating model effectiveness policy measures did not reinforce the people strategy's or the Forward Look's objective to strengthen Bank Group staff capacity. By contrast, the CIP's HR approach centered on cost efficiency measures that capped merit increases and reduced the number of high-level, mostly technical GH-level positions through so-called grade optimization.

The short-term duration of the Bank Group's HR monitoring frameworks makes it hard to assess HR strategies' effectiveness. The people strategy was designed to cover the period FY17–19, and when this period concluded, a new strategy was developed for FY20–22. Reporting on the people strategy stopped in late FY18 when a reorganization of the HR department eliminated the department's strategy reporting function. Only a few of the people strategy scorecard metrics were monitored after FY18. Similarly, changes to the staff engagement survey in FY17 combined survey questions covering budget, HR, and information technology processes and procedures into a single question: "Internal administrative processes and procedures enable me to conduct my work effectively?" which reduced the visibility of HR-specific perceptions; in FY16, the engagement survey had showed that only 32 percent of staff had a favorable perception of HR processes.[1]

The World Bank's decentralization of staff to the field, or the expanding of its global footprint, has strengthened the World Bank's responsiveness in client countries. Decentralization led to benefits, such as increased trust from clients, more in-depth understanding by World Bank staff of country contexts and political economies, increased Bank collaboration with field-based partners, and quicker and more frequent operational support, particularly in fragile, conflict-affected, and low-capacity countries. However, it had some downsides, such as reducing some aspects of global knowledge sharing. IEG's evaluation on the global footprint also raised concerns about management using broad quantitative staffing targets to drive the decentralization without clarity on its expected outcomes. As a result, Regions and Global Practices made decisions to send staff to the field to meet staffing targets rather than to meet country needs (World Bank 2022a).

IBRD management's changes to indicators measuring staff presence in FCS made it hard to validate decentralization trends. CIP implementation updates have reported an increase in staff deployed to FCS and nearby locations since 2020. However, changes in indicator definitions made this reported increase impossible to validate. For example, the FY17–20 people strategy scorecard's indicator reported that 723 staff were based in FCS locations,[2] but the FY22 CIP implementation update's indicator reported 738 World Bank staff working in 19th Replenishment of IDA FCS, a smaller and different set of countries. The Bank Group's March 2022 implementation update on operationalizing its FCV strategy reported just 85 staff working in or on IDA FCS in December 2021 against a target of 100 (World Bank Group 2020b). IDA's results measurement system tracks an FCV Facetime Index, which measures visiting and resident staff and consultant days worked in country (IDA 2022). Using different indicators at different times to measure decentralization meant that there was no way to accurately track changes to the World Bank's global footprint in FCS.

Operating Model Effectiveness of IFC

Reporting

IFC's policy commitment to improve its internal operating model's effectiveness has been comprehensively reported by several reports, despite some shortcomings in the CIP reporting. As shown in table 5.1, the validation could not identify any quantitative indicators at the CIP approval stage to track IFC's CIP commitment to enhance its internal operating model effectiveness. CIP updates on its progress in this cluster did not systematically report on certain effectiveness initiatives, providing varying accounts of progress from one report to another. For example, some effectiveness initiatives are explained in great detail in updates from certain years but are not reported at all in other years. However, Strategy and Business Outlook updates and budget papers provide more comprehensive information on the implementation of model effectiveness initiatives. CSCs and staff engagement surveys also contain indicators that are indirectly related to IFC's internal model effectiveness.

Implementation

IFC has implemented measures to enhance the effectiveness of its internal operating model in accordance with CIP mandates. The goals of these measures, as described in the CIP document, include trimming bureaucracy, simplifying approval procedures, enhancing the development impact of project portfolios, and improving organizational effectiveness. IFC's measures to achieve these goals include the AIMM system, which identifies project development outcome claims and produces rating scores for these claims' expected and actual results; the portfolio approach, which balances the share of the portfolio that has high expected profitability but lower development impact (which tend to support IFC's financial sustainability), with the share of the portfolio that has lower expected profitability but higher development impact (which tend to be IDA or FCS projects); the Accountability and Decision-Making Framework and the Credit Delegation Framework, which intend to establish clear roles for IFC's staff and operating units and allows management to make quicker decisions and support clients more efficiently; and the platform approach, which groups projects of a similar nature under a single lending envelope to allow IFC to expedite processing times, reduce transaction costs, and enhance synergies among the projects. As part of a decentralization initiative, IFC took additional measures, such as reintroducing regional vice presidents, decentralizing staff to countries and regions, and moving global upstream staff to regional departments. As described in chapter 4, this last measure changed IFC's original upstream model within only two and a half years of its inception. Despite these various decentralization efforts, the share of IFC staff based in the field has seen only marginal growth, from 55 percent in FY18 to 57 percent in FY22 (IFC 2018, 2022a). It has also defined HR-related goals in the workforce planning exercise, such as reducing staff costs, improving the staff skills mix, and strengthening the staff rewards and incentives program. IFC launched voluntary and nonvoluntary separation programs during FY19 and FY20 that removed a notable share of GH-level staff.

It is hard to assess IFC's operating model effectiveness because of reporting shortcomings and the limited time IFC has been implementing these measures. As discussed in this chapter, IFC's reporting on this cluster has not been systematic. Moreover, it is still too early to evaluate the long-term outcomes of these reforms because such reforms inherently require a significant amount of time to produce results.

Initial results suggest that IFC's portfolio approach and workforce planning have had some successes. This validation's initial review indicates that the portfolio approach has been achieving its goal of balancing IFC's portfolio distribution. This included a notable increase in the share of project designs with high expected development outcome and low expected financial returns, as reported in the regular operational updates to the Board. However, this reporting does not indicate the ex post balance of IFC's portfolio distribution, and the portfolio approach's overall effectiveness is subject to a formal evaluation.[3] IFC exceeded its workforce planning target of reducing GH-level staff by 10 percent: GH-level staff decreased from 17 percent in FY18 to 13 percent in FY22—a 24 percent decrease (IFC 2022a). Nevertheless, workforce planning's impact on staff morale and capacity is unknown because the effect from losing senior talent on business performance or new employee capacity was never assessed.[4]

IFC's operating model effectiveness initiatives did not achieve their goals yet, according to IFC's CSC and staff engagement survey. The CSC and staff engagement survey results do not show the desired improvements—at least not yet. IFC took an important step in this direction by including AIMM scores, which include market outcome scores, in its CSC. AIMM-related CSC indictors show mixed results in enhancing project development outcomes. Although the average ex ante AIMM score and the portfolio AIMM score have been improving, the ex ante AIMM scores have been below the FY18 baseline. Moreover, the CSC indicator—mandate to disbursement—failed to meet its target every year between FY18 and FY22 despite management's claims that the Accountability and Decision-Making Framework and platform approach's results are promising (IFC 2019). In addition, the staff engagement survey did not show an increased share of employees believing that internal administrative and operational procedures enabled high-quality services to the clients. The lower-than-expected results for IDA FCS lending would suggest that decentralization efforts have not yet translated into increased lending volumes in targeted country segments. GIA's audit of the Cascade approach showed that offering rewards to staff for adopting this approach has not been effective. This could have been expected because a limited number of one-time staff incentives is less powerful compared with incentives that lead to enduring benefits (for example, incentives that drive career advancement, such as meeting lending volume targets).

Financial Sustainability of IBRD

Table 5.2 shows that the CIP contained a single commitment to introduce a new FSF for IBRD. The FSF's purpose was to align IBRD's lending with its long-term sustainable lending capacity, ensure efficient use of IBRD's capital, and retain IBRD's flexibility to respond to crises. The CIP monitored this commitment through a single yes or no indicator, which is clear and measurable, and management complemented with detailed reporting, as described in this chapter.

Table 5.2. CIP Financial Sustainability Policy Measures for IBRD

IBRD Policy Measures for FSF	Commitments	Indicators	Targets
Introduce an IBRD FSF with the following objectives: » Lending remains automatically aligned to long-term sustainable capacity consistent with capital adequacy policy, assuming no further capital injection and continuation of transfers based on the IDA18 formula » Pressures for lending beyond sustainable level force trade-off decision between volume and lending terms » Efficient use of capital while retaining flexibility to respond to crises » 10-year SALL » A set of rules to size the lending program with automatic self-correcting mechanisms to stay aligned with SALL and automatically build up a crisis buffer, including automatic harder terms for accessing crisis buffer, with exceptions approved by the Board on a case-by-case basis (with cap of 20% on exceptions) » Approval by the Board of Governors of the objectives and principles of the framework, as part of the capital increase resolutions » Annual Board update on lending program, SALL, and status of the buffer and Board authorizations related to the buffer	Introduce an IBRD FSF. Not underlined in CIP but listed in annex summary of the capital package.	New IBRD FSF introduced.	Complete (yes/no).

Source: Independent Evaluation Group.

Note: CIP = capital increase package; FSF = Financial Sustainability Framework; IBRD = International Bank for Reconstruction and Development; IDA18 = 18th Replenishment of the International Development Association; SALL = sustainable annual lending limit.

Reporting

There has been excellent reporting on IBRD's implementation of the CIP's financial sustainability cluster. Annex 2 of the CIP document described IBRD's FSF objectives and principles in detail. These principles were endorsed by the Board of Governors in April 2018. The World Bank's Executive Directors approved the CIP's FSF in December 2018. The FSF's implementation approach stipulated that FSF reporting and discussions with the Executive Directors would be regular throughout the year. Consequently, IBRD's FSF reporting has been systematic and consistent from year to year, covering the sustainable annual lending limit (SALL) estimate, potential crisis buffer sizes, financial lending terms, and downside risk cases. The CIP's annual reports also covered these areas and described the FSF's implementation outcomes.

