Ministry of Foreign Affairs of the Netherlands

IOB Evaluation

Working with the World Bank

Evaluation of Dutch World Bank policies and funding (2000-2011)

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March 2013

Preface

This report presents the findings of an assessment of the Dutch engagement with the World Bank over the period 2000 – 2011. The evaluation has been conducted by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs.

The World Bank is an important multilateral partner in Dutch development cooperation. Over the period 2000-2011 the Netherlands channelled EUR 5.3 billion of its official development assistance through the World Bank and the International Finance Corporation (IFC).

With this evaluation, IOB aims to report on the quality and value of the Bank as a partner in Dutch development cooperation, while accounting for the substantive funding provided over the past decade. The focus of the study is on the two main targets of Dutch financing for the World Bank Group: the International Development Association (IDA) and the trust funds at the Bank and IFC that were supported by the Netherlands.

For this study, IOB made extensive use of existing evaluations, in particular a broad range of reports of the Independent Evaluation Group (IEG) of the World Bank. Interviews and further desk research were used to complete the picture.

The main message of the report is that changes and improvements in World Bank policies and operations have made it a more relevant and effective partner for Dutch development cooperation, and that most of the Dutch funding via the Bank was well spent. However, specific weaknesses in World Bank policies and operations persist and need to be taken into account in future work with and funding for the World Bank. In order to make more effective use of the Bank's capacity and expertise, Dutch World Bank policies and trust fund support would benefit from a sharper focus and a clearer strategy for overall engagement.

The study has been carried out by IOB senior evaluator Jan Klugkist who also wrote the report. In the first months he was assisted by IOB researcher Simone Verkaart who contributed to important elements of the study. Jolijn Engelbertink assisted in the last stage of the process.

The evaluation has been guided by a reference group consisting of Hélène Rekkers of the multilateral department (DMM) of the Netherlands Ministry of Foreign Affairs, Daan Marks of the foreign financial affairs department (BFB) of the Ministry of Finance, and Lucien Back, independent consultant. IOB senior evaluators Nico van Niekerk and Antonie de Kemp have peer-reviewed the Terms of Reference and draft texts. Henri Jorritsma, deputy-director of IOB, was responsible for overall supervision.

Special thanks go to staff at the Dutch executive directors' office (Gijs Gerlag and Karin Schilder) for their support and for facilitating interviews in Washington. We are also grateful to Chad Dobson of Bank Information Centre for his support. We would like to thank Helena Nkole and Anton van Ruiten for facilitating the case study on BNPP resp. NIPP. Valuable

comments on draft texts were received from the World Bank and IFC, the Dutch executive director and his team, the Dutch embassies in Indonesia (Onno Koopmans) and Ethiopia (Geert Geut) and several informants, including David Kuijper, Franke Toornstra and Anouk Franck.

The final responsibility for the content of the report rests with IOB.

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Acronyms and Abbreviations

AAA	Analytical and Advisory Services (of World Bank)
AMC	Asset Management Company (of IFC)
ARTF	Afghan Reconstruction Trust Fund
AS	Advisory Services (of IFC)
BETF	Bank-Executed Trust Fund
BNPP	Bank-Netherlands Partnership Program
BNWPP	Bank-Netherlands Water Partnership Program
BNWP	Bank-Netherlands Water Program in Supply and Sanitation
BP	Bank Procedure
CA	Cities Alliance
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASA	Conflict Affected States in Africa
CEIF	Clean Energy Investment Framework
CFP	Concessional Finance and Global Partnerships Vice-Presidency of the WB
CFPTO	Global Partnership and Trust Fund Operations Department of the WB
CGIAR	Consultative Group on International Agricultural Research
CGAP	Consultative Group to Assist the Poor
CPIA	Country Policy and Institutional Assessment
DB	Doing Business
DOTS	Development Outcome Tracking System of IFC
ED	Executive Director
ESMAP	Energy Sector Management Assistance Program
FCFP	Forest Carbon Partnership Facility
FCS	Fragile and Conflict Affected States (or Situations)
FIAS	Foreign Investment Advisory Service
FIF	Financial Intermediary Fund
FIRST	Financial Sector Reform and Strengthening Initiative
FTI	Fast Track Initiative (Education-for-All)
FY	Fiscal Year (FY10 = 1 July 2009-30 June 2010)
GAC	Governance and Anticorruption
GAVI	Global Alliance on Vaccines and Immunization
GEF	Global Environmental Fund
GEQIP	Ethiopia General Education Quality Improvement Project
GFATM	Global Fund to Fight AIDS, Malaria and Tuberculosis
GFDRR	Global Facility for Disaster Reduction and Recovery
GPF	Governance Partnership Facility
GPOBA	Global Partnership on Output-Based Aid
GRPPs	Global and Regional Partnership Programs
HIPC	Heavily Indebted Poor Country
HNP	Health, Nutrition and Population
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report

ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IEG	Independent Evaluation Group (before: OED)
IFC	International Finance Corporation
IFI	International Financial Institution
INT	Integrity Vice Presidency
LICUS	Low Income Countries under Stress
M&E	Monitoring and Evaluation
MAR	Management Action Record
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MDRP	Multi Party Demobilization and Reintegration Program
MDTF	Multi-Donor Trust Fund
MFA	Ministry of Foreign Affairs (of the Netherlands)
MIGA	Multilateral Investment Guarantee Agency
MOPAN	Multilateral Organisation Performance Assessment
MSME	Micro, Small and Medium Enterprises
NBI	Nile Basin Initiative
NIPP	Netherlands-IFC Partnership Program
NIPP-CAC	allocation within NIPP for private sector development in fragile states
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OP	Operational Policy
OPCS	Operations Policy and Country Services of the World Bank
PAD	Project Appraisal Document
PBS	Protection of Basic Services
PCR	Project Completion Report
PENSA	Program for Eastern Indonesia Small and Medium enterprise Assistance
PEP	Private Enterprise Partnership
PFM	Public Finance Management
PNOWB	Parliamentary Network on the World Bank
PNPM	Community Development Program in Indonesia
PSIA	Poverty and Social Impact Analysis
PPAR	Project Performance Assessment Report
PPIAF	Public-Private Infrastructure Advisory Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PRSTF	Poverty Reduction Strategy Trust Fund
PSD	Private Sector Development
PSNP	Productive Safety Net Program Ethiopia
PWC	Post-Washington Consensus
QAG	Quality Assurance Group
QuODA	Quality of Official Development Assistance
REDD	Reducing Emissions from Deforestation and Forest Degradation
RETF	Recipient-Executed Trust Fund

RMS	Results Management System
SBI	Sustainability Business Innovator
SDR	Special Drawing Right (artificial currency unit created by the IMF)
SDTF	Single-Donor Trust Fund
SGP/SGIP	Indonesia Scholarship and Grants Program
SME	Small and Medium Enterprise
SPF	State and Peace building Fund
SSN	Social Safety Nets
SWAp	Sector Wide Approach
TA	Technical Assistance
TF	Trust Fund
TFSCB	Trust Fund for Statistical Capacity Building
TK	Tweede Kamer (House of Representatives in the Netherlands)
TTL	Task Team Leader (within the WB)
WBG	World Bank Group
WDR	World Development Report
WPP	Water Partnership Program
WSP	Water and Sanitation Programme

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Summary and conclusions

This report assesses the Dutch engagement with the World Bank and the quality of the Bank as a development partner for the Netherlands over the 2000-2011 period. The main message is that developments at the World Bank over the past decade have made it a more relevant and effective partner for Dutch development cooperation and that most of the Dutch funding via the Bank was well spent. However, specific weaknesses in Bank policies and operations persist and need to be taken into account in further work with the World Bank. Moreover, Dutch World Bank policies and funding – in particular for global trust funds - would benefit from a clearer focus, in order to make a more optimal use of the relation with this multilateral institution.

Dutch World Bank policies

Over 2000-2011, the Netherlands continued its policy of positive engagement with the World Bank. This was motivated by the view that the Bank is a systemic institution in the multilateral system and a key player in international development assistance, with a leading role in low-income countries through IDA.

Over the period 2000-2011, the Netherlands provided EUR 5.3 billion to the World Bank Group, which represented 11% of total Dutch ODA. Core contributions to IDA made up a large part (37%), but most of the funding (63%) went to a wide variety of country-specific and global trust funds. Trust fund support peaked in the mid-2000s, while support to IDA continued to rise over the decade.

Over the years, the Netherlands translated many of its own bilateral priorities into priorities for engagement with the Bank. Using the Bank's capacity to spend Dutch ODA more effectively on the attainment of Dutch policy objectives was a major reason behind the expansion of trust fund support. The Dutch focus on basic education led to jointly setting up the Fast Track Initiative in 2002, which subsequently became a large recipient of Dutch trust fund support. The bilateral focus on fragility & conflict led to intensified support for several country-specific IBRD/IDA trust funds (such as for Afghanistan and South Sudan). Together, these two sectors covered about half of total Dutch trust fund support via the Bank.

Part of the Dutch policy was to use funding and dialogue to influence and strengthen the Bank's agenda and operations in specific areas. In particular in the early 2000s, the Netherlands advocated a stronger poverty and gender focus in Bank operations. Over the decade, the Netherlands also called for greater attention to other thematic and cross-cutting issues, such as governance, anticorruption and environmental sustainability.[1]

Such calls were often backed up by trust funded activities at the Bank, financed through the Bank-Netherlands Partnership Program (BNPP). The BNPP arrangement was set up (in 1998)

[1] More recently (2011-2012), the Bank's procurement policy (in particular: the extent to which high quality providers like many Dutch firms have access to Bank funded activities) and staff salary levels became prominent features for dialogue with the Bank.

to fund such innovative knowledge and technical assistance activities of the Bank, while at the same time functioning as an umbrella for Dutch support to many other global trust funds. Also, BNPP provided a special platform for Dutch policy dialogue with the Bank, in addition to the IDA replenishment negotiations every three years, the biannual Bank/IMF meetings and the Dutch seat at the Bank's Board. In 2011, the Netherlands decided to phase out BNPP as a result of budget cuts.

The evaluation

The evaluation assesses the Dutch engagement with the World Bank and the quality of the Bank as a development partner for the Netherlands over the 2000-2011 period, with a focus on IDA and trust funded activities supported by the Netherlands.

IOB looked in particular at the Bank's policies and effectiveness in the policy areas that were most prominent in Dutch policy debates or in Dutch trust funding with the Bank: i) poverty focus; ii) cross-cutting themes gender equality, environmental sustainability, and governance & anticorruption; iii) priority sectors fragility & conflict, private sector development, and water and sanitation; iv) harmonization & alignment.

Case studies were undertaken of two bilateral partner countries where a large part of Dutch support was provided via Bank trust funds: Indonesia and Ethiopia. Specific assessments were made of two major single-donor trust fund arrangements: the Bank-Netherlands Partnership Program (BNPP) and the Netherlands-IFC Partnership Program. Also evaluations of a selection of 9 global partnership trust funds were reviewed.

The evaluation was essentially a desk study combined with interviews of stakeholders in The Hague and Washington, and in Dutch embassies in 15 partner countries. Evaluations of the Bank's Independent Evaluation Group (IEG) were an important source for reviewing the effectiveness of Bank operations. In addition, many other evaluations were used, as well as a broad range of Dutch and Bank policy documents and (scientific) studies.

The lack of primary research and the reliance on existing evaluations can be seen as a limitation of this study. However, the quality and independence of IEG's work is widely recognized and by using this as a main source IOB intended to avoid double work and putting an undue burden on all stakeholders concerned.

Main World Bank policy directions

Over the 1990s, the Bank moved from a rigid market-based Washington Consensus to a more flexible Post-Washington Consensus approach to development, in which the role of well-functioning governments in the development process was more explicitly recognized. Supporting 'inclusive and sustainable globalization' became the overarching motto of the 2000s. The key strategic themes of the World Bank Group in the 2000s were i) a renewed focus on poverty and the poorest countries, ii) a larger role in post-conflict and fragile states, iii) tailored work with middle-income countries, iv) leading efforts on global public goods, including climate change, and v) a strong focus on knowledge and learning. The financial crisis of the late 2000s added another key theme: managing risks and preparing for crisis. This was backed up by an IBRD capital increase agreed in 2010.

The World Bank expanded its range of policies and activities, both in response to criticism and requests from its constituency and in an effort to remain relevant in a changing international environment with less demand from middle-income countries for the Bank's lending. Trust funding in the form of grants supported this expansion. As a result, the Bank now covers practically every issue in development, often accompanied by a more or less sophisticated Bank strategy.

This is in particular the case for IDA. Stimulated in replenishment negotiations by its donors (including the Netherlands and likeminded donors), IDA has taken up a long list of priorities, ranging from a focus on the MDGs, gender, private sector development and fragile states, to governance, climate change and anti-corruption. IDA has also functioned as a pioneer for results measurement within the Bank.

The downside to this responsiveness is that the Bank now appears to be all over the place. IEG has warned in several evaluations that the lack of focus, also at country level and in the adoption of trust funded activities, is reducing the overall effectiveness of the organisation.

World Bank operations and overall performance

Over the 2000s, the Bank further improved its system for monitoring and evaluation of investment and development policy lending. This now provides real-time information on the performance of the portfolio, which facilitates proper management for development results. Based on IDA's Result Measurement System (introduced in IDA13 in 2003), the Bank also developed a useful scheme for the collection and aggregation of standardized results data from its projects. The Bank can now indicate, for instance, that IDA-financed operations over FY09-11 contributed to more than 15,000 hospitals and 185,000 classrooms built or rehabilitated, to water supply or sanitation for 59 million beneficiaries, to 20,000 kilometres of roads, etc. Exemplary transparency on project documents and strong fiduciary rules (against fraud and corruption with Bank funds) are further elements of the Bank's increasingly sophisticated operational standard.