Implementation

IBRD fully implemented its CIP FSF measures and regularly updated the Executive Directors on its progress. Since the Executive Directors' approval of the CIP's FSF objectives and principles in December 2018, management has consistently updated them on IBRD's lending program, 10-year SALL, buffer-adjusted SALL, and crisis buffer. IBRD's process of updating the FSF was synchronized with the Board's annual decision-making timeline in relation to budgets, loan pricing, and income allocation. In March of every year, the Executive Directors discussed a paper with a preliminary update on the SALL amount, crisis buffer sizes, and the resulting buffer-adjusted SALL. In addition, since December 2020, IBRD conducted an annual midyear review to consider potential adjustment to the crisis buffer. This resulted in continuous revisions to the buffer, the SALL, and IBRD's lending ceiling. For example, the Executive Directors approved two adjustments to the financial terms of IBRD's FY21 lending and, thereafter, established regular pricing for countries to access the crisis buffer and adjusted maturity limits for fast-disbursing operations.

Implementation of IBRD's financial package increased IBRD's capital base, increased its income from lending, and optimized its balance sheet.[5] IBRD's shareholders contributed $4 billion in paid-in capital as of June 2022, or 54 percent of the total agreed capital subscription, thereby increasing IBRD's equity-to-loan ratio by 0.5 percentage points relative to what it otherwise would have been. This leaves room to expand IBRD's lending before it reaches its minimum equity-to-loan ratio of 20 percent. In addition, loan pricing measures, including steepened maturity premiums for IBRD clients and differentiated approaches for different country income groups, as discussed in chapter 2, have increased IBRD's lending income by $39 million between FY19 and FY21.[6] Moreover, IBRD's income transfer to IDA became contingent on IBRD's long-term financial strength.[7] IBRD also took measures to optimize its balance sheet and free up resources for additional lending through active portfolio management that included loan cancellations and restructurings. In FY20, management reviewed IBRD's capital adequacy framework and statutory lending limits and decided not to revise them.

The FSF, including the crisis buffer, allowed IBRD to increase its crisis lending and provide more fast-disbursing loans. As shown in table 5.3, IBRD authorized $20 billion in crisis buffers for the FY20–23 period in response to COVID-19 and other crises, doubling the original expectation of a $10 billion crisis buffer. Actual usage of the crisis buffer was $10.6 billion in FY21 and FY22, whereas the latest buffer-adjusted SALL was $27 billion for FY23, slightly lower than expected. IBRD's commitment volumes have been increasing since FY19, reaching a $33 billion commitment in FY22. IBRD's fast-disbursing loans, which performed a de facto crisis lending role because of the adjustment of the financial terms, also increased.[8] IBRD's outstanding portfolio has also been growing since FY19, while its actual allocable income levels decreased in FY21 and FY22.[9] Despite these changes, IBRD's equity-to-loan ratio stayed in the 22.6–22.8 percent range from FY19 to FY22, remaining above the policy's minimum ratio of 20 percent. (In April 2023, the policy minimum E/L ratio was changed to 19 percent.)

Rating agencies confirmed that IBRD's FSF has protected its credit worthiness and AAA ratings. Moody's Investors Service stated that IBRD's AAA rating reflects its prudent financial policies, effective risk management strategy, and strong credit worthiness. According to Moody's Investors Service (2022a), IBRD achieved this credit worthiness because of its (i) high capital adequacy, robust risk management framework, preferred creditor status, and strong asset performance; (ii) ample liquidity buffers and exceptional access to global funding markets; and (iii) large cushion of callable capital and its shareholders' willingness and ability to support it. Likewise, S&P Global

(2023) highlighted similar reasons for IBRD's credit worthiness and confirmed that the capital increase helped increase IBRD's lending ceiling.

IBRD's full use of the current crisis buffer and further increases to the crisis buffer may undermine IBRD's lending capacity in FY24 and beyond. Management's latest paper on SALL levels for FY23 indicates that IBRD will maintain its financial sustainability for the medium term. IBRD's equity-to-loan ratio is expected to remain above the 20 percent minimum over the same period, even under plausible downside scenarios.[10] The statutory lending limits, which stood at $339 billion in FY22, leave adequate room to increase IBRD's lending further, according to the management's paper on the FY23 SALL level.[11] However, the same paper also stated that IBRD reaching the SALL ceiling by FY23 would result in a marked decline in its lending capacity for FY24 and beyond. Therefore, IBRD's continued authorization and use of the crisis buffer may undermine future SALL and buffer-adjusted SALL amounts.

Table 5.3. IBRD Lending Limits and Key Financial Sustainability Framework Performance Metrics

Performance Metrics	FY18	FY19	FY20	FY21	FY22	FY23
IBRD crisis buffer approved ($, millions)	n.a.	n.a.	10,000	10,000	5,000	5,000
IBRD crisis buffer available (including carryover; $, millions)	n.a.	n.a.	10,000	10,000	9,500	9,500
IBRD crisis buffer used ($, millions)	n.a.	n.a.	0	5,500	5,100	
Lending ceiling ($, millions)	n.a.	n.a.	38,000	35,000	37,500	36,500
SALL-adj ($, millions)	n.a.	n.a.	28,000	25,000	28,000	27,000
Actual commitment	23,002	23,191	28,500	30,500	33,072	
Actual loans outstanding	183,588	194,787	204,231	220,600	227,092	
Actual allocable income	795	1,190	1,381	1,248	806	
Actual equity-to-loan ratio (%)	22.1	22.8	22.8	22.6	22.8	

Source: Independent Evaluation Group based on data from the CIP proposal, IBRD Management's Discussion and Analysis and Financial Statements, CIP annual reports, and IBRD's internal database.

Note: CIP = capital increase package; FY = fiscal year; IBRD = International Bank for Reconstruction and Development; n.a. = not applicable; SALL-adj = buffer-adjusted sustainable annual lending limit.

Financial Sustainability of IFC

IFC's FSF consists of operational and financial strategies to conserve capital. The FSF's aim is to preserve IFC's AAA rating, use capital efficiently, and maintain sustainable incomes to cover IFC's operating expenses. Table 5.4 shows that the CIP monitored this commitment with a single yes or no indicator—continued application of the existing IFC framework with relevant enhancements—which has some shortcomings, as discussed in this chapter. Some other policy measures under CIP's financing package but not specific to this cluster—namely, those related to loan terms, balance sheet optimization, and income transfers—are also relevant to IFC's FSF.

Table 5.4. CIP Financial Sustainability Policy Measures for IFC

IFC Policy Measures for FSF	Commitments	Indicators	Targets

Continuing application of the existing framework, which contains the following:
» Strategic capital adequacy framework with minimum DSC ratio
» Minimum investment return targets for new projects
» Income-based designations
» Active portfolio management and mobilization strategies that aim at optimizing balance sheet use
» Economic capital allocation framework to manage exposure limits and improvement of certain aspects of the framework through the following:
  » Formal review and reaffirmation of DSC ratio policy range at least annually
  » Application of modifications to stress-testing framework and monitoring of new risk and capital models
  » Establishment of more granular policy ratios
	Continue application of the existing IFC framework and improve certain aspects of the framework through (i) formal review and reaffirmation of the DSC policy range annually, (ii) keeping abreast with evolving standards in risk and capital models, and (iii) establishment of more granular policy ratios.
	CIP main text. Not underlined but listed in annex summary of the capital package.
		Continued application of the existing IFC framework with relevant enhancements.	Implemented (yes/no).

Source: Independent Evaluation Group.

Note: CIP = capital increase package; DSC = deployable strategic capital; FSF = Financial Sustainability Framework; IFC = International Finance Corporation.

Reporting

IFC has reported comprehensively on its CIP FSF implementation, albeit through various types of reports. The objectives, key measures, and parameters of IFC's FSF were approved by the shareholders as part of the CIP proposal. There is no requirement to develop a single formal document that comprehensively reports on IFC's FSF implementation. Annual CIP reports only briefly summarize this implementation, but they do provide complementary information on the CIP's financial package, such as loan terms, balance sheet optimization, and income transfers. The annual Strategy and Business Outlook reports provide information on the FSF's implementation. There are also reports that focus on specific aspects of the FSF—such as IFC's annual reports on financial risk management, capital adequacy, and economic capital—and annual budget reports on the FSF's income designation.

IFC's monitoring mechanism for its FSF commitments has a few shortcomings. First, its FSF commitments and other relevant financing package areas are qualitative and are not accompanied by time-bound indicators. Moreover, the only indicator for IFC's FSF implementation is not very informative. This indicator—continued application of the existing IFC framework with relevant enhancements—reports only that IFC updated and enhanced its capital adequacy framework in the first quarter of FY22. This provides some information on the implementation of new FSF measures, but nothing on measures that are not new. As described in this chapter, various factors, such as portfolio growth, financial returns, and capital adequacy, affect IFC's financial sustainability. In this regard, indicators on liquidity, asset quality, capital adequacy, and financial returns for both the debt and equity portfolios would provide a more comprehensive accounting of IFC's financial sustainability. These indicators have been comprehensively and regularly reported to the Board through quarterly Portfolio and Risk Reports.