Evaluation data also indicate long term improvements in Bank performance: over the 2000s more than 3/4 of Bank lending activities achieved satisfactory results at completion, compared to 2/3 in the 1990s. The percentage of IDA-projects with satisfactory outcome achievement climbed from 65% under IDA11 (FY97-99) to a peak of 77% in IDA-14 (FY06-08). Improvements were realized in practically every sector.

Recently these outcome ratings have fallen back, to 72% over FY09-11 for the Bank as a whole.[2] Lower scores were in particular found in agriculture, transport, urban development and water, and more in upper middle-income countries and in East Asia than elsewhere. But also IDA ratings fell, to 69% satisfactory for projects completed under IDA15 (FY09-11).

IEG found no single factor to explain the recent drop. A range of structural issues are at play when it comes to effectiveness of Bank-funded activities. As the Bank does not implement the country-level activities itself, the effectiveness of Bank lending ultimately depends on the client countries' capacity to deliver, in interaction with external factors. The Bank's role is to ensure that a proposed lending activity can achieve its intended results under normal circumstances, taking reasonable risks into account.

IEG evaluations point to several internal reasons at the Bank why lending activities can fail to deliver intended outcomes. Main issues are unrealistic project design (plans that overstretch the implementing capacity in the client country; too many or too complex targets, etc.), inadequate consultation with stakeholders in the client country, and insufficient Bank supervision during implementation. IEG also noted a persistent danger that Bank staff put more emphasis on achieving lending targets than on ensuring that the lending can realistically deliver the intended results. Bank management suggested that stricter results measurement since 2006 may also be a reason why outcome ratings fell in recent years. A factor in the case of operations in smaller and fragile IDA countries (noted by IOB in interviews and in IEG-evaluations on the subject) is the availability, quality, and mandate of staff in the Bank's country offices. Availability of skilled in-country staff is an important condition for understanding the local political economy, agreeing realistic projects with clients and for being able to provide adequate supervision during implementation. In particular in smaller and fragile IDA-countries in Africa such conditions did not always exist, even while the Bank has in recent years moved substantially more staff to such countries.

Despite shortcomings and weaknesses, overall performance of the Bank is generally perceived as good. The MOPAN 2012 report rates the Bank as 'adequate' or 'strong' on all 19 MOPAN performance indicators. IDA received a 'satisfactory' score on organizational strength in DFID's 2011 Multilateral Aid Review, ending up on the 4th position of 43 multilateral organizations. In a similar Australian review, the Bank (and IFC) ended up in the highest category. Also in the Quality of Official Development Assistance report of the Centre for Global Development, IDA received high rankings on all dimensions.

World Bank performance on specific themes and sectors

The next paragraphs provide evidence from IEG evaluations of sectors and themes that the Netherlands considered important in its work with the Bank.

[2] This includes both investment lending and development policy lending. Outcomes for development policy lending (representing a much smaller number of operations than investment lending) were stable or improved.

Poverty focus

Dutch criticism in the early 2000s that Bank policies and operations lack sufficient poverty focus lost its relevance over the decade. From the late 1990s on and reinforced by the MDGs process, the Bank has put much more emphasis on achieving outcomes for the poor in practically all its activities. IDA as such became a more prominent part of the Bank. Policies in key social sectors such as basic education and health were strengthened; lending expanded and substantial outputs were achieved. Social Safety Nets for the very poorest achieved good results in many countries (including with Dutch co-financing in Ethiopia and Indonesia – see below). The Bank's analytical work on poverty has been a major contribution to the conceptualization of poverty in all its dimensions. However, agriculture, a key sector for poverty reduction in Africa, was only given renewed attention after the food prices crisis of 2007 (as was the case with many other donors, including the Netherlands).

Themes: gender equality, environmental sustainability, governance & anti-corruption

In the early 2000s, the Bank agreed substantial strategies on the cross-cutting themes gender equality, environmental sustainability and governance & anticorruption. Their implementation was somewhat mixed.

The Bank's first gender strategy of 2001 contributed to a better uptake of the gender dimension in Bank operations and to improved gender equality outcomes in key areas such as girls' education, access to water at household level, microfinance, access to land and increased voice of women in development. However, the experience over the 2000s also shows that the gender dimension in Bank work requires constant maintenance and reinforcement in order not to be watered down at operational level. This was behind IDA donors' push to make gender a special theme in IDA16.

The Bank's environmental strategy of 2001 and its safeguards policy promoted serious consideration of environmental aspects in most Bank activities. The Bank's advisory work has in many developing countries contributed to the identification of key environmental issues, but translating this into lending arrangements has proven more difficult, mainly because of lukewarm interest from client countries. Tension exists between Bank policies to support growth and its ambition to address climate change, most visible in recent debates about coal-fired energy plants.

The Bank also set up comprehensive strategies (in 2000 and 2007) for addressing governance and corruption. It now has a strong internal framework for detecting and sanctioning fraud and corruption with Bank funds, accompanied by increasing transparency, also on sanctions. The Bank's record on promoting governance and anti-corruption in client countries was more variable. Important progress was achieved in public finance management and tax reform, but civil service reforms and anti-corruption activities showed limited success.

Specific sectors: fragility & post-conflict, private sector development, water

Over the 2000s, working in fragile and conflict-affected situations became a core activity for the Bank and for IDA in particular. Bank funding increased, but grants from multi-donor trust funds became the primary source (with the Netherlands as a key contributor – see below). The record of Bank activities in this highly difficult area of work is mixed. Good achievements in Afghanistan, Aceh and Liberia were interspersed with an initially very weak performance in South Sudan and a laborious effort in a Great Lakes demobilization program. Early and consistent deployment of sufficient quality staff in-country (instead of Bank missions flying in and out) was identified as a key constraint in several situations where the Bank agreed to take the lead in such multi-donor trust funding.

Private Sector Development (PSD) remained core business for the World Bank Group. There was no comprehensive IEG evaluation of the full PSD effort. Separate evaluations found variable results. Privatization of poorly run government organisations achieved mixed outcomes. Regarding investment climate, the Bank influenced a range of government-policy conditions in developing countries, captured in improvements in the annual Doing Business reports. The Bank's substantial work on financial sector reform generally achieved its intended outputs, but IEG found no proof yet that this translated into well-developed and more stable financial systems compared to countries not borrowing for this purpose. IFC projects in ICT/telecommunication achieved particularly strong results in IDA and conflict-affected countries.

IFC vastly expanded its activities with private sector clients, also in IDA countries and including in Sub-Saharan Africa and in fragile states. IFC commitments to private sector activities in IDA countries increased from 19% in 2001 to 31% of total in 2010, with a focus on India, Nigeria, Pakistan, and Vietnam. IEG found in 2011 that IFC's improved poverty focus in terms of selection of countries and sectors was not always reflected at project level; the majority of investment projects studied 'generated satisfactory economic returns, but did not provide evidence of opportunities for the poor to participate, contribute to, or benefit from the economic activities that the projects supported'. IFC argues that it has in recent years (in particular since 2010) undertaken important changes (including scaling-up its on-the-ground presence and sharpening its procedures, project design and results measurement), which should improve future outcomes for the poor.

The MDGs related to water and sanitary services gave a boost to the Bank's involvement in this sector. Over the 2000s, the Bank supported hundreds of projects in subsectors like wastewater treatment, water supply, irrigation, hydropower, and watershed management. Performance of water projects improved in the early 2000s, coming from low levels in the 1990s. Merely 80% of projects in Africa completed over the 2003-07 period achieved satisfactory outcome ratings. Bank efforts to increase private sector involvement and investment in water did not achieve much and occasionally even failed; public provision of water services remained the norm. Bank financing made a 'modest yet important' contribution to improving rural household's access to safe water. Sanitation was an area of limited progress for the Bank; many governments were reluctant to borrow for it and where they did, the projects often failed to reach poor rural families. The Netherlands was an important partner of the Bank in water activities, contributing to several trust funds for the provision of technical assistance to water projects.

Harmonization & Alignment

On harmonization and alignment the Bank's record is somewhat uneven. Good and early progress was made in alignment to country poverty reduction strategies, improved coordination with other donors and the use of local implementation structures. However, the use of client country financial and procurement systems has run against the limits of the Bank's strict fiduciary requirements. More selectivity (working in fewer sectors) was apparently not considered a priority, not by the Bank nor by its clients. Dutch experience also suggests a one-sided approach on the Bank's part: joining up with the Bank was warmly welcomed, while harmonizing the Bank's work towards other donors' approaches was generally not considered an option (which can at least partly be explained by the strict internal rules at the Bank).

The introduction of the Program for Results financing facility in 2012 – intended to fill the gap between the Bank's investment lending and its policy lending - implies more use of country systems. The forthcoming procurement reform is also likely to provide more flexibility.

World Bank trust funds: policy and overall performance

Donor contributions to IBRD/IDA trust funds quadrupled over the 2000s to USD 4 billion per year. Trust fund contributions to IFC also expanded. The Netherlands became a top-3 contributor to both. Reasons for donors to use the Bank for earmarked funding include its strong fiduciary framework and the Bank's capacity to leverage funding from other donors.

The Bank (and IFC) generally welcomed and promoted such earmarked funding, which led to a proliferation of trust funded activities. Currently there are over a thousand main trust funds in the World Bank Group. Country-specific funds are the core of the Bank's trust fund portfolio (2/3 of the funding), alongside a broad range of global and regional partnerships and other (thematic) trust funds that finance knowledge or technical assistance of the Bank itself. Almost half of the Bank's knowledge work is now paid for by trust funds.

A recent IEG-evaluation found that the country-specific trust funds were often adequate vehicles for scaling up country operations, in particular when they were well-integrated into the broader Bank country strategy. In post-disaster and post-conflict situations, multi-donor trust funds led by the Bank became a useful platform for donor coordination and pooled grant funding, with the potential to reduce transaction costs for both recipients and donors. However, experience varied (see above).

The extent to which the whole 'plethora' (as IEG calls it) of technical assistance and knowledge activities financed by trust funds was actually useful and effective, could not be systematically assessed. Reporting on such activities was generally limited to inputs and outputs (which were mostly achieved), with no or very little attention to outcomes and wider impact.

A key issue remains the variable quality of results frameworks and management arrangements of trust funded activities. While smaller activities have reporting requirements that IEG qualifies as 'inadequate' and 'ineffective', larger recipient-executed activities (i.e.: above USD 5 million) require since a few years standard Bank supervision and completion reporting. The Afghan Reconstruction Trust Fund, for example, is fully integrated into IDA's management and monitoring and evaluation system.

After the critical 2011 evaluation of IEG, the Bank speeded up trust fund reform, but further steps concerning its policy on acceptance and management of trust funds have still to be taken.

Effectiveness of the Dutch trust fund portfolio

As the second biggest donor to a broad range of IBRD/IDA trust funds, the Netherlands contributed significantly to the mushrooming of trust funded activities. About 340 funding arrangements provided EUR 3.3 billion in Dutch support for hundreds of Bank (and IFC) activities over 2000-2011. By far the largest part of the funding was for country-specific trust funds and to global funds for boosting country-programs (like the Education-for-All trust funds). Via the umbrella funds BNPP and NIPP, the Netherlands was also a relatively large contributor to global and regional trust funds on many issues. It also provided significant support to the knowledge and advisory work of the Bank and IFC.

The broad Dutch trust fund portfolio at the Bank emerged gradually at the level of operational professionals in the field and at headquarters, with limited strategic oversight by management. The Ministry's multilateral department did not have the authority to oversee trust fund arrangements with delegated funds (at embassy level) or funding arrangements of theme departments, except for arrangements under the BNPP- and NIPP-umbrella.

Several country-specific trust funds to which the Netherlands contributed achieved substantial results. In the two country-cases studied - Indonesia (EUR 490 million) and Ethiopia (EUR 90 million) - IOB found that most of the funding was relevant and effective. The funded programs benefitted millions of poor people in both countries and several programs achieved significant impacts in terms of poverty reduction and improved health and education in poor communities. The multi-donor trust fund for post-tsunami reconstruction in Aceh (to which the Netherlands provided 22% of donor funding) was recognized as a successful and replicable model for post-disaster reconstruction. In both countries there were specific political (and fiduciary) reasons for channeling a large part of Dutch bilateral aid via the Bank. The Dutch embassies were closely involved in these programs. In both countries, the program with the Bank has been or is being reduced as a result of shifting Dutch priorities and a different approach to bilateral cooperation.

Also the large multi-donor trust funds for post-conflict reconstruction in Afghanistan, South-Sudan and the Great Lakes (with a combined Dutch input of close to EUR 600 million) were found to be supporting highly relevant programs. Their effectiveness, however, varied. The Netherlands contributed about EUR 300 million to the Afghan Reconstruction Trust Fund that achieved 'impressive' (but highly vulnerable) results in areas like public finance management and health (with infant mortality falling almost 40%) and substantial outputs in roads, micro-finance and education (with enrollment increasing from 1 to 7.2 million pupils, of which 40% girls).

In the Great Lakes region, the Netherlands contributed about half the donor funding (EUR 100 million) for a demobilization effort that eventually reached – although with difficulties – close to 300,000 combatants. However, in South-Sudan (EUR 200 million), the Bank failed to provide sufficient capacity for early implementation (and flexibility in procedures) to adequately lead the intended reconstruction effort. Only after mid-course corrections, objectives started to be achieved. Also in IOB's interviews with Dutch embassy staff, the (lack of) local availability of qualified Bank personnel was indicated as a key factor constraining the actual effectiveness and efficiency of such multi-donor trust funds.

In particular the Dutch trust fund portfolio for global activities was scattered, despite efforts to bring some consistency by means of the umbrella arrangements BNPP (EUR 580 million) and NIPP (EUR 130 million).