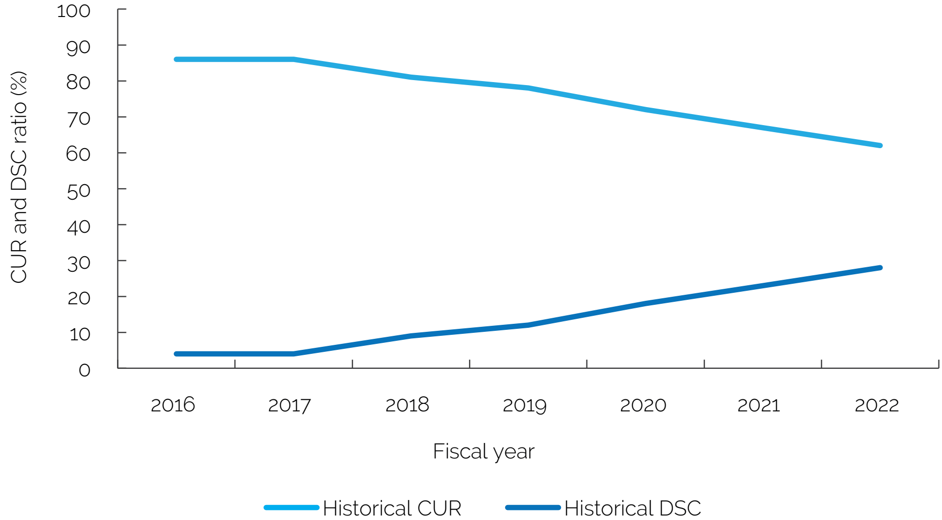
Implementation

IFC has made good progress implementing all the relevant measures listed in its FSF. The relevant measures, which existed at CIP approval, were adequately implemented, and reported to the Board, include IFC's active portfolio management, balance sheet optimization, pricing policies with minimum investment return targets, and income-based designations for advisory services. In FY22, IFC also updated its capital adequacy framework and economic capital model with more granular policy ratios for economic capital allocations. In FY20, IFC reviewed its stress-testing framework from FY18.

The rating agencies provided positive assessments of IFC's financial risk management. Moody's Investors Service (2022b) highlighted IFC's prudent capital risk management, robust information system, sophisticated stress testing, liquidity policies with clearly identified responsibilities, and regular reviews of financial sustainability policies. S&P Global (2022) also underscored IFC's robust and conservative financial and risk management limits, policies, and methodologies.

IFC's capital base was strengthened during the CIP period, demonstrating IFC's improved financial sustainability. The increasing deployable strategic capital and decreasing capital utilization ratio, shown in figure 5.1, indicate that IFC's financial sustainability improved. This was achieved despite lower financial return of IFC investments in recent years, as indicated by low risk-adjusted return on capital for IFC debts, internal rate of return for IFC equities, and overall net income in table 5.5. IFC's stronger capital base can be explained by IFC's rebalancing of its equity portfolio, its reduced private sector investments and demand for financing in client countries, and shareholders' capital increase approval through the CIP, as reported in the latest "Financial Risk Management and Capital Adequacy" report.[12] The capital increase accounted only for a four percentage point decrease of the capital utilization ratio and four percentage point increase of the deployable strategic capital in FY22, suggesting that the capital increase's impact on IFC's financial sustainability was relatively small and did not alleviate IFC's constraints to expanding its financing.[13] As table 5.5 indicates, the growths of IFC long-term financing commitments, including those for IDA and FCS, and outstanding investments have been slow. That said, Moody's Investors Service and S&P Global affirmed IFC's overall financial sustainability and presented a stable rating outlook. CIP measures certainly contributed to this (but possibly not as much as expected).

Figure 5.1. Deployable Strategic Capital and Capital Utilization Ratios of IFC



Source: Independent Evaluation Group based on data from International Finance Corporation 2022b.

Note: CUR = capital utilization ratio; DSC = deployable strategic capital; IFC = International Finance Corporation.

Table 5.5. IFC Key Financial Data

Key Financial Data	FY18 (base)	FY19	FY20	FY21	FY22
LTF (OA plus core mobilization; $, billions)	23.3	19.1	22.0	23.3	23.2
LTF OA ($, billions)	11.6	8.9	11.1	12.5	12.6
Lending to IDA FCS ($, billions)	2.4	2.1	2.8	3.1	3.5
Mobilization ($, billions)	11.7	10.2	10.9	10.8	10.6
STF ($, billions)	7.4	5.8	6.5	8.2	9.7
Outstanding investment ($, billions)	42.3	43.5	41.1	45.0	44.1
Net income ($, billions)	1.3	0.1	(1.7)	4.2	(0.5)
Paid-in capital post conversion ($, millions)	2,566	2,567	19,576	20,760	21,749
IFC debt portfolio RAROC (target 8%; %)	7.5	8.2	6.8	3.2	4.8
IFC equity portfolio total return ~ MSCI (target > 0%; %)	0.1	Negative	−6.7	−6.9	26.2
Deployable strategic capital (%)	9	12	18	23	28
Capital utilization ratio (%)	81	78	72	67	62

Source: Independent Evaluation Group based on data from IFC 2022b, capital increase package annual reports, and IFC Strategy and Business Outlooks.

Note: FCS = fragile and conflict-affected situation; FY = fiscal year; IDA = International Development Association; IFC = International Finance Corporation; LTF = long-term financing; MSCI = Morgan Stanley Capital International; OA = own account; RAROC = risk-adjusted return on capital; STF = short-term financing.

[1] Instead of using the staff engagement survey, management recommended that vice presidential units launch dedicated client satisfaction surveys to gather more specific, targeted, and actionable feedback.

[2] Internal human resources data.

[3] The International Finance Corporation quarterly operations to the Board, fiscal year (FY)21, FY22, and FY23 first–second quarters (internal document).

[4] The International Finance Corporation management further reports that the FY19 progress of the workforce planning was limited as the International Finance Corporation absorbed the workforce planning changes, and "change fatigue" impacted staff morale (IFC 2020c).

[5] Because the financial package was not included in the scope of the validation, the Independent Evaluation Group did not validate the capital increase package (CIP) reporting numbers for its commitments. The validation also excludes budget efficiency commitments because Group Internal Audit is reviewing these measures.

[6] This information was presented by CIP's FY21 annual report. The Independent Evaluation Group did not validate this number. The CIP expected to contribute $1.6 billion from a 10 to 40 basis point maturity premium increase for loans of more than 10 years.

[7] For example, the transfer to the International Development Association of $117 million in FY22 was lower than the transfer of $274 million in FY21, reflecting higher loss-provisioning requirements in FY22, according to CIP annual reports.

[8] World Bank management clarified that the tagging of fast-disbursing loans was only introduced in FY21, when the crisis buffer was expected to be tapped, and the Board of Executive Directors approved.

[9] Moody's Investors Service annual credit analysis from February 2022 indicated that the decline in International Bank for Reconstruction and Development's allocable income in FY21 was caused by a higher loan-loss-provisioning charge in that year compared with FY20 (Moody's Investors Service 2022a).

[10] The assumptions underlying the plausible downside scenario include portfolio credit worsening, faster disbursements, slower capital payments, and the adverse impact of lower interest rates on income.

[11] "International Bank for Reconstruction and Development Sustainable Annual Lending Level for FY23 and Size of Crisis Buffer" (internal document). The statutory lending limit is defined

in IBRD's Articles of Agreement and stipulates that the total amount of outstanding disbursed loans, participations in loans, and callable guarantees may not exceed the total value of subscribed capital (which includes callable capital), reserves, and surplus.

[12] Undisclosed internal document.

[13] According to the Independent Evaluation Group's calculation and based on *Management's Discussion and Analysis and Consolidated Financial Statements* (IFC 2022b), the CIP contributed $1.2 billion in capital by the end of FY21 and $2.2 billion by the end of FY22. Without the CIP, the capital utilization ratio would have been 70 percent and the DSC 20 percent in FY21 and 66 percent and 24 percent in FY22.

6 | Conclusions and Lessons

This independent validation assessed the Bank Group's CIP reporting, implementation, and its progress toward broader priorities under the CIP and the Forward Look. This chapter provides concluding remarks and summaries on (i) CIP reporting, (ii) CIP implementation of the four priority areas, (iii) CIP outcomes, and (iv) lessons for future corporate initiatives. The report's main findings are as follows:

- The Bank Group has made notable progress on achieving the CIP priorities of increasing the Bank Group's financial sustainability, promoting global themes (including climate change), and, for IBRD, engaging with different client country segments and increasing its financing for below-GDI countries. However, the Bank Group made the least progress in creating markets, IBRD made the least progress among all its CIP priorities in mobilizing private capital and domestic revenues, and IFC made the least progress in achieving its ambitious targets for increasing financing for low-income and fragile countries, despite notable efforts.
- The Bank Group made the most progress on implementing CIP clusters that already had clear corporate strategies or action plans, supportive internal organizational arrangements, and well-defined indicators and targets. However, the Bank Group made the least progress implementing clusters where it lacked clear strategies and measurable indicators or had limited oversight, weak collaboration, perverse incentives, and overly ambitious targets. These findings reveal lessons for future corporate initiatives, such as the importance of having clear strategies or action plans, explicit buy-in from senior management, and accurate reporting with meaningful indicators and realistic targets.

Capital Increase Package Reporting

The quality of CIP reporting varied depending on the existence of corporate strategies and indicators. Using the rating criteria described in notes in table 6.1, this validation finds that CIP reporting was adequate (that is, it was comprehensive, systematic, and informative) for nine CIP clusters. All these were covered by corporate strategies and aligned with corporate metrics, such as gender, FCV, climate change, financial sustainability, and serving all clients for IBRD. CIP reporting had major shortfalls in three clusters and some shortfalls in five clusters. The major reporting shortfalls were for clusters that were not covered by corporate strategies or well-established metrics. For example, IBRD's DRM and operating model effectiveness were areas where corporate metrics were few, insufficient, or no longer collected. Table 6.1 shows that instances with inadequate reporting were usually accompanied by limited implementation progress. Box 6.1 shows the different types of reporting shortfalls that this validation observed, including unmeasurable indicators, indicator inconsistencies, and uninformative reporting narratives.

CIP reporting could have been more informative and learning oriented. Ideally, monitoring and evaluation systems should lead to learning, course corrections, and accountability. However, CIP monitoring did not promote learning or adaptive management. There were also instances of CIP reporting that did not declare if CIP commitments were fulfilled or explain why certain initiatives were discontinued. Moreover, CIP progress reports, even when they are accurate and comprehensive, were issue- and activity-specific but contained little evidence on the CIP's larger outcomes. Reporting also did not account for how the implementation of one priority area affected or conflicted with the activities and outcomes of another. For example, increasing financing and PCM in FCS contradicts targets for increasing lending volumes and budget discipline.

Table 6.1. Quality of CIP Implementation and Reporting across CIP Clusters

CIP Cluster	Implementation	Reporting	The World Bank Group Has a Clear Plan or Strategy for This Area	Adequate Corporate Indicators Exist
Differentiating support across client segments				
IBRD low- and lower-middle-income countries	Achieved	Adequate	Yes	Yes
IBRD upper-middle-income countries	Partially achieved	Adequate	Yes	Yes
IBRD small states	Achieved	Adequate	Yes	Yes
IFC differentiating support	Partially achieved	Some shortfalls	For parts of the cluster	For parts of the cluster
Leading on global themes				
Crisis management and FCV	Partially achieved	Adequate	Yes	No
Climate change	Achieved	Adequate	Yes	Yes
Gender	Achieved	Adequate	Yes	Yes
Regional integration	Partially achieved	Some shortfalls	No	No
Knowledge and convening	Cannot assess	Some shortfalls	Yes, but vague	No
Mobilizing capital and creating markets				
World Bank Group creating markets	Not achieved	Major shortfalls	IFC—Partially World Bank—No	No
IBRD private capital mobilization	Not achieved	Some shortfalls	No	Yes
IFC private capital mobilization	Achieved	Adequate	Yes	Yes
Domestic revenue mobilization	Not achieved	Major shortfalls	No	No

(continued)

CIP Cluster	Implementation	Reporting	The World Bank Group Has a Clear Plan or Strategy for This Area	Adequate Corporate Indicators Exist
Improving the internal model				
IBRD effectiveness	Cannot assess	Major shortfalls	No	No
IFC effectiveness	Cannot assess	Some shortfalls	No	Partially
IBRD financial sustainability	Achieved	Adequate	Yes	Yes
IFC financial sustainability	Achieved	Adequate	Yes	Yes

Source: Independent Evaluation Group.

Note: Rating criteria are as follows (see appendix A for the full criteria).
Reporting:
Adequate reporting: Reporting in annual CIP updates, complemented with other Board reports as relevant, was comprehensive in that it covered all or nearly all the cluster's policy measures, backed with evidence and consistent throughout the reporting periods; had baselines when relevant; provided sufficient information to assess progress; and was candid about challenges.
Some reporting shortfalls: Reporting was not as comprehensive, systematic, and informative as desirable.
Major reporting shortfalls: The CIP reporting was vague or inconsistent; claimed that targets were achieved without supporting evidence; used indicators that were not aligned with the objectives of the commitment, were not measured, or were measured with major inconsistencies; or otherwise had uninformative narratives.
Implementation progress:
Achieved: IBRD or IFC has fully implemented the cluster's commitments and policy measures, as well as supporting mechanisms and incentives. Targets have been exceeded, met, or are broadly on track of being met.
Partially achieved: IBRD or IFC has implemented most of the cluster's commitments and policy measures, and most of the cluster's targets have been met.
Not achieved: IBRD or IFC has not implemented the cluster's policy measures to any reasonable degree. Targets have not been met. Supporting mechanisms or incentives are not in place. Targets have not been met or are unlikely to be met.
CIP = capital increase package; FCV = fragility, conflict, and violence; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation.

Box 6.1. Issues with the CIP Design, Monitoring, and Reporting

The reporting shortfalls identified in this validation are of different types and causes. Some of the shortfalls come from the capital increase package (CIP) design, others from limitations with its monitoring indicators, and still others from management's reporting practices. The validation found five distinct issues:

(i) Imprecisely defined policy measures, commitments, or indicators. This led to difficulties in assessing progress because of insufficient information. For example, qualitative yes or no indicators, such as new approach incorporated in relevant papers and reports, were sometimes reported as complete without elaboration. Many of the policy measures without commitments or indicators also fell into this category. This meant that the success of new approaches could not be assessed because there was no articulation of what success would look like.

(ii) Targets with long timeframes. For example, several International Finance Corporation financing targets were set for 2030. Such lagged targets dilute staff and management's accountability for achieving the target. Setting earlier targets or having clearer intermediate targets would ameliorate this problem.

(iii) Targets without clear analyses. Or, if that analysis existed, it was not available to this validation. Well-defined targets should be ambitious yet achievable. Future corporate strategies should have sufficient evidence to set meaningful targets against measurable base lines.

(iv) CIP indicators not aligned with institutional metrics. Such metrics include Corporate Scorecards and International Development Association results measurement system indicators, among others. In one example, the CIP's domestic revenue mobilization cluster did not use existing domestic revenue mobilization indicators. By not using existing indicators, some CIP implementation incentives were not aligned with corporate incentives, and the CIP's implementation progress could not be monitored accurately or transparently.

(v) Inconsistent reporting. For example, indicators measuring the use of the Private Sector Window changed definitions, reporting on private capital mobilization gradually diminished, multiyear aggregates sometimes replaced annual lending volumes, and some major reform initiatives, such as Agile Bank and the people strategy, were quietly discontinued along with their reporting. Such inconsistent reporting made it difficult to track progress and learn from past practices. Ideally, reporting should always include trends and baselines.

Source: Independent Evaluation Group.

Capital Increase Package Implementation

Implementation progress has been stronger for the CIP clusters aligned with corporate strategies and supported by indicators and targets. This validation shows that the Bank Group delivered many different major corporate commitments, even if it did not achieve all of its targets and objectives. Table 6.1 shows the validation's ratings for the implementation of CIP's commitments and policy measures.[1] Eight out of the 19 CIP clusters listed in table 6.1 had satisfactory implementation progress, achieving all or most of their targets. All eight of these had a corporate strategy or plan backed up by indicators.[2] The gender, climate change, and financial sustainability commitments, for example, were backed by detailed plans and metrics and organizational units in charge of implementation. Conversely, implementation progress and target achievement were limited for CIP clusters that lacked a clear corporate vision. None of the three CIP clusters with limited implementation progress, and most of those with partial progress, were fully covered by a strategy. These clusters did not benefit from a strategy's support and accountability mechanisms, which include dedicated staff, clear incentives, implementation guidance, and clearly defined indicators and targets.

The CIP's implementation progress was limited by policy measures that were written as broad statements of intent. This was the case for the commitments for adopting a systematic approach to creating markets across the Bank Group using the Cascade approach as the operating system to MFD in the PCM and creating markets cluster, broadening and deepening the tax base of client countries in the DRM cluster, agile reforms and administrative simplifications and empowered and engaged staff in the operating model effectiveness cluster, and various commitments in the knowledge and convening cluster.[3] These commitments' lack of precision and undefined indicators made them difficult to report on and, by extension, difficult to achieve (table 6.1). Policy measures without specific commitments or indicators amount to statements of intent or descriptions of what the Bank Group was already doing. The CIP's design and choice of commitments and policy measures were outside this validation's scope, yet it is hard to see the value of including commitments and policy measures that do not drive organizational actions.

Capital Increase Package Outcomes

The CIP's formal commitments led the Bank Group to make policy changes. The CIP not only infused capital into IBRD and IFC but also boosted the implementation of Bank Group priorities that already had corporate strategies and supportive internal arrangements in place. As mentioned, these priorities, except the operating model priority area, aligned with the Forward Look strategy. The CIP did this by raising management's attention to its priorities and creating incentives and accountability for their achievement. The CIP also likely supplied a mandate to staff to engage clients on these priorities in policy dialogues.

The CIP's five intended outcomes achieved differing levels of success. These are listed from most successful to either least successful or those with insufficient evidence for a more definitive assessment:

1. Improving the Bank Group's financial sustainability: This is the area with the most unqualified progress. The CIP's capital infusion and financial sustainability measures clearly strengthened IBRD's and IFC's capital bases, thereby enhancing both institutions' financial sustainability. Although outside the scope of this validation, the CIP allowed the Bank Group to swiftly and substantially respond to the crises that affected client countries after 2019.

2. Leading on global themes: The Bank Group has undoubtedly expanded its role in promoting global themes during the CIP period. This includes delivering global public goods through its concerted response to pandemics, FCS, climate change, and other crises. As mentioned, this response was compelled by a confluence of global crises, but the CIP also facilitated this response.

3. Differentiating support across client segments: The Bank Group continues to serve all country segments, and the country-based model continues to meet countries' needs. The CIP led IBRD to focus more on below-GDI countries, and IBRD did meet its lending targets for these countries. IFC, for its part, has made limited progress toward its CIP financing targets for low-income and fragile countries, which, arguably, were overly ambitious for reasons that are not clear to this validation.

4. Mobilizing capital and creating markets: The CIP saw limited progress in scaling up public and private resource mobilization. Although IFC has met or exceeded many of its mobilization targets, IBRD has not. This partly reflects the ambitious nature of the private resource mobilization targets for IBRD. At the same time, the Bank Group has lacked mechanisms to buttress its commitments and policy measures on DRM, PCM, and creating markets.