An IOB review of 9 recently evaluated global programs (to which the Netherlands contributed about USD 130 million, directly or indirectly via BNPP) confirmed previous IEG-findings: such programs have relevant missions (better forest management, access to credit for the poor, sustainable energy plans, cities without slums, etc.) and generally deliver their intended outputs. However, the programs face difficulties in systematically showing results at outcome or impact level, although most of the programs were actively improving their monitoring and evaluation systems. A positive example was CGAP, the Consultative Group to Assist the Poor; this program reportedly functioned as the standard setter for micro-credit and inclusive finance, influencing policies and practices of many financial service providers.

Similarly, the effectiveness of the hundreds of Bank-executed knowledge activities that BNPP supported was hard to establish. Reports on and evaluations of the BNPP Core program indicated that the intended outputs (studies, articles, reports, handbooks, meetings, etc.) were all produced. Whether such outputs effectively informed Bank sector strategies, country strategies or lending activities was not always clear: proof was more anecdotal than systematic. Yet, reporting improved over the years. Indications from the latest external evaluation of the BNPP Core program suggest that after introduction of a focused results framework in 2007, the effective use of BNPP outputs in Bank policies and operations improved.

Dutch funding via NIPP helped shaping IFC's Advisory Services in the early 2000s, when funding for such activities was scarce and IFC had not yet developed advisory into one of its key lines of business. IFC has been able to put more funding itself into this key line of business, using its own net-income, supported by growing donor funding and increasing client contributions. With the latest evaluation dating back to 2006, IOB found that a comprehensive and forward-looking evaluation of NIPP is long overdue.

The wider Dutch engagement with the Bank

The Ministry of Foreign Affairs facilitated the dialogue with the Bank (and IFC) on policies and operations at Ministerial, senior official, and expert level, in coordination with the Ministry of Finance. Biannual Bank/IMF meetings and the regular BNPP and NIPP dialogues were used to highlight Dutch positions and priority themes. The Dutch Executive Director's office played an active role in bringing forward Dutch views in the Board, seeking inputs from the Dutch side, including from Dutch embassies. In IDA negotiations the Netherlands occasionally worked with likeminded donors, in particular the UK, Germany and the Nordic countries, which helped to shape IDA in line with likeminded development thinking. Elements of a strategy to guide the Dutch engagement with the Bank were written down in a few policy memoranda, in instructions for the World Bank/IMF meetings and in some internal documents.

Overall, the intensity of the Dutch engagement with the Bank fell over the decade, even while in some areas (fragile states, water, and procurement) the Netherlands' involvement was occasionally reinforced. The Ministry of Finance became less involved at political and senior official level, in particular after the outbreak of the global financial crisis in 2007. Systematic Dutch efforts to change specific aspects of Bank policies and operations – like improving the quality and ownership of PRSPs as a basis for IDA country assistance - were more common in the early 2000s than in the second half of the decade. The use of the Bank's capacity for country-level trust funding (as in Indonesia and Ethiopia and via budget support in other countries) is scaled down as part of changes in Dutch bilateral policy.

Trust fund support via BNPP was in the early 2000s more often accompanied by close involvement of experts from the Ministry of Foreign Affairs to promote effective use on both sides of outputs produced with Dutch support; this sustained the relevance of the partnership on the Dutch side. The increasingly hands-off approach in managing BNPP limited the involvement of the Ministry's experts in the process. The decision in 2011 to stop the BNPP Core program was primarily a financial decision in a situation of severe budget cuts, but the reduced relevance for and ownership of BNPP in The Hague made BNPP an easy target.

Further convergence of Bank and Dutch policies over the decade has probably been an important – and justifiable - reason for less intensive interaction with the Bank. This may have been reinforced by changes in the Netherlands that reduced overall Dutch ambitions in international development cooperation. However, the evaluation also indicates that combining trust fund support for the Bank with close professional involvement is advisable in order to keep an eye on the results orientation of the programs, to fully capitalize on the Bank's expertise and to be able to reap wider benefits (including Dutch private sector involvement in Bank programs). Such professional interaction was – at the Washington level - more incidental than systematic, which reduced the benefits of the funding relation.

Main conclusions

1. Over the past decade, the Bank improved its policies, sector strategies and operational standards, largely in line with Dutch (and other likeminded) views and demands. This has made the Bank - and IDA in particular – a potentially more relevant multilateral partner for Dutch development cooperation.

Several findings underpin this conclusion. In terms of overall strategies and sector and thematic policies, Dutch and World Bank views have practically converged. The stronger focus in IDA/Bank policies – called for by the Netherlands - on poverty, gender, environment, governance and anticorruption, fragile and post-conflict situations, etc. became largely realised over the decade. The Bank's strategies in these areas are comprehensive and reflect Dutch views and priorities.
At the operational side, the Bank strengthened its system for results-based management and monitoring and evaluation. Also its fiduciary framework, its transparency and its results reporting system are elements of a high standard operational model.
Evaluation indicates long term improvements in Bank performance: over the 2000s more than 3/4 of Bank lending activities achieved satisfactory results, compared to 2/3 of the lending in the 1990s. Moreover, Bank lending contributed to substantive results in client countries. Yet, improvements in effectiveness are vulnerable and outcome ratings have recently deteriorated.

2. Specific weaknesses in Bank operations persist and continue to challenge effectiveness. These should be taken into account in further Dutch engagement with the Bank, including in IDA replenishment negotiations and in decisions on trust fund support.

Bank performance is in some instances weakened by factors like unrealistic project design, insufficient consultation with stakeholders, and inadequate supervision during implementation. Such shortcomings were found to be related to the incentive systems in force for Bank staff that tend to emphasize lending volumes and avoiding reputational risks more than promoting the results orientation. Limited Bank capacity in smaller (African) IDA countries was also found to hamper effective operations, in particular in complex fragile and conflict-affected situations. Recent progress in moving staff to country-offices may improve project management in such countries.

3. The strategy to use the Bank's capacity as a channel for ODA on Dutch priorities produced good results through several (but not all) country-specific trust fund arrangements.

Country-specific trust funds proved to be useful vehicles for coordinated donor support, in particular in situations where donors like the Netherlands had limited capacity and the Bank was well organized, and/or where political and/or fiduciary risks were at play. In countries such as Indonesia, Ethiopia and Afghanistan substantial results were achieved with Dutch trust fund support to Bank-led programs. In South Sudan a similar arrangement failed to deliver early results, mainly because of weak administrative leadership by the Bank.

4. As a leading donor, the Netherlands contributed to the mushrooming of global level trust funds, many of which still lack a clear results orientation and an adequate framework for monitoring & evaluation.

The Netherlands contributed to the array of trust funded activities at global level. The structure and management of these IBRD/IDA trust funds needs further reform, in line with IEG recommendations. Several global trust funds that received Dutch funding supported effective activities, but many still lack proper systems to enable assessment of their effectiveness. The Dutch support for the Bank's knowledge work (through BNPP) occasionally informed Bank policies, strategies and operations - as intended - in areas such as gender, anticorruption, and fragile states & post-conflict. But evidence was more anecdotal than systematic.

5. In particular in the second half of the 2000s, the Netherlands did not match its significant support for global trust funds with a corresponding professional involvement of Dutch staff in order to be able to benefit from the partnership arrangements.

Over the decade there was a tendency on the Dutch side to regard the global trust fund arrangements with the Bank more as a channel for funding than as a partnership with mutual involvement. The evaluation finds that combining funding for the Bank with close professional involvement is advisable in order to fully capitalize on the Dutch side on the Banks expertise, to keep an eye on the results orientation, and to be able to reap wider benefits.

Issues for consideration

A more explicit Dutch strategy for engagement with the World Bank Group

The Dutch government should consider developing a more explicit strategy for multi-annual engagement with the World Bank Group and with IDA in particular. The current situation that more Dutch funding is channeled via earmarked trust funds than via core contributions to IDA could be reconsidered, also in view of generally positive developments in IDA performance. Further elements for a concise strategy towards the Bank are suggested below.

Selective trust funding

Being more selective in trust funding would be advisable, in order to establish a more consistent Dutch trust fund portfolio with the Bank and IFC. Strategic oversight of trust funding arrangements should be improved by clearly allocating this responsibility within the Ministry.

In particular the Dutch support for global trust funds that produce knowledge and technical assistance should be reconsidered. A clear focus would be advisable through participation in a limited number of umbrella funds that link-up with Dutch priorities and to which the Ministry can effectively relate (in terms of human resources and expertise), in order to increase the relevance of the portfolio for Dutch development policies and to the broader Dutch society (including private sector expertise). This is not a plea for tied aid, but for true and effective partnership arrangements.

Support for selected country-specific trust funds in fragile and post-conflict situations could be continued or expanded, depending on priorities. But care should be taken that sufficient qualified and competent Bank staff will be locally available to effectively guide and supervise activities.

The appropriateness of further funding of IFC advisory services could be reviewed after a thorough evaluation of NIPP.

IDA replenishment negotiations
The Dutch position on IDA replenishment could be clarified by presenting a brief strategy for the negotiations, taking into account possibilities for joint advocacy with likeminded donors.

The Netherlands should continue to push for effective implementation of previous IDA-undertakings, including effective deployment of qualified and dedicated staff in (African) IDA-countries and stronger results-based management in IDA-projects.

Reestablishing the role of IEG in evaluating IDA-undertakings is advisable. Regular IDA-specific evaluations can feed into replenishment debates. Recently falling outcome ratings should be analyzed by IEG on IDA-specific reasons.

Reform of Bank trust fund policy
The Dutch government should support the further uptake of key IEG recommendations on the Bank's trust fund policy and the implementation of the Bank's trust fund reform roadmap. This includes working with a three-pillar structure (of country-specific trust funds, well-governed Global & Regional Partnership Programs and a much small number of thematic umbrella facilities), further mainstreaming the Bank's results-based management and reporting requirements into trust funds, and better strategic alignment through greater selectivity.

Adopting the Bank's results-based monitoring and evaluation system
The Ministry of Foreign Affairs could consider using an adapted version of the Bank's results-based monitoring and evaluation system, to strengthen quality-at-entry and management-for-results in its own project cycle.

2

Introduction

This chapter describes the purpose of the study and how it was undertaken. What were its scope and limitations, and which sources were used to substantiate the conclusions?

Purpose and justification

The evaluation aims to report on the Dutch engagement with the World Bank over the 2000-2011 period and the quality of the Bank as a development partner for the Netherlands.

The latest IOB evaluation on the subject dates back to 1999 and covered 1975-1996.[3] World Bank policies have since evolved, and so have Dutch policies. Recent budget cuts require even closer scrutiny of Dutch aid spending, including aid via multilateral channels. Joint multilateral reviews such as MOPAN – the Multilateral Organization Performance Assessment Network - provide important indications on the organizational effectiveness of multilateral institutions such as the World Bank (see Box 6.4). However, they do not evaluate the specific (trust) funding arrangements and broader engagement of individual donor countries like the Netherlands. The government-wide framework for policy evaluation in the Netherlands stipulates that each policy area must be regularly evaluated.[4] This implies the need to periodically assess the Dutch relation with an institution like the World Bank.

By making use of available evaluations, in particular of the World Bank itself – that is: evaluations of the World Bank Group's Independent Evaluation Group IEG – IOB has sought to minimize the burden of the evaluation on the Bank and other stakeholders. This was done in view of the commitment among bilateral evaluation agencies not to duplicate the work of properly functioning evaluation units in multilateral organizations.

Objectives and evaluation questions

The objective of the study is to review the Netherlands' efforts to make effective use of the World Bank in Dutch development policy and assess to what extent the Bank was indeed an effective partner for the Dutch purposes. The focus is on the two main targets of Dutch financing for the World Bank Group: IDA and trust funds.

The following four evaluation questions guided the study:

1. What was the Dutch policy vis-à-vis the World Bank?
2. How did World Bank policies and operations evolve?
3. To what extent did the Netherlands effectively implement its World Bank policies?
   3.1. What funding and other instruments did the Netherlands use to pursue its goals?
   3.2. How effectively did the Netherlands use World Bank trust funds (including BNPP)?
4. To what extent was the World Bank effective in the policy areas that were key to Dutch support for the Bank?
   4.1. How did overall performance and effectiveness of IDA evolve?

[3] Cofinancing between the Netherlands and the World Bank 1975-1996; Policy and Operations Evaluation Department (IOB), Ministry of Foreign Affairs, The Hague 1999.

[4] Order on Periodic Evaluation and Policy Information (RPE) 2006, Government Gazette, 26 April 2006, no.83.

4.2. To what extent were World Bank trust funds appropriate and effective development finance vehicles?
4.3. How effective were World Bank policies related to poverty focus; gender; environmental sustainability; governance & anticorruption; harmonization; fragility & conflict; private sector development; water?

Methodology and approach
The report is based on interviews and desk study. No field studies were undertaken.

Interviews were held with over 60 stakeholders in The Hague, Washington and Dutch Embassies in developing countries (see Annex 3). This included interviews with Ministry staff responsible for cooperation with the Bank in the current 15 focal countries in Dutch bilateral cooperation.[5]

Over 40 IEG-evaluations were examined to review effectiveness of Bank policies and operations. Some 40 other external evaluations and studies were used to complete the picture.

IOB looked in particular at the Bank's performance in eight policy areas that were prominent in the Dutch engagement with the Bank over the 2000-2011 period: poverty focus, gender, environmental sustainability, governance & anticorruption, fragility & conflict, private sector development, water, and harmonization & alignment. These issues were identified by looking at (i) stated Dutch objectives in IDA13 to IDA15 negotiations, (ii) main sectors in the Dutch trust fund portfolio at the Bank, and (iii) priority themes in the Bank-Netherlands Partnership Program BNPP.[6]

Two country cases were selected: Indonesia and Ethiopia. Indonesia was chosen because of the size of the Dutch trust fund support and the broad trust fund portfolio in this partner country. Ethiopia was selected in order to have an African IDA country included, with similar characteristics concerning the Dutch trust fund portfolio. IOB looked at the Dutch motivation to set up these trust funding arrangements, how they were managed and what results were achieved.