5. Improving the operating model's effectiveness: IBRD and IFC have made many changes to their operating models, although not necessarily those anticipated in the CIP. The outcomes of these changes have not been assessed. The CIP's clearest, or at least most measurable, legacy in this area is its management of workforce growth, specifically its reduction in GH-level staff. However, the reduction in high-level technical staff likely decreased staff capacity and morale, with unclear effects on the Bank Group's performance.

Lessons for Future Corporate Initiatives

Five lessons emerged from this validation's findings on developing, implementing, and reporting future corporate initiatives, and on the CIP's continued reporting:

Lesson 1: Success was greatest when corporate initiatives focused the Bank Group on areas with buy-in. Senior leadership's buy-in and support are a necessary condition for the successful implementation of corporate initiatives. Many times, senior leadership demonstrates its buy-in by promoting corporate strategies or action plans, organizational champions, and changes to the Bank Group's operating model. Shareholders could help increase the likelihood of success by ensuring that future policy measures are backed by a clear strategic vision, a conducive organizational model, and meaningful indicators and targets.

Lesson 2: Good indicators, with baselines and targets, create clarity, foster accountability, and contribute to a strategy's sustained implementation. The implementation of some CIP commitments and policy measures lacked continuity. As stated in chapter 5, several CIP policy measures once considered important were discontinued when the senior champions that had backed them departed. However, this did not occur for commitments that were guard railed by measurable indicators and targets. Core corporate indicators and targets can be blunt tools (see lesson 4), but they make required actions and reporting clear, become embedded in results agreements, compel business units to follow through on these issues, and ensure the implementation's continuity in the face of changes to senior management and corporate priorities. In contrast, policy measures that did not link to clear indicators and targets had little accountability and sometimes lost momentum. Good corporate indicators are clear and measurable, cover both the volume and quality of the Bank Group's work, align with intended outcomes and corporate monitoring frameworks, create incentives for staff to pursue the desired results, and have a reasonable level of ambition and scale to meet the underlying development challenges.

Lesson 3: Indicators should be aligned to commitments, and indicator monitoring should be grounded in routine operational processes. IBRD monitored its DRM policy measures with a broad tax-to-GDP measure that did not capture the measures' intended outcome, which would have required a more granular indicator on tax policy. IFC originally committed to financing targets for above- and below-GDI countries and small states, but IFC 3.0 creating markets strategy focused more on financing in IDA and IFC countries rather than middle-income countries and UMICs, and IFC's operational processes did not distinguish countries based on GDI. IFC therefore revised its commitments starting in 2020 into a simplified reporting framework focused on IDA and IFC countries. Looking beyond the CIP, reporting requirements multiply with the addition of new corporate initiatives and frameworks. Ensuring alignment between commitments and indicators and aligning indicators with those of existing corporate initiatives, systems, and frameworks will simplify the Bank Group's reporting processes and ensure that corporate incentives are aligned.

Lesson 4: Corporate indicators are a blunt tool for capturing policy measure outcomes. Corporate indicators capture the Bank Group's actions, processes, and outputs but do not capture what outcomes these actions led to or how policy measures interacted across clusters. This is because corporate indicators focus on activities and outputs that are under the Bank Group's control. Although useful from an accountability perspective, this carries the risk that corporate indicators may perfectly measure the trees while ignoring the forest. Some corporate indicators (such as the climate co-benefit and gender tagging indicators) have become burdensome for operational teams by diverting their attention from improving outcomes to complying with internal requirements. To improve corporate indicators, the Bank Group could tap into their data-rich project monitoring and evaluation systems to develop metrics and assessments that better capture ongoing and ex post results. The Bank Group could also combine indicator-based reporting with periodic deep dives that focus on outcomes.

Lesson 5: Report with candor. CIP reporting narratives were sometimes vague, uninformative, or inconsistent. However, CIP reporting on global themes often had more detail and candor and, uncoincidentally, had more implementation success. Honest and accurate reporting on implementation challenges enables the organization to learn and adjust. As such, future reporting would benefit from greater candor on progress, challenges, and trade-offs. Management and Executive Directors may want to reflect on what signals they give to business units that report candidly on their successes and failures.

[1] The rating criteria are shown in appendix A and are summarized in notes in table 6.1. The ratings are for the capital increase package's implementation, not its outcomes.

[2] Indicators can be a double-edged sword for driving action. These indicators create powerful internal incentives for staff to meet thematic targets; however, they may incentivize teams to focus on fulfilling lower-level targets rather than higher-level outcomes or to take credit for things they were already doing but did not report. Therefore, it is important to go beyond indicators when assessing outcomes.

[3] Including new research to underpin improved policy making on emerging challenges, systematically harness and share knowledge, support innovative approaches for data collection, help countries share experience with the Cascade approach, and so on.

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APPENDIXES

Independent Evaluation Group

The World Bank Group's 2018 Capital Increase Package

Appendix A. Methods

Framework and Process

The validation started by identifying the formal commitments and policy measures of the capital increase package (CIP). The CIP text set out 38 formal commitments: specific actions with targets that the World Bank Group was to be held accountable for pursuing. The Independent Evaluation Group (IEG) identified the formal commitments as those measures the original CIP document text underlined, mentioned with a target, or listed in the annex summary of the CIP and those measures listed in the annual CIP implementation updates status tables, along with indicators, targets, and results (World Bank Group 2019, 2020, 2021, 2022). The CIP text also discussed 49 policy measures, important or critical actions the Bank Group would take to achieve the CIP priorities. Appendix B reproduces the complete detailed list of these commitments, policy measures, indicators, and targets; chapters 2–5 include tables with the relevant parts hereof.

The validation used a systematic framework, theory of change, and process. The theory of change distinguished between actions, outputs, and outcomes (figure A.1). As shown in table A.1, the assessment focused on three dimensions, each with a defined scope and guiding question: (i) the adequacy of management's reporting, (ii) the implementation of policy measures, and (iii) progress on the results and outcomes (both expected and unexpected). The validation assessed the reporting and implementation using three-point scales—namely, satisfactory, some shortfalls, or unsatisfactory reporting and achieved, partially achieved, or not achieved on implementation. In practical terms, the validation process followed the specific steps:

1. Identified CIP's commitments, policy measures, and intended outcomes.
2. Developed a theory of change (figure A.1) that linked inputs, outputs, and intermediate and final outcomes, identifying five CIP outcome areas.
3. Organized these into 12 thematically similar clusters. The clusters combined the International Bank for Reconstruction and Development (IBRD)

and the International Finance Corporation (IFC) wherever feasible and separated them whenever the policy measures diverged substantially.

4. Gathered and reviewed evidence using the sources described in this appendix.

5. Assessed the quality of reporting, the implementation of policy measures, and progress on outcomes.

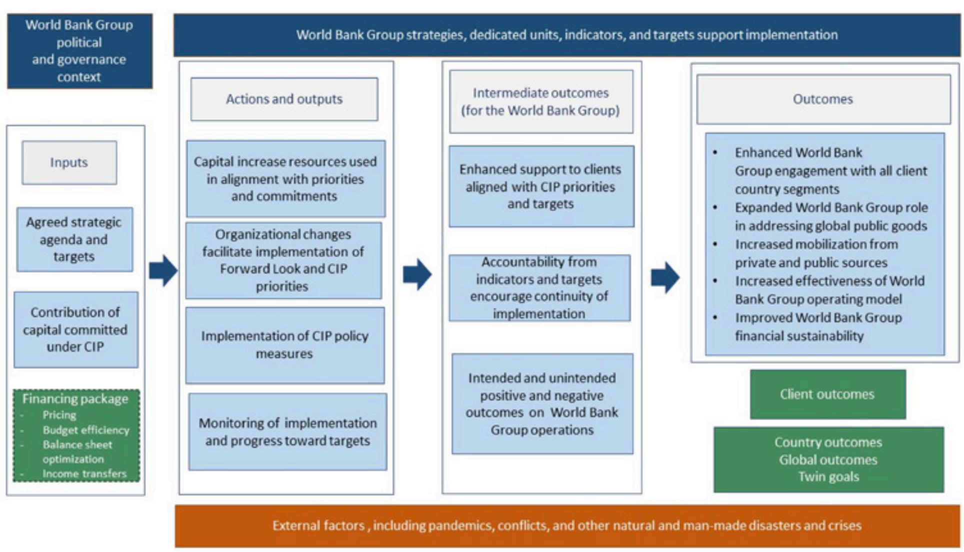
6. Quality assured the findings from each cluster within the validation team and in discussions with the validation's technical advisors and manager.

7. Rated each cluster (or parts of clusters in some cases) on implementation progress and reporting. Table A.1 shows the scope of the ratings. The ratings were quality assured and tested for consistency across clusters through iterative discussions within the validation team, its advisors, and IEG managers.

8. Identified patterns across clusters related to reporting shortfalls, implementation progress, and outcomes.

9. Derived lessons for designing and reporting on other corporate initiatives and for the continued reporting on CIP.

Figure A.1. Theory of Change



Source: Independent Evaluation Group.

Note: Blue boxes are areas inside the assessment's scope, and green boxes are issues outside the scope. CIP = capital increase package.

Table A.1. Dimensions of the Independent Evaluation Group's Validation Assessment

Dimensions	Scope of the Assessment	Assessment Questions
Relevance and quality of reporting	Alignment of reporting with the scope and spirit of the objectives, policy measures, and commitments in the Forward Look and CIP. Adequacy of the reporting content and metrics.	To what extent has management's reporting on the CIP been relevant and adequate?
Implementation of policy measures	Extent to which the World Bank Group has effectively implemented the policy measures outlined in the CIP and the reasons for this. The extent to which the Bank Group has implemented complementary organizational changes.	To what extent has the Bank Group implemented the CIP's policy measures?
Progress toward outcomes	The degree to which the Bank Group has achieved or is on track to achieve expected outcomes from the implementation of CIP policy measures; reasons and contextual factors for the noted progress. The degree to which implemented CIP policy measures are leading to other outcomes than those reported on directly and the reasons for this.	What has been the Bank Group's progress toward achieving outcomes related to the CIP's priorities and policy measures and the spirit of the Forward Look, and how have CIP measures contributed to this progress?