The two key single-donor global trust fund arrangements were intensively analyzed: the Bank-Netherlands Partnership Program BNPP and the Netherlands-IFC Partnership Program NIPP. In addition, information from a (purposeful) selection of external evaluations of multi-donor global trust fund programs - to which the Netherlands contributed - was used to assess such global programs.

The assessment of effectiveness of Bank policies in relation to Dutch funding and priorities builds to a large extent on IEG's evaluation framework, including IEG's criteria and rating

[5] Afghanistan, Bangladesh, Benin, Burundi, Ethiopia, Ghana, Indonesia, Kenya, Mali, Mozambique, Palestinian Authorities, Rwanda, South Sudan, Uganda, Yemen.
[6] Education, one of the main sectors in Dutch trust fund support, was not selected for further study in view of a recent IOB evaluation on the subject (IOB, 2011). It is briefly covered in the report under the topic poverty focus.

system for establishing relevance, efficacy and efficiency of World Bank interventions. IOB regards IEG as a reliable source in view of the widely acclaimed independence and quality of its evaluation work (see Box 2.1).

Box 2.1 *The independence and reliability of IEG's evaluation work*

IEG was originally set up as the Operations Evaluation Department (OED) under Bank president Robert McNamara in 1973. It functions as an independent unit within the World Bank Group that reports directly to the Board of Executive Directors (the Committee on Development Effectiveness). Its task is to assess the performance of World Bank Group policies, programs, projects, and processes, and to learn what works in what context. Management of the World Bank or IFC cannot alter evaluation findings or prevent the release of reports. The Director-General of IEG is appointed by the Board of the World Bank Group and can only be removed by the Board. He or she cannot take a position at the Bank after the term has finished. IEG's most senior officials are barred from taking jobs in arms of the Group that they were responsible for evaluating. IEG has about 100 permanent staff and an annual budget of around USD 32 million.

The UK Department for International Development (DFID) made an assessment of the independence of IEG using criteria developed by the International Organization for Supreme Audit Institutions. The British Independent Commission for Aid Impact confirmed DFID's findings and concluded that 'IEG is sufficiently independent for assessing the results of the World Bank Group's work and for identifying and disseminating lessons learned from experience' (ICAI, 2012).

MOPAN came to a similar conclusion in its most recent report: 'The Independent Evaluation Group (IEG), which reports directly to the Board of Executive Directors, has established good practices for the evaluation of results, strong quality control mechanisms to ensure the quality of evaluation activities and performance reporting, and mechanisms for the dissemination of key lessons learned and good practices' (MOPAN, 2012).

Scope and limitations

The review covers the development cooperation aspects of the Dutch policies vis-á-vis the World Bank Group over the period 2000-2011. It does not analyse the wider policy intentions of the Netherlands in its relation with this multilateral institution. The evaluation does not look at contributions to World Bank or IFC from other ministries than the Ministry of Foreign Affairs, except for IDA, which is financed via the Ministry of Finance. The evaluation also does not cover Dutch contributions to the Bank for Financial Intermediary Funds (FIFs) - like GAVI, GFATM, and GEF – because the World Bank does not have (full) supervision over these funds. The focus of the study is on World Bank Group policies towards low income countries, which implies an emphasis on IDA. IFC and IBRD are covered where relevant, including in relation to trust funding. The review does not cover Dutch policies on MIGA nor ICSID, institutions that are also part of the World Bank Group.

The choice of building largely on existing evaluations has advantages in terms of reducing the cost and the time needed for the study. It avoids the potential burden on stakeholders of a full-fledged evaluation. However, there are also important limitations to merely relying on external sources as evidence for a Dutch study. While there were many related evaluations available – both from IEG and other sources – these often did not fully cover the specific aspects that were important to the Dutch involvement with the Bank, or they did not cover the right period. There was for instance no recent evaluation of the Bank's fragile states work, nor a comprehensive evaluation of private sector development.

The evaluation does not attempt to assess effectiveness of Dutch advocacy on World Bank policies as such. The main reason is that it would be impossible to single out the Dutch contribution to changes in World Bank policies, as these changes are generally the result of multiple internal and external factors. However, the report does analyse to what extent policy issues that were important to the Netherlands have actually been incorporated in World Bank policies over the years.

The review covers efficiency of working via the World Bank in as far as the underlying evaluations shed light on this subject. A judgment regarding the efficiency of channelling funding via the World Bank would in principle require a comparison of similar actions by different channels, which was beyond the scope of this study.

Structure of the report
The report has four main sections.

Chapter 3 and 4 shed light on the Dutch policies and funding for the Bank, and assess the interaction of the Netherlands with the World Bank Group.

The next five chapters review the evolution of the Bank's strategy (Chapter 5), the overall effectiveness of Bank operations (Chapter 6), IDA performance (Chapter 7), Bank Trust Fund policies and their performance (Chapter 8), and the performance on the themes and sectors that were particularly important from a Dutch perspective (Chapter 9).

The next two chapters analyse the effectiveness of Dutch country-specific trust funding in Indonesia and Ethiopia (Chapter 10), and the effectiveness of Dutch global level trust fund support via BNPP and NIPP, as well as a selection of global partnership trust funds (Chapter 11).

Chapter 1 presents the findings on the evaluation questions and main conclusions.

The annexes include background studies to Chapters 9, 10 and 11.

3

Dutch World Bank policies and funding

This chapter describes the basic features of Dutch policies on the World Bank over the evaluation period 2000-2011: the motives to work with the Bank, the goals that were attached, and the funding that was provided, including the trust fund portfolio at the World Bank and IFC.

3.1 Motives and goals

As a long standing champion for multilateralism, the Netherlands has a history of active engagement with the World Bank. The Netherlands has been a member of all five institutions of the World Bank Group (WBG) practically since they were founded (see Box 3.1). The Netherlands was also one of the first European countries to receive a reconstruction loan from IBRD. The Dutch financial contribution to IBRD and the corresponding voting share is currently around 2%.[7]

The Dutch official views and policies on the World Bank have over the past 12 years been written down in a handful of memoranda and letters to Parliament, generally as part of policy notes on the whole multilateral aid system. The main message in these memoranda is the importance of the Bank because of its key position in the international aid architecture. The World Bank is described as a 'systemic' organization (TK, 2011a) and as the largest single donor in many developing countries. The Bank is valued for its leading role in addressing global issues, its convening power and its knowledge and expertise (TK, 2009; TK, 2000a).

The World Bank is also appreciated as a channel for Dutch ODA. Since 1975, the Netherlands has been co-financing World Bank activities, in addition to core-funding of IDA.[8] Motives have varied. Reasons mentioned in policy notes are the specific expertise or position of the Bank (like oversight of government budgets in case of macro-support), the large size or magnitude of the issue to be addressed (as with global issues), and to achieve at the Ministry a reduction of workload (in view of limited capacity at the Ministry of Foreign Affairs). Providing a substantial financial contribution was also seen as a way to sustain the Dutch position and influence in the Bank (TK, 2010; TK, 2000a; TK, 2011a).

[7] In IBRD, the Netherlands has a subscription amount of almost USD 4.3 billion, of which 265 million is paid-in and the remainder is callable capital.

[8] For a comprehensive analyses of Dutch co-financing with the World Bank 1975-1996, please see IOB (1999).

Box 3.1 *The five institutions of the World Bank Group*

IBRD, the International Bank for Reconstruction and Development, was founded in 1945 and lends to governments of middle-income and creditworthy low-income countries.
IDA, the International Development Association (1960), provides interest-free (or low interest) loans and grants to governments of the poorest countries.
IFC, the International Finance Company (1956), provides loans, equity, and technical assistance to stimulate private sector development in developing countries.
MIGA, the Multilateral Investment Guarantee Agency (1988), provides guarantees against losses caused by noncommercial risks to investors in developing countries.
ICSID, the International Centre for Settlement of Investment Disputes, was founded in 1966 to provide international facilities for conciliation and arbitration of investment disputes.
'The World Bank' comprises IBRD and IDA.

The Netherlands has often attached specific goals to its support, stimulating policy changes within the World Bank or trying to add certain issues to the Bank's agenda. The 2000 government memorandum on multilateral cooperation policy of Minister Herfkens referred specifically to the need for a stronger focus on poverty reduction in the Bank's policies and operations, in particular in IDA (TK, 2000a). The memorandum voiced the intention to increase the Dutch share of IDA from 2.6% to 3% if positive tendencies at the Bank in line with Dutch views would be sustained. In 2001 Minister Herfkens decided not to increase the Dutch share in IDA13, because the desired changes at the Bank had not sufficiently materialized. The next Dutch governments were apparently more pleased with the progress that the Bank had made: in 2004, the Netherlands increased its contribution to 2.8% of IDA14. The Dutch share was subsequently raised it to 3.0% under IDA15 and IDA16.

Besides a stronger poverty focus, also several other policy issues have been promoted by the Dutch government in consecutive IDA-replenishment negotiations and in the biannual meetings of the Development Committee (TK, 2001; TK, 2005; TK, 2005b; TK, 2005c; TK, 2005a; TK, 2008). These include:
- Taking a more prominent role in fragile states and post-conflict situations;
- Results-based management consistent with national poverty priorities of partner countries;
- More focus on economic development and the position of the private sector in developing countries;
- Proper implementation of gender and sustainability strategies;
- A stronger strategy on governance and anticorruption;
- A stronger and more cooperative role of the Bank in harmonization of donor funding at country-level;
- And progress in decentralization of World Bank operations to country offices.

Many of these points were advocated not only by the Netherlands, but by a group of more or less likeminded donor countries, such as the Nordic countries, Germany and the UK. While Dutch views on the Bank became gradually more positive on a broad range of issues, criticism of certain aspects of Bank policies remained. The 2009 policy document on multilateral cooperation praised the World Bank for its role in multilateral development cooperation, but also raised some issues that would have to be further discussed in contacts with the Bank. The Bank should in certain cases pay more attention to country-specific needs and political realities, instead of sticking to standard recipes for growth and development of the previous decade. Reform and streamlining of the Bank's operational framework for investment lending would be needed to reduce bureaucracy and to put more emphasis on results achievement. A further decentralization of Bank operations to field level would be crucial for success. Also, it was noted that the Bank's position in donor coordination could sometimes be more cooperative. Regarding the Dutch development cooperation priorities of that moment, the World Bank (and IFC) would in particular be relevant on fragile states, growth & equity, and energy & climate change. The Minister announced that higher contributions to specific Bank programs and to IDA16 would be considered (TK, 2009).

Already in the late 1990s, earmarked support for multi-donor trust funds and specific single-donor trust funds became an important feature in the Dutch relation with the World Bank Group. The multilateral aid memorandum of Minister Herfkens announced in 2000 more support for trust funds and partnership programs with the World Bank. The purpose would be to facilitate additional activities of the Bank on priority areas for the Netherlands (TK, 2000a). Translating Dutch priorities into trust funding arrangements with the Bank became a practice of consecutive Dutch governments.

In particular the Bank Netherlands Partnership Program (BNPP), set up in 1998, was used as a vehicle to channel funds to (non-country specific) issues and activities of specific interest to the Netherlands and for intensifying the debate on related Bank policies. The so-called 'core program' of BNPP was meant to fund innovative research and technical assistance at the Bank. Initially this was seen as a way to foster from the inside the desired changes and issues in Bank policies. The 2000 policy memorandum indicated for instance that the BNPP would be used specifically to stimulate a stronger focus in on poverty reduction, gender and good governance/anti-corruption. Several other themes would follow.

The expansion of trust funds at the Bank over the 2000s also gave rise to concern. In the 2009 policy document on multilateral cooperation, Minister Koenders signalled that, generally, proper management of trust funds had become a problem for International Financial Institutions (TK, 2009). He referred specifically to the burden for the World Bank of managing over a thousand trust funds. Calling for more restraint on the side of donor countries, he announced that more Dutch trust fund contributions would be brought under the BNPP arrangement, in order to improve consistency on the Dutch side and reduce the management burden for the Bank. However, in 2011 it was decided to phase out the BNNP vehicle altogether, as budget cuts eliminated the core program of BNPP (see Chapter 11).

Box 3.2 *Trust Fund Categories*

Trust funds are vehicles for channelling aid funds from donors to be administered by a trustee organization such as the World Bank (IEG, 2011a). Trust funds are not programs as such, but dedicated sources of funding for programs and activities agreed by the donor(s) and the trustee organization. The donor contributions are generally grants, not loans.

The WBG roles and responsibilities in managing trust funds vary depending on the type of fund (World Bank, 2012j):

- IBRD/IDA Trust Funds: The Bank manages the funds and implements or supervises the activities financed. A distinction is made between:
  - Bank-Executed Trust Funds (BETFs): Funds support the Bank's own work program.
  - Recipient-Executed Trust Funds (RETFs): Supervised by the Bank, the funds are provided to a third party in the form of project financing.
- IFC Trust Funds: IFC manages the funds in support of IFC Advisory Services or donor-funded investments.
- Financial Intermediary Funds (FIFs): The Bank provides a set of agreed financial services that involve receiving, holding and investing contributed funds, and transferring them when instructed by the FIF governing body.

In addition, IBRD/IDA and IFC trust funds can be categorized as Multi-Donor Trust Funds (MDTFs) or as Single-Donor Trust Funds (SDTFs).

3.2 Financial contributions

Over the period 2000-2011 the Netherlands channelled close to EUR 6.2 billion ODA via the World Bank and IFC.[9] Contributions to IDA and related multilateral debt reduction constituted a sizeable share, but the bigger part of Dutch funding was allocated to IBRD/IDA and IFC trust funds (TFs), and to so-called FIFs - Financial Intermediary Funds.