Source: Independent Evaluation Group.

Note: CIP = capital increase package.

The rating criteria were as follows. First, the rating of the relevance and quality of reporting looked at how the reporting aligned with the scope and spirit of the objectives, policy measures, and commitments in the Forward Look and the CIP and at the adequacy of the reporting content and metrics.

» Adequate reporting: Reporting in annual CIP updates, complemented with other Board reports as relevant, was comprehensive in that it covered all or nearly all the cluster's policy measures, backed with evidence and consistent throughout the reporting periods, had baselines when relevant, provided sufficient information to assess progress, and was candid about challenges.

Content of reporting was aligned with the scope and spirit of the objectives, policy measures, and commitments in the Forward Look and CIP.

- Some reporting shortfalls: Reporting in annual CIP updates and complementary Board reports was not as comprehensive, systematic, and informative as desirable. For example, it did not cover some of the cluster's policy measures, was overly anecdotal, or the metrics used had inconsistencies.
- Major reporting shortfalls: The CIP reporting was vague or inconsistent; claimed that targets were achieved without supporting evidence; used indicators that were not aligned with the objectives of the commitment, were not measured, or were measured with major inconsistencies; or otherwise had uninformative narratives.

Second, the validation rated the extent to which IBRD, IFC, or the Bank Group, as applicable, has implemented the CIP's commitments and policy measures and complementary organizational changes, such as supporting mechanisms and incentives:

- Achieved: IBRD or IFC has fully implemented the cluster's commitments and policy measures, including any reasonable complementary organizational changes, such as supporting mechanisms and incentives. Targets have been met or are broadly on track of being met.
- Partially achieved: IBRD or IFC has implemented most of the cluster's commitments and policy measures, and most of the cluster's targets have been met.
- Not achieved: IBRD or IFC has not implemented the cluster's policy measures to any reasonable degree. Supporting mechanisms or incentives are not in place. Targets have not been met or are unlikely to be met.
- Cannot assess: In some cases, the validation had insufficient evidence on the implementation of the cluster's commitments and policy measures to confidently arrive at a rating. In other cases, the policy measures were so unclearly defined that the validation lacked a clear basis for rating.

Evidence Sources and Analysis

This validation is based on management's regular reporting, complemented with additional evidence from IEG evaluations and technical discussions with counterparts. Management has reported extensively on the CIP and Forward Look implementation through CIP and Forward Look implementation updates to the Board of Governors, Corporate Scorecards, Strategy and Business Outlooks, and Board reports on individual priority areas of the CIP and Forward Look. It has reported the CIP's financial aspects in budget papers and IBRD's Financial Sustainability Framework reporting. The validation compiled all of this reporting, resulting in a carefully selected library of over 120 relevant reports and documents covering the period fiscal years 2016–22. The library included 25 IEG evaluations and the Management Action Record's reporting on the results from implementing these evaluations' recommendations. The validation used text analytics to identify the relevant sections of the documents in this library. Further, the validation reviewed 18 country engagement documents approved since July 2021 to gather evidence on the implementation of the updated Systematic Country Diagnostic and country engagement guidance. Finally, the validation conducted semistructured interviews and technical discussions with business units in charge of reporting and other counterparts to gather additional data, information, and perspectives. All of this evidence informed review of each cluster in chapters 2–5.

The validation used the cluster-level findings to identify broader patterns. The validation team analyzed the findings of all clusters to identify common reporting shortfalls and factors that could have potentially enhanced or reduced the Bank Group's ability to achieve its targets. The validation developed a typology of reporting shortfalls, mapped them to each cluster, and looked for patterns in the distribution of these shortcomings. IEG also rated the implementation and progress toward outcomes of each cluster and mapped out the factors that were present in each case and might have influenced the progress and results achieved. This analysis is shown in chapter 6.

Limitations

The assessment has a few limitations stemming from its underlying evidence sources. The status of implementation of a few policy measures was unclear because of shortfalls in management's reporting. More importantly, the outcomes from implementing the policy measures were often not clear. Management's reporting has rarely covered outcomes. This is because most policy measures are framed as actions or outputs, and reporting has, therefore, focused on actions taken more than on what outcomes emerged from these actions. IEG evaluations have covered outcomes, but recent IEG evaluations are not available for all priority areas. The report covers the priority areas with uneven depth because of these evidence gaps.

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Appendix B. Capital Increase Package Policy Measures and Commitments

This appendix lists all of the policy measures, commitments, indicators, and targets of the capital increase package (CIP) within the scope of this validation. Chapters 2–5 reproduce the relevant sections of the material in this appendix. The validation used the following sources to arrive at these tables:

- Policy measures: This column presents extracts from the CIP document. The column maintains the CIP's wording as much as possible, except for very light editing to reduce redundancies within the table.
- Commitments: This column presents the CIP's formal commitments as defined in the CIP's main text, the CIP's annex summary, or the annual CIP implementation update status tables. The column also specifies the section of the CIP from which the text of the commitment was extracted, and indicates whether the text was underlined.
- Indicators: As defined in the CIP implementation update status tables. This column also provides information on the availability of reporting in CIP updates.
- Targets: As specified in the CIP's main text, annex summary, or the annual CIP implementation update status tables.

Capital Increase Package Policy Measures, Commitments, Indicators, and Targets Used in This Report

Table B.1. Differentiating IBRD Support across Client Segments for Countries below Graduation Discussion Income

IBRD Policy Measures (below GDI)	Commitments	Indicators	Targets
IBRD will prioritize support to IDA graduates and new blends, aiming to make available resources to fully replace IDA financing for graduates.	Prioritize IBRD support to IDA graduates and new blends aiming to make available resources to fully replace IDA financing for graduates. CIP main text. Underlined and in annex summary of the capital package.	IBRD financing for recent IDA graduates relative to IDA financing before graduation. Limited reporting.	100% replacement of IDA financing for IDA graduates.
IBRD will increase noncrisis lending to MICs below GDI.	Aim for a gradual and linear rise in IBRD share of noncrisis lending to countries below GDI. CIP main text. Underlined and in annex summary of the capital package.	Percent of financing to countries below GDI.	70% by FY30. Average share of 67% over FY19–30.
Increase cumulative IBRD financing to below-GDI countries.	$260 billion cumulative IBRD financing to below-GDI countries over FY19–30 in nominal terms, $110 billion, or 70%, more than if no package. CIP main text. Not underlined but listed in annex summary of the capital package as “illustrative dollar numbers.”	No indicator in CIP implementation status table. Reported in implementation updates narrative.	$260 billion over FY19–30 in nominal terms.

(continued)

IBRD Policy Measures (below GDI)	Commitments	Indicators	Targets
Higher SBL increase for countries below GDI.	**Higher SBL increase for countries below the GDI.** CIP main text. Underlined and in annex summary of the capital package.	Higher SBL increase for below-GDI than above-GDI countries introduced.	Implemented (yes/no).
Price discount for below-GDI countries, with blends and recent IDA graduates exempted from the price increase.	**Price discount for below-GDI countries and exemptions for blends and recent IDA graduates from the price increase.** CIP main text. Underlined and in annex summary of the capital package.	Price discount for below-GDI countries and exemptions for blends and recent IDA graduates implemented.	Complete (yes/no).

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; GDI = graduation discussion income; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; MIC = middle-income country; SBL = single borrower limit.

Table B.2. Differentiating IBRD Support for Countries above Graduation Discussion Income

IBRD Policy Measures (above GDI)	Commitments	Indicators	Targets
There will be a systematic analysis and assessment of the key elements of the IBRD graduation policy, reflected in CPFs and updated in Performance and Learning Reviews.	**Systematic analysis and assessment of the key elements of the IBRD graduation policy reflected in CPFs and updated in Performance and Learning Reviews of above-GDI countries. New IBRD activities will have a primary focus on interventions to strengthen policies and institutions required for sustainable IBRD graduation.** Interventions will be focused on innovative solutions for boosting shared prosperity, delivering GPGs, and creating knowledge. CIP main text. Underlined and in annex summary of the capital package.	SCD and country engagement guidance updated, and capital package agreement reflected in new CPFs for above-GDI countries.	Implemented (yes/no).
The policy package would enable IBRD to provide countries above the GDI $125 billion cumulative lending over FY19–30, or $40 billion (45%) more than without a package. It would also allow lending to the above-GDI countries for crisis response (which would be excluded from the lending share target).	**Provide countries above the GDI $125 billion cumulative lending over FY19–30 in nominal terms, or $40 billion (45%) more than without a package.** CIP main text. Underlined and in annex summary of the capital package as "illustrative dollar numbers."	No indicator in CIP implementation status table. Not reported.	$125 billion cumulative lending (noncrisis) over FY19–30 in nominal terms. $40 billion, or 45%, more than if no package. Combined with mobilization from private sector, the increase would reach $50 billion.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; CPF = Country Partnership Framework; FY = fiscal year; GDI = graduation discussion income; GPG = global public good; IBRD = International Bank for Reconstruction and Development; SCD = Systematic Country Diagnostic.