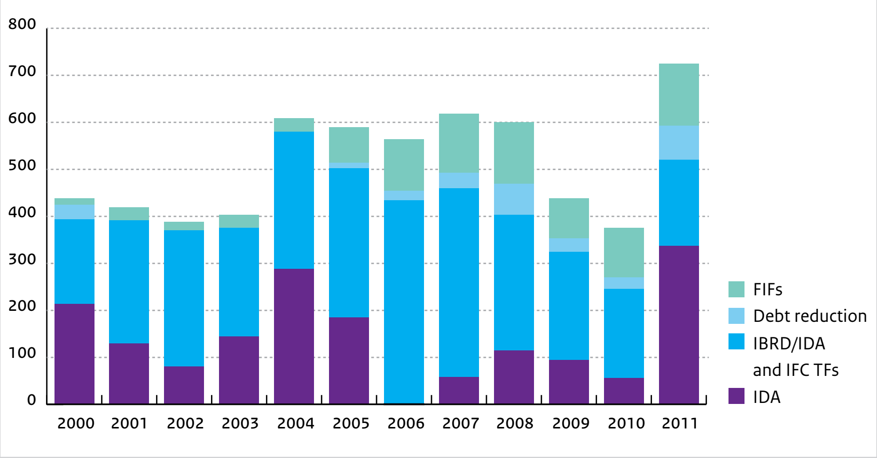
The FIFs are a specific category of trust funds (see Box 3.2). They are not covered in this evaluation because of the limited role of the Bank. The Bank is the trustee and can provide

9 IOB collated financial and policy information from the Ministry's management information systems Midas (pre-2003 data) and Piramide to construct a database of MFA contributions to the World Bang Group during the evaluation period (2000-2011). Activities were identified based on a standardized search of creditor codes identifying them as World Bank Group administered. The creditor codes were derived from an earlier IOB study (IOB, 2009) and supplemented where relevant. Additional activities were manually added to the database if they were evidently World Bank activities (but lacked the appropriate creditor code). Such activities were identified through a manual search with World Bank related search terms in a set of all MFA financed activities. The database only includes data on MFA financing activities, with the exception of IDA disbursements which were added to the IOB database based on information provided by the Ministry of Finance. Non-ODA expenditure was excluded from the database.

varying financial services to FIFs, but has no supervising or implementing authority concerning the activities that the FIF is funding; this rests with the specific governing body of the FIF. The major FIFs to which the Netherlands contributed were the Global Environmental Fund (GEF), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Global Alliance on Vaccines and Immunization (GAVI).

Excluding FIFs, Dutch ODA channelled to the World Bank and IFC totalled EUR 5.3 billion over 2000-2011. Contributions to IDA and the related multilateral debt reduction reached almost EUR 2 billion over the period.[10] The remainder consisted of contributions to trust fund arrangements, with a total value of EUR 3.3 billion (see Chapter 3.3 for details).

Figure 3.1 *Dutch contributions to World Bank 2000-2011 including FIFs (EUR million)*

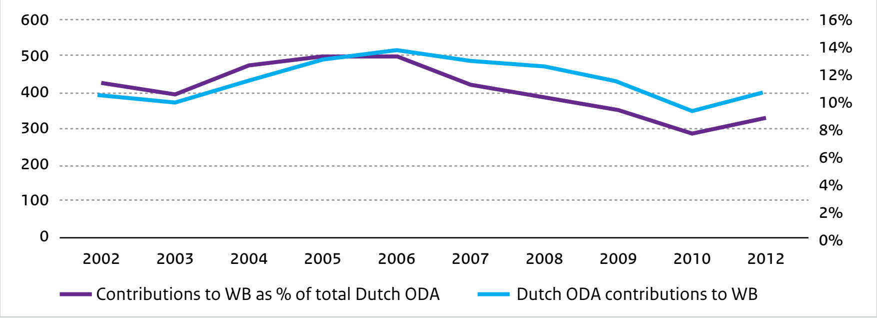


Source: Ministry of Foreign Affairs, IOB database

The Dutch financial contributions peaked in the mid-2000s, fell somewhat back in 2009 and 2010, before reaching another peak in 2011 as a result of a large cash contribution to IDA15. As a percentage of total Dutch ODA, Dutch contributions to the World Bank Group (excluding FIFs) were 11% on average over the period 2000-2011 (see Figure 3.2).

10 Donors agreed to provide additional funding to compensate for the cancellation of IDA/Bank credits as a result of the Highly Indebted Poor Country (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI).

Figure 3.2 *Dutch contributions to World Bank/IFC 2000-2011 in EUR million and as % of total Dutch ODA (excluding FIFs) - three year moving average*



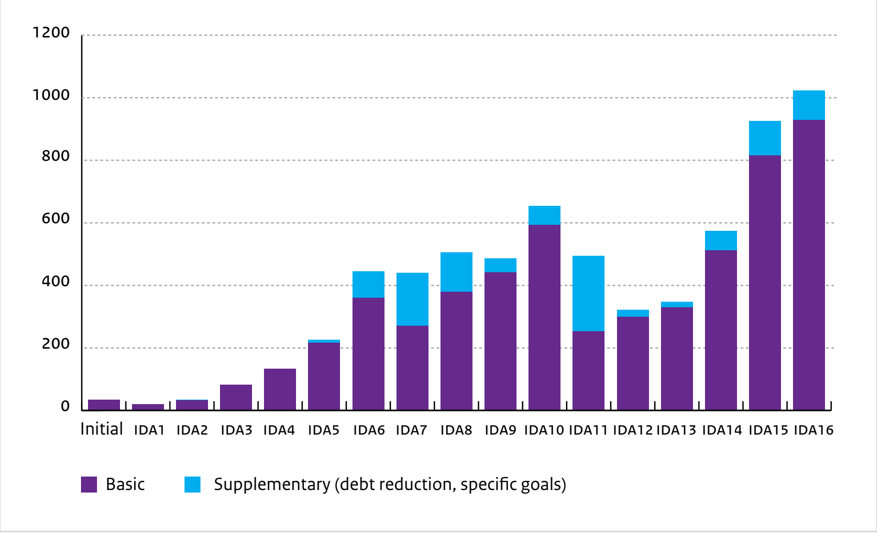
Source: Ministry of Foreign Affairs, IOB database

The Dutch commitments to IDA went up steadily since IDA12 (see Table 3.1 and Figure 3.3). On an annual basis the contributions to IDA have varied significantly (from EUR 1 million in 2006 to EUR 337 in 2011), but this was merely a result of the phasing of the as such increasing multi-annual contributions agreed in the IDA-replenishments. Donors can phase their annual IDA contributions under such commitments in consultation with the Bank.

Table 3.1 Dutch share in IDA Replenishment

	IDA12 1999-02	IDA13 2002-05	IDA14 2005-08	IDA15 2008-11	IDA16 2011-14
Dutch share	2.6%	2.6%	2.8%	3.0%	3.0%

Figure 3.3 *Dutch Contributions to IDA from 1960 to IDA16 (USD Million)*



Source: website World Bank

There were no contributions to IBRD capital over the 2000-2011 period. However, as a result of the one-off general capital increase of IBRD agreed in 2010, the Netherlands will contribute USD 75 million over 5 years to the IBRD's paid-in capital starting in 2012 (the remainder of the additional contribution – USD 1245 million – is guaranteed by the Netherlands). The paid-in capital contribution is counted as ODA.

3.3 Trust fund portfolio

Over 2000-2011, the Netherlands made just over 340 funding contributions to World Bank and IFC.[11] This includes contributions to different phases of the same program and follow-up activities.[12] The total value involved was EUR 3.3 billion, or almost 2/3 of total Dutch funding for World Bank and IFC.
About 270 of the funding contributions were country-specific, and directed to in total 52 developing countries. About 20 funding arrangements had a regional focus, mainly the Africa region. Some 50 funding arrangements had no specific country or regional focus; these 50 global funding arrangements comprised 30 different trust fund arrangements (the rest being contributions to different phases of the same trust fund). The global and regional activities received 41% of total funding; the largest share was thus for country-specific purposes.
Trust fund contributions to IFC constituted a relatively small part. This consisted mainly of support for IFC's Advisory Services through NIPP, the Netherlands-IFC Partnership Program (EUR 129 million). In 2010, the Netherlands contributed an additional EUR 34 million to the Global Trade Liquidity Program (GTLP), an initiative of IFC to address the shortage of trade finance resulting from the global financial crisis.[13]

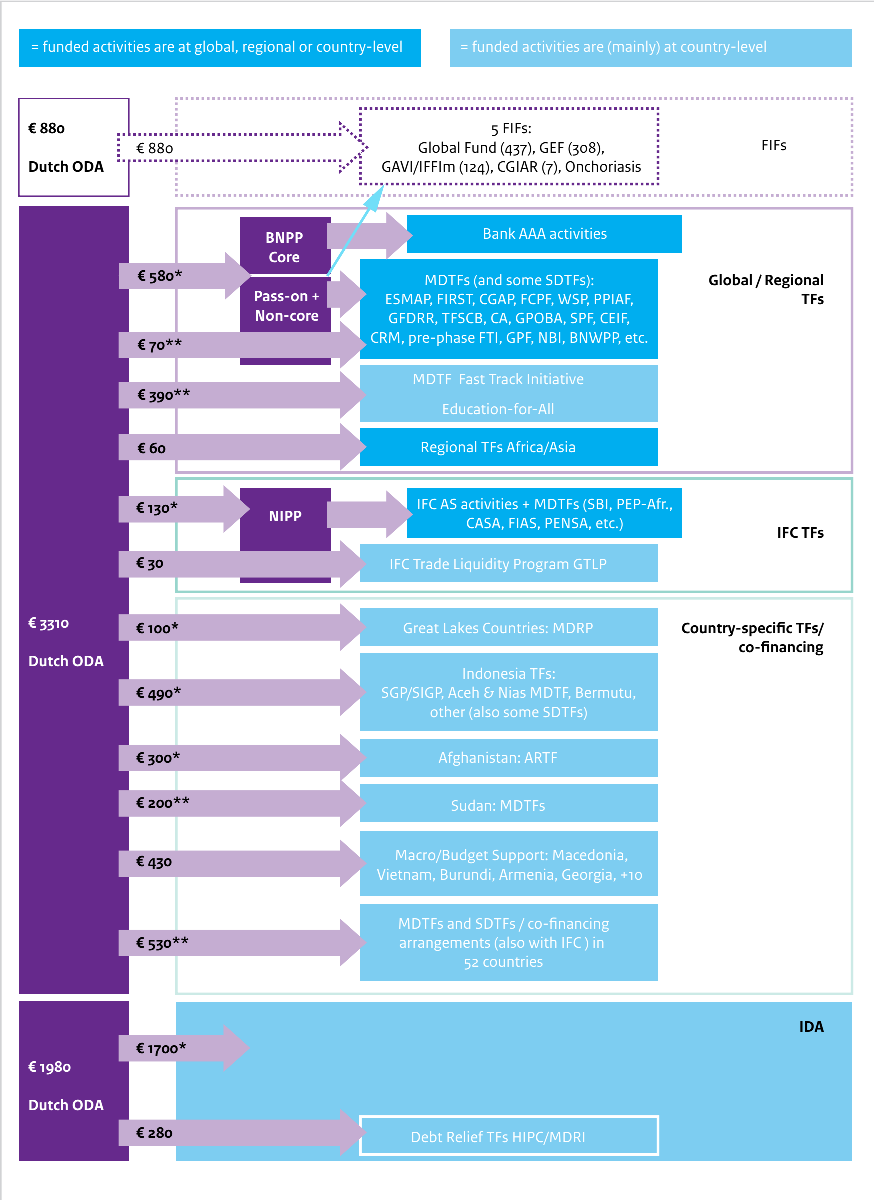
Figure 3.4 provides an overview of all Dutch financial contributions (including FIFs and IDA), with a focus on trust funding arrangements.

11 This number is derived from the Ministry's management information system Piramide and based upon the number of World Bank Group related activities registered. The number of 340 activities includes contributions to different phases of the same program or follow-up activities. Contributions to FIFs and to multilateral debt relief trust funds are not included. Unfortunately Piramide does not distinguish between the types of trust funds (SDTF/MDTF, RETF/BETF). Supplementary information was received from the Concessional Finance and Global Partnerships Vice Presidency of the WB (CFP) and was derived from the World Bank's donor portal Client Connection. Because Piramide, CFP and Client Connection do not use similar codes to identify activities, it was not possible to link information contained in these databases, which restricted the possibilities for analysis. Moreover, data contained in Client Connection do not include annual allocations; they only give cumulative contributions, making it impossible to construe an accurate portfolio for 2000-2011 contributions. Also, it appeared that Client Connection data were not all adequate, as mother and child trust funds were both registered in the same categories, leading to double counting. Client Connection based data provided hereafter should thus be regarded as indicative only.

12 An exact figure for the number of trust funds supported by the Netherlands at the World Bank and IFC over the 12 year evaluation period could not be established by IOB, because of the complexity of the funding mechanisms involved and limited data on the early 2000s. The existence of pass-through trust funds under BNPP and NIPP (see Figure 3.4) and the existence of 'mother' and 'child' trust funds (child TFs being funded from mother TFs), contributed to the complexity.

13 In 2012, the Netherlands committed EUR 100 million to IFC for the private sector arm of the Global Agriculture & Food Security Program.