Table B.3. Differentiating IBRD Support across Client Segments for Small States

IBRD Policy Measures for Small States	Commitments	Indicators	Targets
IBRD base allocation for small states will be doubled, subject to prudential limits.	**Double IBRD base allocation for small states, subject to prudential limits.** CIP main text. Underlined and in annex summary of the capital package.	Base allocation for small states doubled. Reporting inconsistency. Initially, results were reported aggregated by IDA cycle, and since fiscal year 2020, annual lending volumes were reported.	Complete (yes/no).
Small states will be exempted from the proposed maturity premium increase.	**Exempt small states from the IBRD price increase.** CIP main text. Underlined and in annex summary of the capital package.	Small states are exempt from capital package pricing increase.	Complete (yes/no).

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association.

Table B.4. Differentiating IFC Support across Client Segments

IFC Policy Measures	Commitments	Indicators	Targets
Expand commitments in IDA and FCS countries.	**Expand commitments in IDA and FCS countries.** Not underlined in CIP but listed in annex summary of the capital package.	Percent of own-account commitments in IDA17 FCS countries.	40% of all commitments by FY30, averaging 32.5% over FY19–30.
Use the IDA PSW to substantially increase own-account annual commitments in LIC IDA17 and IDA FCS countries.	**Use replenished PSW resources to increase share of IFC commitments in low-income IDA and IDA FCS countries.** CIP main text. Underlined and in annex summary of the capital package.	Percent of total annual commitments to low-income IDA17 and FCS countries.	15–18% by FY26; 15–20% by FY30.
Selective private sector investments in UMICs by IFC, with rigorous additionality assessment and focus on regional partnerships, frontier regions, financial stability, and global public goods.	Selective private sector investments in UMICs following a rigorous approach to additionality. Not underlined but recognized as commitment in CIP implementation status tables.	Adoption of new additionality framework.	Complete (yes/no).
Promote a regional approach to investments in middle- to upper-middle-income small states and aim to leverage the use of de-risking tools for the lower-income and FCV ones.	**Promotion of regional approach to IFC investments in middle- to upper-middle-income small states and leveraging of de-risking tools for the lower-income and FCV ones.** CIP main text. Underlined and in annex summary of the capital package.	New approach incorporated in relevant papers and reports.	Complete (yes/no).

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FCS = fragile and conflict-affected situation; FCV = fragility, conflict, and violence; FY = fiscal year; GDI = graduation discussion income; IDA = International Development Association; IDA17 = 17th Replenishment of IDA; IFC = International Finance Corporation; LIC = low-income country; PSW = Private Sector Window; UMIC = upper-middle-income country.

Table B.5. World Bank Group Global Themes: Crisis Management and Fragility, Conflict, and Violence

World Bank Group Policy Measures for Crisis Management and FCV	Commitments	Indicators	Targets
Enhanced IBRD's crisis response capacity incorporated in the Financial Sustainability Framework.	Incorporate crisis response into IBRD Financial Sustainability Framework. CIP main text. Underlined and in annex summary of the capital package.	Crisis buffer introduced. Annual approved amount of crisis buffer and resulting buffer-adjusted SALL level.	Complete (yes/no). Monitored.
IFC to strengthen partnerships with the World Bank and others to ensure a coordinated approach to crisis management and FCV.	Strengthen IFC partnership with the World Bank and others to ensure a coordinated approach to crisis management and FCV. CIP main text. Underlined and in annex summary of the capital package.	IFC's FCS strategy integrated into World Bank Group FCV strategy. Reported in implementation updates narrative.	Implemented (yes/no).
Building on the Global Crisis Management Platform, the Bank Group proposes to strengthen its efforts to support FCV situations, with a view to reinforcing country, regional and global stability, and development. Strong emphasis on crisis prevention.	Strengthened response to national, regional, and global crises. Focus on preventing escalation of FCV situations and their spillover. CIP main text. Underlined and in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

(continued)

World Bank Group Policy Measures for Crisis Management and FCV	Commitments	Indicators	Targets
IFC's upstream diagnostic work to guide its investments in high-risk FCV markets and implementation of specific de-risking solutions such as PSW.	Increasing IFC investments in high-risk FCV markets accompanied by upstream diagnostic work and implementation of specific de-risking solutions, such as PSW. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FCS = fragile and conflict-affected situation; FCV = fragility, conflict, and violence; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; PSW = Private Sector Window; SALL = sustainable annual lending limit.

Table B.6. World Bank Group Global Themes: Climate Change

World Bank Group Policy Measures for Climate Change	Commitments	Indicators	Targets
For IBRD, the package will support increasing the climate co-benefit target of 28% by FY20 to an average of at least 30% over FY20–23, with this ambition maintained or increasing to FY30.	IBRD average climate co-benefits of at least 30% over FY20–23, with this ambition maintained or increasing to FY30, reaching a cumulative $105 billion, 1.8 times or $45 billion more than if no package. CIP main text. Underlined and in annex summary of the capital package.	Share of climate co-benefits in total commitments (%).	At least 30% average over FY20–23. Ambition maintained or higher in FY24–30.
All IBRD-IFC projects will be screened for climate risk.	All projects screened for climate risk. CIP main text. Underlined and in annex summary of the capital package.	IBRD: Annual percent of operations screened for climate risk. IFC: Annual percent of projects screened for climate risk within the sectors where climate risk screening was mainstreamed.	100%.

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World Bank Group Policy Measures for Climate Change	Commitments	Indicators	Targets
IBRD-IFC investment operations in key emission-producing sectors will incorporate the shadow price of carbon in economic analysis and apply GHG accounting, with annual disclosure of GHG emissions.	**IBRD-IFC investment operations in key emission-producing sectors to incorporate the shadow price of carbon in economic analysis and to apply GHG accounting, with annual disclosure of GHG emissions.** CIP main text. Underlined and in annex summary of the capital package.	IBRD: Annual percent of operations screened for climate risk. Annual disclosure of related GHG emissions. IFC: Annual percent of eligible projects incorporating shadow carbon pricing. Annual percent of eligible projects applying GHG accounting and disclosure.	100%. Implemented (yes/no). 100% by FY20. 100% by FY20.
In cooperation with other MDBs, the World Bank Group will review the methodology used for computing climate co-benefits with a view to better capturing adaptation benefits.	**In cooperation with other MDBs, the Bank Group will review the methodology used for computing climate co-benefits with a view to better capturing adaptation benefits.** CIP main text. Underlined and in annex summary of the capital package.	Progress in reviewing and improving methodology for computing climate co-benefits to improve capturing of adaptation benefits.	Complete (yes/no).
IFC will increase climate investments, including mitigation and adaptation projects, to 35% of commitments by 2030. Over FY19–30, the average would be 32%.	**Increasing share of climate investments to 35% by FY30** and reaching an average of 32% between FY20 and FY30 compared with 28% in the no-capital increase scenario. CIP main text. Underlined and in annex summary of the capital package.	Share of climate investments as a percent of LTF own-account commitments.	35% by FY30. 32% average in FY20–30.

(continued)

World Bank Group Policy Measures for Climate Change	Commitments	Indicators	Targets
IFC will leverage World Bank policy work (under the Cascade approach) and expand the use of private sector solutions that cut across sectors and country groups.	**IFC will leverage World Bank policy work and expand use of private sector solutions** that cut across sectors and country groups, expand share of early-stage equity investments and new technologies, and help countries meet their NDCs. CIP main text. Underlined and in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; GHG = greenhouse gas; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; LTF = long-term financing; MDB = multilateral development bank; NDC = nationally determined contribution.

Table B.7. IBRD Global Themes: Gender

IBRD Policy Measures for Gender	Commitments	Indicators	Targets
Continuous implementation of the gender action plan, with at least 55% of IBRD operations contributing to narrowing the gender gap by FY23.	**Increase the proportion of IBRD operations that narrow gender gaps ("gender tagged").** CIP main text. Underlined and in annex summary of the capital package.	Percent of operations that are gender tagged.	55% by FY23 with ambition maintained or increasing to FY30.
60% of operations with financial sector components narrowing gaps in access to financial services by FY23, with this ambition maintained or increasing to FY30.	**Increase in the share of IBRD operations with financial sector components that include specific actions to close gender gaps in access to and use of financial services.** CIP main text. Underlined and in annex summary of the capital package.	Percent of operations with financial sector components that include specific actions to close gender gaps in access to and use of financial services.	60% by FY23 with ambition maintained or increasing to FY30.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; IBRD = International Bank for Reconstruction and Development.

Table B.8. IFC Global Themes: Gender

IFC Policy Measures for Gender	Commitments	Indicators	Targets
IFC will quadruple the amount of annual financing dedicated to women and women-led SMEs by 2030.	**IFC aims to quadruple the amount of annual financing dedicated to women and women-led SMEs.** CIP main text. Underlined and in annex summary of the capital package.	Amount of annual financing dedicated to women and women-led SMEs.	$1.4 billion per year by FY30.
Increase the amount of annual commitments to financial intermediaries specifically targeting women.	**$2.6 billion in annual commitments to financial institutions specifically targeting women by** 2030. CIP main text. Underlined and in annex summary of the capital package.	Amount of money committed to financial institutions targeting women.	$2.6 billion by FY30.
IFC will also flag all projects with gender components by 2020.	Flagging all projects with gender component by 2020. CIP main text. Not underlined but listed in annex summary of the capital package.	All projects with gender component flagged as applicable.	100%.
IFC aims to double the share of women directors that IFC nominates to boards of companies where it has an equity investment.	Doubling the share of women directors IFC nominates to Boards of companies where it has an equity investment (from 26% currently to 50%). CIP main text. Not underlined but listed in annex summary of the capital package.	Percent of women directors IFC nominates to boards.	50% of women directors by FY30 (increase from 26% baseline).

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; IFC = International Finance Corporation; SME = small and medium enterprise.