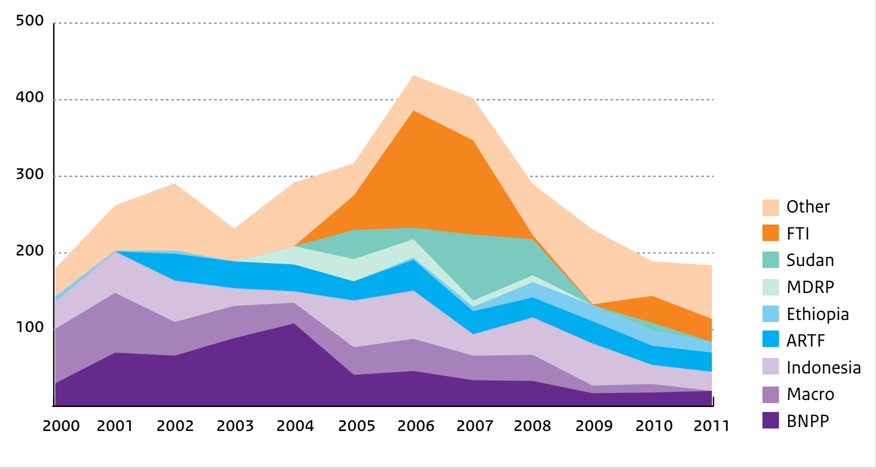
Figure 3.4 *Overview of Dutch ODA contributions to World Bank Group 2000-2011 (EUR million)*



** = reviewed in this evaluation; ** = partly reviewed in this evaluation*
Source: Ministry of Foreign Affairs, IOB database. Figures have been rounded.

The Dutch trust fund contributions peaked in 2006-2007 at over EUR 400 million per annum, before falling back to the level of 2000, below 200 million per year. The peak was related to very substantive contributions to some country-specific trust funds (in Indonesia and Sudan) and the very large contributions to the trust fund for the Education-for-All Fast Track Initiative (see Figure 3.5).

Figure 3.5 *Dutch contributions to IBRD/IDA and IFC trust funds 2000-2011, total EUR 3.3 billion*

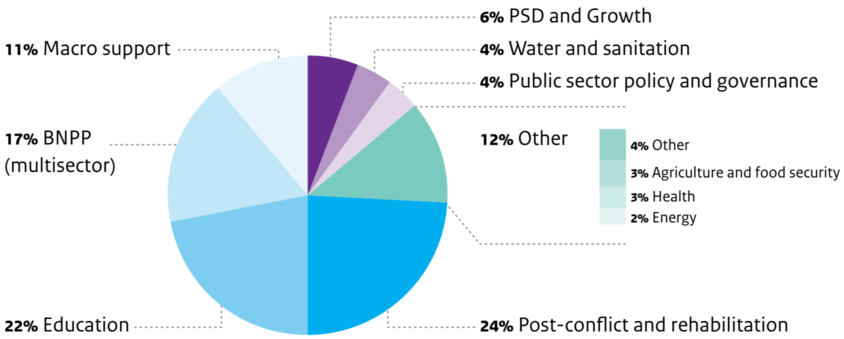


Source: Ministry of Foreign Affairs, IOB database

Sectors and themes

Dutch contributions to IBRD/IDA and IFC trust funds were distributed over many sectors and themes (see Figure 3.6). Post-conflict and rehabilitation emerged as the single biggest category, reflecting substantive trust fund support in Afghanistan, Aceh/Indonesia, (South-) Sudan and the Great Lakes region. Education was the second largest category, as a result of the Dutch funding for the Education-for-All Fast Track Initiative (12%) and several country-specific education trust funds. The funding for BNPP has been distributed over various sectors. NIPP and other IFC funding falls in the Private Sector Development and Growth category. Macro support comprises budget support and country-specific debt relief via the World Bank. The largest contributions in this category were in Macedonia, Vietnam, Burundi, Armenia and Georgia. Budget support gradually fell over the 2000s, to zero in 2011.

Figure 3.6 *Dutch contributions to IBRD/IDA and IFC trust funds by sector (2000-2011), total EUR 3.3 billion*[14]

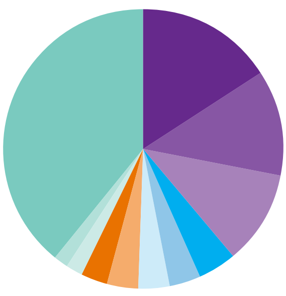


Source: Ministry of Foreign Affairs, IOB database

Largest contributions

Figure 3.7 shows the 10 largest trust fund contributions of the Netherlands over the 2000-2011 period. Contributions to different phases of the same program (for instance: different phases of BNPP and the annual Afghan Reconstruction Trust Fund contributions) have been aggregated.

Figure 3.7 *Top 10 Dutch contributions to IBRD/IDA and IFC trust funds 2000-2011, total EUR 3.3 billion*



** = reviewed in this evaluation; ** = partly reviewed in this evaluation*

Source: Ministry of Foreign Affairs, IOB database

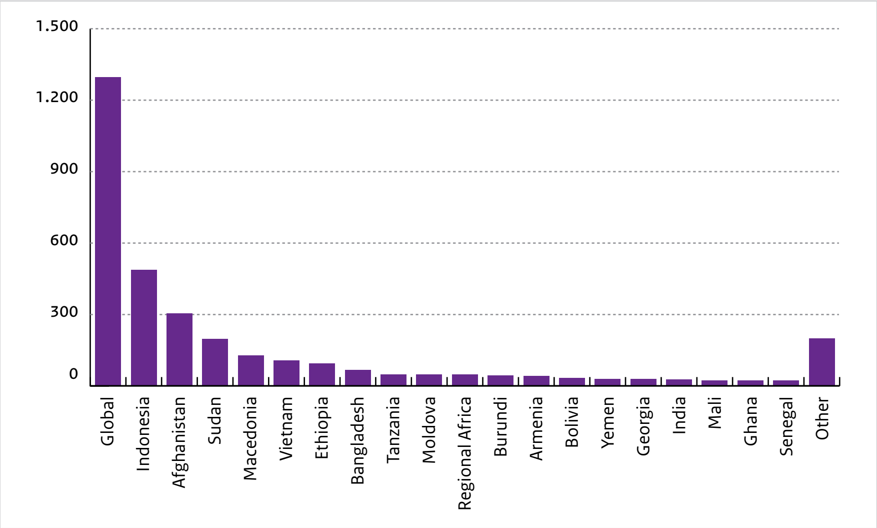
14 Contributions were allocated across sectors by IOB based on Creditor Reporting System (CRS) and CRS sector codes reported in MFA's management information system Piramide.

Country focus
Almost 60% of Dutch IBRD/IDA and IFC trust fund contributions was for country-specific purposes and the Africa region (see Figure 3.8). The seven largest targets for country-specific trust funding were Indonesia (15% of total Dutch trust fund contributions), Afghanistan (9%), Sudan (6%), Macedonia (4%), Vietnam (3%), Ethiopia (3%) and Bangladesh (2%). The remainder (16%) went to relatively small trust funded activities in 45 other countries.

Six developing countries in the Netherlands constituency at the Bank - Armenia, Bosnia Herzegovina, Georgia, Macedonia, Moldova, Macedonia, and Moldova – were among the largest recipients of Dutch country-specific trust funding. A large part of funding for these countries was budget support, provided mainly in the early 2000s.

Country-specific funds were financed directly by Dutch embassies or from the central budget (in particular in post-conflict situations).

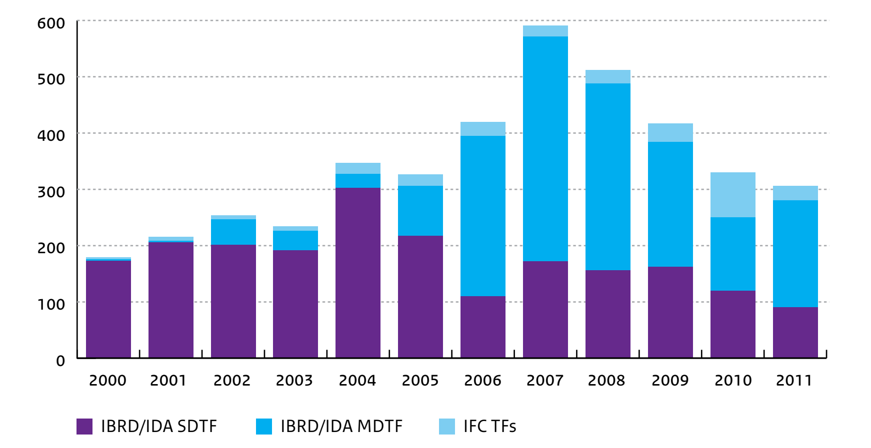
Figure 3.8 *Dutch contributions to IBRD/IDA and IFC trust funds by country/region 2000-2011 in EUR million (total EUR 3.3 billion)*



Source: Ministry of Foreign Affairs, IOB database

Single- and multi-donor trust funds
Initially, Dutch trust fund support was concentrated on single-donor trust funds (see Figure 3.9). This was probably related to the limited number of multi-donor trust funds at the time and to the quite sizeable allocations through the Bank-Netherlands Partnership Program (BNPP) in the early 2000s. BNPP was categorized as a SDTF, although it also had a pass-through account for allocations to MDTFs. Over time, however, Dutch funds were increasingly allocated directly to MDTFs. Single donor trust funds financed by the Netherlands were mainly country-specific.

Figure 3.9 *Dutch contributions to single- and multi-donor trust funds (FY00-FY11, in USD million), total USD 4.1 billion*[15]



Source: Concessional Finance and Global Partnerships (CFP) Vice Presidency

3.4 Concluding summary

- The Netherlands maintained its supportive position regarding the World Bank Group. The Bank was seen as an essential institution in the multilateral system.
- In the Dutch view the Bank needed to further improve its operations in specific policy areas. These areas varied over time and included the Bank's poverty and gender focus, environmental sustainability, good governance and anticorruption, working in fragile situations, and harmonization with other donors.
- Part of the Dutch World Bank policy was to use IDA replenishment negotiations to influence the Bank's policies and operations.
- The Netherlands channelled more funding to a broad range of country-specific and global trust funds (EUR 3.3 billion) than it provided as core contributions to IDA (EUR 2 billion). Dutch trust fund support peaked in the mid-2000s, while IDA-contributions continued to increase.
- The expansion of trust fund support had two main purposes:
  – Using the Bank's capacity and structures to effectively spend funds on priority themes in Dutch development cooperation.

[15] The amounts provided by CFP include all Dutch trust fund contributions, thus also including contributions by other Ministry's and non-ODA Trust Funds. As 96% of total Dutch World Bank trust fund allocations were provided by Foreign Affairs, it is expected that observed trends will hold for MFA contributions. Examples of non-ODA contributions include those to the Clean Development Mechanism (CDM) Facility and the European Carbon Facility trust funds. As this evaluation concerns the MFA and IDA-contributions from Finance, these programs are excluded from further review.

  - To influence the Bank's agenda and operations on issues of specific interest to the Netherlands; this was to be achieved mainly with trust funded activities managed at the Washington level.
- The Netherlands funded a very broad range of trust funds at the Bank, with in financial terms a strong focus on country-specific arrangements (often in post-conflict situations) and on global/regional trust funds that supported activities at country level (such as the Education-for-All Fast Track Initiative).
- Indonesia, Afghanistan and Sudan were the most important recipient countries, covering almost a third of Dutch trust fund support.
- Post-conflict/rehabilitation and education were the key themes, covering close to half the trust funding.
- Budget support via the Bank was substantive in the early 2000s, but was phased out in the late 2000s (as in Dutch bilateral cooperation).
- The Bank-Netherlands Partnership Program BNPP was set up as a construction to bring more consistency in the global trust fund portfolio at the Bank and to amplify Dutch influence at the Washington level.
- BNPP not only directly financed Bank knowledge and advisory work, but also functioned as a pass-through account to a range of global and regional trust funds and partnership programs. Similarly, NIPP financed IFCs Advisory Services (AS) directly and by means of contributions to multi-donor trust funds for AS.

Box 3.3 *Dutch funding to the WBG covered in this evaluation*

Most of the funding provided to the World Bank Group over 2000-2011 was covered in this evaluation. The Dutch involvement with IDA is in particular reviewed as part of the analyses of IDA performance in Chapter 7. Chapter 9 assesses the Bank's performance on key themes and sectors focussing on IDA-countries.
Similarly, the bulk of trust fund support provided by the Netherlands has been covered. Nine of the ten largest trust fund contributions (see Figure 3.7) are either covered in the thematic reviews of Chapter 9 (building on evaluations reviewed in Annex 6: ARTF, MDRP, MDTF South-Sudan), in Chapter 10 (the 4 large TFs in Indonesia and in Ethiopia), or in Chapter 11 (BNPP and NIPP).[16] The trust funded activities in 4 of the 6 main recipients countries (Indonesia, Afghanistan, Sudan and Ethiopia – see Figure 3.8) are analysed, either in Chapter 10 (Indonesia, Ethiopia) or in Chapter 9 (Afghan Reconstruction TF, Sudan TF). Dutch contributions to smaller global level trust funds are analysed in Chapter 11, including funding via BNPP, NIPP and directly to Global and Regional Partnership Programs. In addition, several specific trust funds to which the Netherlands contributed are analysed as part of Chapter 9/Annex 6 (for instance: water trust funds, poverty reduction strategy support, etc.). The range of coverage is also illustrated in Figure 3.4.

[16] The Fast Track Initiative for Education-for-All is only marginally covered in Chapter 9, under Poverty Focus (paragraph 9.1).

4

Dutch policy interaction with the World Bank

This chapter looks at how the Netherlands used its position in the Bank to put its views across in Washington. How was the interaction organised and how much effort was put into it? The interaction related to Dutch trust fund support is analysed in Chapter 11.

4.1 The structures for interaction with the Bank

The World Bank Group is steered at the political level by the Board of Governors, which is comprised of all its members.[17] The Board holds its annual meeting in autumn, jointly with the IMF. The Dutch Minister of Finance acts as the Dutch Governor and the Minister for Development Cooperation is the alternate. They are also member of the Development Committee, a 25 member Ministerial committee that advises the WBG and the IMF Board on development matters. In this committee they represent the Netherlands and the other countries in the Dutch constituency at the World Bank. This body meets during the annual meetings and in spring. It is usually attended by the Minister for Development Cooperation.