Table B.9. World Bank Group Global Themes: Knowledge and Convening

World Bank Group Policy Measures for Knowledge and Convening	Commitments	Indicators	Targets
The World Bank Group—Leveraging Bank Group knowledge and convening role for greater impact, including demonstration effects of implementing the Cascade approach.	» Help countries share experience with Cascade approach to maximize finance for development. » Help countries share experience on Maximizing Finance for Development. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
The Bank Group—Convening the public and private sectors on pressing global challenges.	CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
The World Bank will develop SFK generation and sharing to preserve and enhance its comparative advantage in this area. World Bank Group efforts will focus on sharing new research to underpin improved policy-making on emerging challenges; systematically harnessing and sharing knowledge (for example, South-South exchange) embedded in financing operations across the income spectrum; supporting innovative approaches for data collection; and continuing to strengthen public access to development data.	Develop SFK generation and sharing. CIP main text. Underlined and in annex summary of the capital package.	SFK generation and sharing developed and presented to the Board.	Complete (yes/no).

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World Bank Group Policy Measures for Knowledge and Convening	Commitments	Indicators	Targets
Dedicate part of IBRD income to provide concessional financing GPG.	Establish an IBRD fund that uses IBRD surplus income to provide concessional financing for GPG. CIP main text. Not underlined but listed in annex summary of the capital package.	Annual amount of funding dedicated to GPG fund from IBRD surplus.	Implemented (yes/no). Monitored (no target).
IFC will focus on critical mentoring and financial infrastructure to support entrepreneurship and innovation.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Not reported.	No target.
IFC will invest with players that have the potential to become regional champions and facilitate transfer of new technologies to solve development issues. To scale up in this area, IFC will work more closely with the World Bank to advise and support policy improvements.	IFC to also invest with private companies that have the strategy and the potential to become regional champions. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; GPG = global public good; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; SFK = Strategic Framework for Knowledge.

Table B.10. World Bank Group Global Themes: Regional Integration

World Bank Group Policy Measures for Regional Integration	Commitments	Indicators	Targets
The World Bank Group will continue to work with regional entities, other development partners, and the private sector to help build the connective infrastructure in areas such as transport, information and communication technologies, and energy. The Bank Group will support efforts on complementary policy and institutional reforms that are needed to ensure that gains from regional cooperation on infrastructure materialize fully, to foster growth of businesses and create good local jobs and value addition in all participating countries in an inclusive and sustainable manner.	Supporting inclusive and sustainable regional integration through connective infrastructure and complementary policy and institutional reforms. CIP main text. Not underlined and not listed in annex summary of the capital package but recognized as commitment in implementation status table.	IBRD—Progress in supporting regional integration through projects and advisory services and analytics. Reported in CIP implementation status table and implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: CIP = capital increase package; IBRD = International Bank for Reconstruction and Development.

Table B.11. Mobilization and Creating Markets: Private Capital Mobilization

World Bank Group Policy Measures (PCM)	Commitments	Indicators	Targets
Adopting a systematic approach to creating markets across the World Bank Group by linking policy reform, advisory, investment, and mobilization to deliver solutions packages and using the Cascade approach as the operating system to MFD. From diagnostics to investments, the Bank Group instruments will be leveraged to crowd in the private sector.	Adopting a systematic approach to creating markets across the Bank Group using the Cascade approach as the operating system to MFD. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
The Bank Group—Growing use of private sector solutions and mobilization of private finance with annual Bank Group mobilization by IBRD and IFC 1.7 times higher in FY30 than in no-capital increase scenario.	CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
IBRD aims to increase its mobilization ratios to 25% on average over FY19–30.	IBRD will increase its mobilization ratio to 25% on average over FY19–30. CIP main text. Underlined and in annex summary of the capital package.	IBRD private mobilization ratio.	25% on average over FY19–30.
IFC aims to increase its mobilization ratios to 90% by 2030 and reach 80% on average over FY19–30.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.

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World Bank Group Policy Measures (PCM)	Commitments	Indicators	Targets
The Bank Group continues to implement many important processes and tools to deliver this agenda, focusing on Bank Group coordination, upstream sector prioritization and project development, improved metrics to assess and anticipate the potential for market development, and new tools for supporting high-risk private sector projects and to enhance mobilization. To implement IFC 3.0, IFC has also put in place a new management structure and developed a set of new tools to enhance delivery.	IBRD—Supporting policy reforms to unlock opportunities for private sector investment. IFC—Scaling up private sector solutions by » Deepening Bank Group collaboration for policy reform to eliminate obstacles to private investment. » Using advisory services for upstream project preparation and de-risking tools where needed to build up the pipeline of bankable projects. » Drawing in new private sector investors by own-account investments and creating new instruments and platforms for mobilization. CIP main text. Not underlined but listed in annex summary of the capital package.	Pipeline of upstream projects. Reported in CIP implementation status table and implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: The bold text in the table was underlined in the CIP document to show that these were formal commitments. CIP = capital increase package; FY = fiscal year; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; MFD = Maximizing Finance for Development; PCM = private capital mobilization.

Table B.12. Mobilization and Creating Markets: Domestic Revenue Mobilization

World Bank Group Policy Measures for DRM	Commitments	Indicators	Targets
The World Bank has created a Global Tax Team charged with broadening and deepening the tax base of client countries, working closely with IMF.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Limited reporting in implementation updates narrative.	No target.
IFC aims to support DRM by investing in local capital market players (such as insurance companies and fund managers, and so on) and deploying innovative solutions to develop the local capital markets (including bond issuance, partial credit guarantees, and securitizations).	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Not reported.	No target.

Source: Independent Evaluation Group.

Note: CIP = capital increase package; DRM = domestic revenue mobilization; IFC = International Finance Corporation; IMF = International Monetary Fund.

Table B.13. World Bank Group Internal Model: Effectiveness

World Bank Group Policy Measures for Effectiveness	Commitments	Indicators	Targets
Further implementing "agile" reforms and administrative simplifications to deploy World Bank Group resources more efficiently.	Further implementing "agile" reforms and administrative simplifications to deploy Bank Group resources more efficiently, including through » Empowered and engaged staff seeking continuous improvement. » Solution-driven, mobilization-driven, and adaptive approaches. CIP main text. Not underlined but listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.
The Bank Group—Introducing a range of new efficiency measures, including managing salary and workforce growth, achieving savings in corporate procurement and real estate and savings from administrative simplification and agile approaches. These measures, in addition to the continuous implementation of the Expenditure Review measures, will help maintain budget discipline. This commitment is outside the validation's scope as mentioned in chapter 1.	Revise staff compensation methodology to control salary growth and pursue other human resources measures. CIP main text. Not underlined but listed in annex summary of the capital package.	Revised staff compensation methodology adopted.	Complete (yes/no).

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World Bank Group Policy Measures for Effectiveness	Commitments	Indicators	Targets
IBRD—The new Environmental and Social Framework is being rolled out to help improve the sustainability of investments.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.
IBRD—Procurement reforms make it easier to implement projects, while building the capacity of borrowers.	Not underlined in CIP and not listed in annex summary of the capital package.	No indicator in CIP implementation status table. Reported in implementation updates narrative.	No target.

Source: Independent Evaluation Group.

Note: CIP = capital increase package; IBRD = International Bank for Reconstruction and Development.

Table B.14. IBRD Internal Model: Financial Sustainability Framework

IBRD Policy Measures for FSF	Commitments	Indicators	Targets
Introducing an IBRD FSF with the following objectives: » Lending remains automatically aligned to long-term sustainable capacity consistent with capital adequacy policy, assuming no further capital injection and continuation of transfers based on the IDA18 formula » Pressures for lending beyond sustainable level force trade-off decision between volume and lending terms » Efficient use of capital while retaining flexibility to respond to crises » Ten-year SALL » A set of rules to size the lending program with automatic self-correcting mechanisms to stay aligned with SALL and automatically building up a crisis buffer, including automatic harder terms for accessing crisis buffer with exceptions approved by the Board on a case-by-case basis (with cap of 20% on exceptions) » Approval by the Board of Governors of the objectives and principles of the framework, as part of the capital increase resolutions » Annual Board update on lending program, SALL, and status of the buffer and Board authorizations related to the buffer.	Introduce an IBRD FSF. CIP main text. Not underlined but listed in annex summary of the capital package.	New IBRD FSF introduced.	Complete (yes/no).

Source: Independent Evaluation Group.

Note: CIP = capital increase package; FSF = Financial Sustainability Framework; IBRD = International Bank for Reconstruction and Development; IDA18 = 18th Replenishment of the International Development Association; SALL = sustainable annual lending limit.

Table B.15. IFC Internal Model: Financial Sustainability Framework

IFC Policy Measures for FSF	Commitments	Indicators	Targets

Continuing application of the existing framework, which contains the following:
» Strategic capital adequacy framework with minimum DSC ratio
» Minimum investment return targets for new projects
» Income-based designations
» Active portfolio management and mobilization strategies that aim at optimizing balance sheet use
» Economic capital allocation framework to manage exposure limits and improvement of certain aspects of the framework through the following:
  » Formal review and reaffirmation of DSC ratio policy range at least annually
  » Application of modifications to stress-testing framework and monitoring of new risk and capital models
  » Establishment of more granular policy ratios
	Continue application of the existing IFC framework and improve certain aspects of the framework through (i) formal review and reaffirmation of the DSC policy range annually, (ii) keeping abreast with evolving standards in risk and capital models, and (iii) establishment of more granular policy ratios. CIP main text. Not underlined but listed in annex summary of the capital package.	Continued application of the existing IFC framework with relevant enhancements.	Implemented (yes/no).

Source: Independent Evaluation Group.

Note: CIP = capital increase package; DSC = deployable strategic capital; FSF = Financial Sustainability Framework; IFC = International Finance Corporation.

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