The Board of Executive Directors (EDs) functions as the Washington-based body for day-to-day governance of the World Bank on behalf of the member countries. The Board of EDs has 25 members and is chaired by the President of the World Bank Group. The EDs are responsible for general policy decisions that affect Bank operations and for the approval of all (!) lending proposals. The five largest shareholders (US, Japan, Germany, France, the UK) and China appoint their own ED. The other members group into constituencies. The Dutch ED speaks also on behalf of 12 other member countries.[18] The voting power of an ED is based on the shares held by all the countries he or she represents. In IBRD, the Dutch ED has a voting share of 4.25%, comparable to the individual voting shares of Germany, France and the UK. Normally, however, decisions are taken by consensus.

The Dutch ED is generally a high ranking civil servant, employed by the Bank at its headquarters in Washington for a minimum period of two years. The Dutch ED sits on all four WBG Boards, i.e. IBRD, IDA, IFC and MIGA (ICSID does not have a board). The Board of EDs meets at least twice a week, in addition to meetings of standing committees, such as the Committee on Development Effectiveness, the Budget Committee and the Audit Committee.

The IDA replenishment cycle is every 3 years a key vehicle for engagement of IDA-members with the Bank. The triennial replenishment involves several months of negotiation to agree on both the financial contribution and the priorities for the next IDA-period. So-called IDA-deputies negotiate on behalf of their Ministers/governors. They present the result to the Executive Board, while the Board of Governors has to give the final approval. In the Dutch case, the position of IDA-deputy rotates between the directors of the multilateral

[17] IBRD has 188 members, IDA 172, and IFC 184 (website WBG, accessed November 2012).

[18] Armenia, Bosnia Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Ukraine.

department of the Ministry of Foreign Affairs and the Finance Ministry. The IDA-cycle also has a mid-term review after 18 months, in which the Bank and IDA-members take stock of implementation and look ahead towards the next replenishment cycle.

In addition to these formally structured involvements, an active donor country like the Netherlands also interacts with the Bank via trust funding, occasional bilateral policy dialogue and exchanges in bilateral meetings and conferences, and via professional networking. At the developing country level and in Washington, the Dutch embassies are also involved in exchanges with the World Bank.

Box 4.1 *A pro-active approach to improving quality and ownership of PRSPs*

Dozens of variable quality Poverty Reduction Strategy Papers (PRSPs) were quickly produced in the early 2000s, after the IMF and the World Bank had agreed that nationally owned PRSPs would guide their future lending and be a prerequisite for debt reduction. In order to improve quality, broad-based ownership and relevance for national policies, the Dutch Ministry of Foreign Affairs provided support to a dedicated Multi-Donor Poverty Reduction Strategy Trust Fund (see box 9.1) and freed up one staff member in The Hague to chase the PRSP process. For four years (2002-2006) he networked between The Hague, embassies partner country capitals, likeminded capitals and Washington, brokering information on the realities of the PRSP preparation process and content. The Dutch Minister for development cooperation used such findings in presentations at annual meetings of World Bank/IMF. When a PRSP was on the Board agenda, the Dutch ED would be well informed on the country-specific issues. Relevant concerns were shared with likeminded countries – mainly UK, Germany and the Nordics – in order to broaden the influence.

4.2 Dutch policy interaction with the Bank

Within the Ministry of Foreign Affairs, the multilateral department DMM (Directie Multilaterale Organisaties en Mensenrechten) leads on the Dutch relationship with the World Bank Group. In the Ministry of Finance, the department for foreign financial relations BFB (Directie Buitenlandse Financiele Betrekkingen) is in charge. Both have (very) small teams - currently 2-3 resp. 1 person(s) - for a broad range of WBG-related tasks. The two ministries prepare coordinated inputs for the Dutch position in the Boards, Annual and spring meetings, the IDA-cycle and other Bank-related issues, including the relation with Parliament. The Foreign Affairs team also leads on the trust fund relation with the Bank and IFC related to the partnership arrangements with the Bank (BNPP) and the Netherlands-IFC Partnership Program. Frequent staff turnover has in some periods hampered continuity in the relation with the Bank.

Several interviewees noted that the Ministry of Finance has over the past decade become less involved in World Bank matters. A high level of trust in the WBG, a loss of Ministerial-level interest in the Bank (but not in IMF), and the Euro-crises after 2007 were mentioned as explaining factors.

In the office of the Dutch constituency in Washington, two officials seconded from Foreign Affairs and Finance support the Dutch ED (in addition to staff from the other countries in the Dutch ED's constituency). At the Dutch Embassy in Washington one or two staff are involved in WBG-business. Apart from representing the Netherlands in official matters (including the signing of agreements regarding trust funding), this involvement is now merely related to facilitating Dutch private sector interests in relation to Bank operations (such as procurement reform – see Box 4.2).

'The Hague' (Foreign Affairs and Finance) interacts on a day-to-day basis with the office of the Dutch ED and the Dutch Embassy in Washington. In weekly teleconferences upcoming issues are exchanged and possible positions explored.

Unlike for instance for the Dutch interventions in EU-bodies in Brussels, there are no formally agreed written instructions prepared in The Hague to guide the ED's position in Washington. Instead, written or oral 'inputs' are provided on selected issues, in particular issues seen as strategic or politically sensitive. The judgment on lending proposals is generally left to the ED's office (in coordination with Dutch embassies, where appropriate).

In interviews it was suggested that in particular in the late 1990s and early 2000s the level of interaction between The Hague and Washington was more intense and that more detailed 'advice' was prepared in headquarters to guide the ED's actions in the Board. While the Bank's articles of agreement specify that an ED has to 'exercise individual judgment in the interest of the Bank and its members, as a whole', it is not uncommon for EDs to receive instructions from headquarters. Reviews suggest that member countries like the UK and the Nordics also seek systematic influence via their ED on strategic issues of interest (ICAI, 2012; Aarva, Zukale, & Magnusson, 2012). In general, EDs representing a single-country constituency (like the UK or the US) will have more possibilities to put forward positions taken by their capital; the Dutch ED has to take into account the Dutch views and those of the 12 other countries in his constituency.

The ED's office in Washington relates directly via e-mail (or indirectly via DMM) with Dutch embassies in developing countries to ask for input (speaking points) concerning upcoming Board decisions on lending proposals or Country Assistance Strategies. The focus is on Board decisions related to the main partner countries in Dutch development cooperation. Also on issues of specific interest to the Netherlands – like the current four key themes water, food, security & justice, and sexual & reproductive health – input is sometimes requested from the Ministry of Foreign Affairs. It is not uncommon that the Dutch ED subsequently invites Bank staff in Washington to discuss key matters (for instance a draft Country Assistance Strategy) before the scheduled Board meeting. These meetings are sometimes organized jointly with likeminded EDs or take place in an informal EU-setting.

Quite often, joint written statements by likeminded EDs are prepared for the Board meeting to express key concerns or proposals. When a Bank proposal is seriously disputed, the proposal can be taken of the Board's agenda to facilitate further debate and consensus building. A recent case (2012) was the decision to postpone decision making in the Board on a Development Policy Loan for Rwanda because of concerns of some members (including the Netherlands) concerning the appropriateness of such support in view of the alleged involvement of Rwanda in Eastern-Congo.

Nearly all Dutch embassy staff responsible for development cooperation in the 15 main partner countries confirmed in interviews that the ED's office regularly (3-4 times per year) solicited their views on upcoming Board decisions. The embassies on their part were often involved in exchanges with the local Bank's country offices concerning the preparation of CASs or key loans. Most of them also indicated that such exchanges were rather formalistic and apparently not meant to lead to changes in what the Bank was proposing. Where the Netherlands was locally a bigger partner, such as in Indonesia, the exchange of views appeared to be somewhat more substantial.

Unlike the UK (DFID, 2011a), the Netherlands has no explicit strategy in place to guide its relation with the World Bank. The policy papers referred to in Chapter 3, describe in general terms the Dutch policy towards multilateral institutions and refer to the World Bank on some specific aspects, but they do not provide for what could be called a comprehensive Dutch strategy concerning the Bank.

The IDA-replenishment cycle has over the past years been the most prominent occasion for the formulation of explicit Dutch views on the Bank (see also Chapter 3). In the actual IDA-negotiations, the Netherlands has often worked together with likeminded European countries, in particular UK, Germany and the Nordics, and more recently also with Belgium and France. For instance, a joint paper on Performance Based Allocation and Fragile States was recently presented with Germany and the UK.

Official government instructions are prepared for the annual and spring meetings of World Bank and IMF, generally in response to the issues on the agenda. Specific Dutch positions have sometimes been identified in Parliament, where these instructions are discussed. A recent example is the issue of the salary levels within the Bank.[19] The meetings of the Governors have been used by the Netherlands to flag political issues. In the spring 2011 Development Committee meeting for instance, the Dutch Minister pushed with some other Ministers for support of the 'New Deal for Fragile States'. This allegedly contributed to broader acceptance of the initiative when it was officially launched in Busan in November 2011.

[19] At the request of the Parliament, the Dutch government is looking into salary levels at the Bank and other multilateral institutions supported by the Netherlands. This issue is dealt with in cooperation with several likeminded donors (including the UK, Switzerland, and Sweden).

Box 4.2 *Dutch advocacy on Procurement Reform at the World Bank*

The share of Dutch firms in contracts awarded by International Financial Institutions (IFIs) such as the World Bank is small and declining. While the average Dutch share in World Bank contracts amounted to 0.71% in the period 2004-2009, this was halved to 0.3 % by 2011. The decline was most visible in the category for 'civil works', where the Netherlands has not won a single contract since 2005.
The Dutch Ministry of Economic Affairs sees several causes for this decline. Most important is the emergence of cheap competitors, mainly from China and to a lesser extent from India. China is particularly active in the civil works sector. A second reason is the emergence of local industries in borrowing countries themselves. A third factor is the World Bank procurement system, which is very much focussed on price as opposed to quality; this is not to the advantage of Dutch providers. Lastly, the decentralisation of procurement decisions to borrowing countries has not always led to more transparency and accessibility of procurement processes.

In response to calls from the Dutch private sector, four Dutch ministries (Foreign Affairs, Finance, Infrastructure and Economic Affairs) started in 2011 a platform on procurement policies and practices of the IFIs. The World Bank's procurement policy is their main target, as this is currently under review. Also, the Bank is a trendsetter for most of the other IFIs.

At a consultation meeting with the Bank in The Hague in June 2012, the ministries and private sector representatives called on the Bank to create more room for quality considerations in procurement decisions, over and above minimum quality standards for qualification purposes. Also more attention should be paid to sustainability, environmental considerations, and Corporate Social Responsibility in awarding contracts. This would not only be consistent with the Bank's mission, but also give Dutch firms a better chance of winning future contracts. The review of the Bank's procurement policy is to be finalized by the end of 2013.

4.3 Concluding summary

- The Ministry of Foreign Affairs has with limited staff maintained a fair level of engagement with the Bank on overall World Bank policies, in particular on areas of specific Dutch interest.
- The Ministry of Finance became somewhat less involved in recent years, in particular after the outbreak of the global financial crisis in 2007.
- The ED's office played its role in bringing forward Dutch views in the Board, actively seeking inputs from the Dutch side, while taking into account its broader constituency.

5

Evolution of World Bank policies

This chapter describes the evolution of the World Bank's policies over the past decades. How did the Bank's strategies evolve and what are the current characteristics? And how does this compare with Dutch views on what overall Bank strategies should be like?

5.1 The early decades: from infrastructure to adjustment

Since its creation in 1944 at the Bretton Woods conference, the Bank has more than once shifted the focus of its policies and broadened into new activities. The original primary purpose of the IBRD was supporting the restoration of economies disrupted by World War II. The first loan in 1947 was a USD 250 million credit to France, soon followed by a USD 195 million reconstruction loan to the Netherlands.[20]

As the reconstruction of Europe took shape, aided primarily by the US-initiated Marshall Plan, the IBRD began to devote its resources to what was called in its articles of agreement 'the encouragement of the development of productive facilities and resources in less developed countries'.[21] Chile was in 1948 the first country to receive a USD 13.5 million development loan.

During its first 25 years of existence, the World Bank largely operated as a bank providing loans for investment projects in roads, railways, ports, dams, power plants, mining and industry. The development doctrine of that time held that such investments were the key to successful development, as their 'trickle-down' effects would benefit the whole population (IOB, 1999).

In 1960 IDA was established to provide loans to poorer developing countries at more generous terms than those offered by IBRD. Support initially focused on Asia: between 1961 and 1968 India and Pakistan received 86% of all IDA loans (Stein, 2008). But soon Bank loans and technical assistance to African countries also increased.

A further shift in focus came under President McNamara who led the Bank from 1968 to 1981. The basic development philosophy of the Bank became 'Redistribution with Growth'. Equal emphasis was to be placed on economic growth and poverty alleviation, in order to address 'absolute poverty' (IOB, 1999).

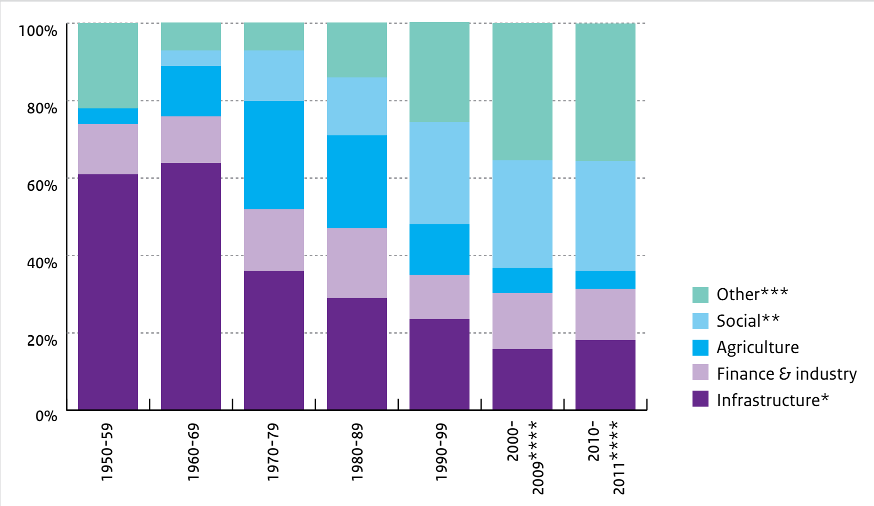
The shift to resource-poor regions and segments of society increased the Bank's character as a development institution. This was matched by a considerable increase in the volume of lending to developing countries: from less than USD 1 billion in 1968 to over USD 12 billion in 1981. Loans to agriculture and social sectors increased, while infrastructure became less important in the Bank's expanding portfolio (see figure 5.1). In the seventies a typical Bank

20 Initial loans to the Netherlands helped to rebuild the economy, to modernize and expand the Royal Dutch Airlines fleet and to replenish the working capital of the 'Reconstruction Bank' (Nationale Herstelbank). Source: website World Bank.

21 Article I (1) IBRD Articles of Agreement (As amended effective February 16, 1989)

funded activity in Africa would be an integrated rural development project, addressing agricultural production, population planning, public health, water supply and sanitation, housing and other 'basic needs' (IOB, 1999).

Figure 5.1 *World Bank lending commitments by sector (FY50-FY11)*



Source: (Stein, 2008); (World Bank, 2005; World Bank, 2011k)
** Includes transportation, telecommunication and electricity.*
*** Includes education, environment, population, water and sanitation, social protection, and urban development.*
**** Includes oil and gas, mining, public sector management, tourism, multi-sector, and unclassified.*
***** Categories adapted by IOB from World Bank annual reports 2005 and 2011.*

Adjustment and reform

At the end of the McNamara period, Bank policies refocused again. The integrated rural development approach was found to be unsuccessful, the agricultural sector in Africa was not performing and economic growth in most African countries was weak or negative. Under McNamara's successor Clausen, the Bank published in 1981 the influential report *Accelerated Development in Sub-Saharan Africa – An Agenda for Action*. The study argued that in Sub-Saharan Africa 'domestic policy issues are at the heart of the crisis' (World Bank, 1981). Widespread and excessive state intervention was identified as a major cause of weak economic progress. This was in line with the dominant economic thinking at that time in the USA, the UK and several other countries (Önis & Senses, 2005).

Market-based reform – labelled 'structural adjustment' - became a key element of Bank lending from the early 1980s to well into the 1990s, in particular in Africa and Latin America. The Bank, the IMF and several bilateral donors made such reforms a precondition for the provision of concessional finance. The reform package and the underlying market-based economic thinking - that some called 'market fundamentalism' - became known as the 'Washington consensus' (Williamson, 2000).

In order to create the preconditions for a resumption of growth, developing countries had to get the policies and the prices right. Common elements of structural adjustment programs were stabilization (fiscal discipline, tax reform, and exchange rate adaptation), liberalization (of trade, foreign direct investment, and interest rates) and privatization. This often implied far-reaching measures like the removal of state subsidies to food or fertilizer, elimination of marketing boards, slashing import tariffs and export taxes, selling of state assets and the introduction of cost recovery and user fees in healthcare and education (Stein, 2008; Phillips, 2009; Bayliss, Fine, & Van Waeyenberge, 2011; Rodrik, 2011).

Box 5.1 *Funding the World Bank*

Thanks to the capital provided and guaranteed by its official shareholders, the World Bank holds an AAA credit rating. This allows the Bank to borrow on the international capital market at attractive rates. The IBRD then relends these funds to developing countries at a slightly higher rate. The margin allows the Bank to cover its operating costs and earn a (small) profit that has regularly been used to help replenish IDA. IBRD loans must be repaid within 12-15 years.
IDA is funded primarily by contributions from donor countries, which negotiate replenishment every 3 years. Additional funding is provided by repayment of IDA credits, IBRD net-income and – more recently – IFC profit. The IDA16 replenishment negotiations benefited in particular from an early repayment of China's IDA loans. IDA provides grants (to countries at high risk of debt distress) or credits with little or no interest, grace periods of 5 or 10 years and repayment periods of 25 or 40 years, depending on the country creditworthiness.

5.2 Towards a post-Washington consensus and debt relief

In the second half of the 1980s, the impact of adjustment policies on poverty received increasing attention and criticism. The 1987 UNICEF study 'Adjustment with a Human Face' found direct negative effects on vulnerable groups in Africa, Asia and Latin America (Cornia, Jolly, & Stewart, 1987). NGOs criticized the impact on the poor and the international donor community became increasingly sceptical about the predicted positive effects of adjustment on growth in low income countries.

The Bank reacted, albeit slowly. Although the central doctrine during the 1990s continued to be based on market-based reform, its application tended to become less rigorous and uniform and the social dimension received increasing attention (IOB, 1999). Many social funds were set up to cushion the effects of adjustment. Moreover, investments in human resources -- and more particularly in (girls') education -- were increasingly recognized as fundamental to the development process.[22] The emergence of Asian economies in which

[22] In 1992, the then chief economist of the World Bank, Lawrence Summers, made a plea for increased investment in girls' education, as this would yield a higher rate of return than any other investment in the developing world.

state intervention played a major role, also challenged some of the fundamentals of the Washington consensus.[23] And a series of financial crises hitting emerging economies in the nineties (Mexico, the Asian tigers, Russia, Brazil and Argentina) questioned financial liberalization, one of the pillars of the consensus (Rodrik, 2011).

In 1998, then World Bank chief economist Joseph Stiglitz, denounced the Washington consensus as 'at best incomplete and at worst misguided' and called for 'a new development paradigm' (Stiglitz, 1998). Part of this new paradigm would have to be the recognition of the unique functions of the public sector, like ensuring health and education, creating an enabling environment for the private sector and spearheading the drive for eliminating poverty. He also stressed the importance of ownership of development strategies: the government of the developing country itself should be 'in the driver's seat', with broad participation from civil society.

This more 'holistic' approach to development was captured in the *Comprehensive Development Framework*, adopted by the Bank in 1999.[24] The Bank and the IMF both agreed to build their operations in low income countries on country-owned Poverty Reduction Strategies. The Bank's Country Assistance Strategies would from now on be based on Poverty Reduction Strategy Papers (PRSPs) and be supported by Poverty Reduction Support Credits (PRSCs) and other Bank resources. Improving governance and fighting corruption became important goals connected to these policy based loans of the Bank.

At the start of the new Millennium, the Washington Consensus had gradually evolved into a 'Post-Washington Consensus'. The actual policies of the Bank were in many aspects different from and more elaborate than those in the two previous decades. However, the extent to which the new thinking fundamentally departed – or should depart - from the previous Bank approach remains a matter of debate.[25]

Birdsall and Fukuyama signaled recently that the Washington Consensus thinking has over the 2000s further lost its dominant position in the international development debate, in favor of a more multi-polar debate in which issues like controlling financial inflows and setting up an industrial policy reflect successful experience of the many successful G-20 countries (Birdsall & Fukuyama, 2011).

[23] In the 1993 report 'The East Asian Miracle: Economic Growth and Public Policy' (World Bank, 1993), the Bank struggled with explaining the rise of the Asian tigers in terms of the dominant economic thinking in Washington.

[24] See http://go.worldbank.org/N2NDBE5QL0

[25] See for instance Rodrik who describes the Post-Washington Consensus (PWC) as an augmentation of the Washington Consensus, adding 'an impossibly broad and ambitious agenda under the general heading of 'governance reforms'' (Rodrik, 2011). Bayliss et al. see the PWC as 'a new phase of neo-liberalism rather than a break with it' (Bayliss, Fine, & Van Waeyenberge, 2011). Öniș et al. describe the PWC as 'a more progressive approach to development as compared with the naïve and unqualified application of the Washington Consensus', but with 'important limitations' (Önis & Senses, 2005).

Debt Relief

Meanwhile, public debt in Sub-Saharan Africa had increased to unsustainable levels. In the 1980s, African economies had experienced negative per capita growth (on average –2.2% per annum). Many low income countries were unable to service their foreign debt: in 1993 the severely indebted low-income countries paid only 40% of the scheduled debt service (IEG, 2003a). The share of multilateral debt in their total foreign debt was large and increasing quickly.

A combination of strong civil society campaigning, growing concern among the Bank's constituency and a change in leadership of the Bank with the appointment of President Wolfensohn, eventually lead to the 1996 HIPC-initiative (Highly Indebted Poor Country). [26] This joint proposal of World Bank and IMF contained important innovations, including the reduction of multilateral debt as such (which was hitherto considered impossible or undesirable), the notion of debt sustainability, and the link with poverty reduction by requiring a country-owned poverty reduction strategy (IEG, 2003a).

However, the initial HIPC-criteria implied that hardly any debt distressed country was eligible for significant debt relief. After agreement on the 'Enhanced HIPC' in 1999 and further improvements, the initiative started to deliver on its promises. By the end of 2006, the debt stock of the 31 HIPC-countries had been reduced from over USD 100 billion to USD 40 billion (Wolfensohn, 2010). And the initiative channelled additional development resources to the qualifying countries, which were to a large extent invested in social services like education and health (IEG, 2003a).

5.3 Bank strategy in the 2000s: Inclusive and sustainable globalization

President Wolfensohn was appointed by the Clinton administration in 1995 and led the Bank for two 5-year terms. He and his successors Wolfowitz (2005-2007) and Zoellick (2007-2012), supported and stimulated by the Bank's constituency, took the Bank into new areas of work in an effort to remain relevant in an international economic and political environment that was quickly changing.

Around the start of the new Millennium, criticism of the Bank seemed to mount on all sides of the political spectrum.[27] The combined annual meetings of the World Bank and IMF had become the target of fierce anti-globalization protests that blamed the Bank for environmental destruction and poverty in the third world. At the same time, the influential Meltzer commission proposed in 2000 to US Congress and the Bush administration to

[26] In his autobiography, Wolfensohn mentions the UK and the Netherlands as countries that were eager to discuss the debt problem and encouraged him to press for a solution (Wolfensohn, 2010).

[27] According to Phillips 'Liberal/left opposition groups wanted to curb the power of a crypto-capitalist institution and neo-conservative groups wanted to limit the power of a crypto-socialist institution.' (Phillips, 2009)

drastically curtail the Bank by calling for its withdrawal from Asia and Latin America and replacing loans to poor countries with grants.[28]

In addition, the Bank was losing relevance as a source of external finance, in particular for the middle income countries. While the Bank provided 15% of all external finance to developing countries in 1987, that figure had fallen to just 4% in 2002 (IEG, 2012a). In Africa however, the Bank was (and is) still a key player.

In this changing international environment, the Bank had to constantly reconsider its role and strategy. Over the years 2000, the overarching vision for the WBG would become 'to contribute to an inclusive and sustainable globalization – to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope' (World Bank, 2008a). The related main strategic themes over the past decade were:[29]

1. Renewed focus on poverty and the poorest countries.

Under president Wolfensohn, the Bank's mission statement became 'to fight poverty with passion and professionalism for lasting results'. When in 2000 the UN agreed on the Millennium Development Goals, the Bank pledged to play an important role in helping developing countries achieve these goals by 2015. This implied a focus not only on reducing income poverty, but also on extending basic social services to the poor and improving human welfare. Combating communicable diseases, especially HIV/AIDS and malaria, became a key target of Bank interventions in the poorest countries. The same is true for education. Also creating basic infrastructure in the poorest countries became an important activity, with a focus on power, water, transport, and information and communications technologies. Recently, support for agriculture in the poorest countries has again been put higher on the Bank's agenda, aiming in particular at increased agricultural productivity and food security. Overall, IDA has in financial terms become a more important part of the Bank's interventions over the last 15 years (see Figure 5.2).[30]

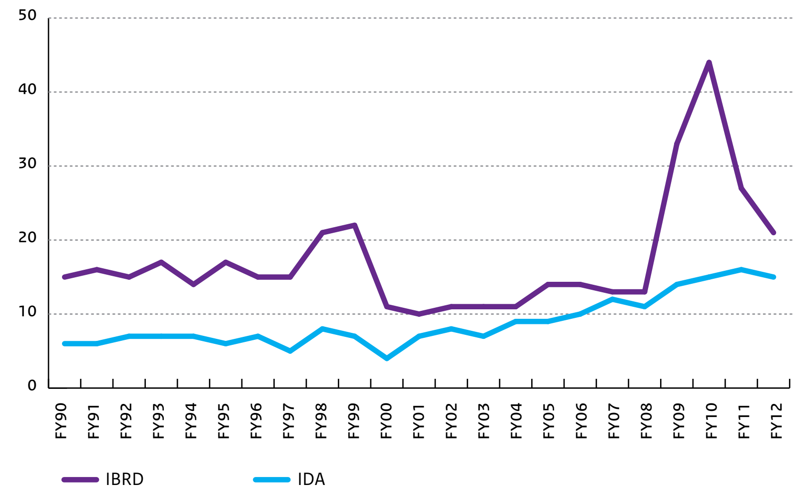
The extent to which the renewed poverty focus was effectively put to practice by the Bank is reviewed in Chapter 9.

28 See: http://www.reformwatch.net/fitxers/13.pdf

29 In addition to the 5 strategic themes mentioned here, there is a 6th strategic WBG theme: Partnership with the Arab world. In close cooperation with the League of Arab States, the Bank has established in 2008 the Arab World Initiative. This is a partnership to foster collaboration in the interests of economic integration and knowledge sharing among the countries of the Arab world. The initiative has three pillars: Human Development and Improving the Quality of Education; Infrastructure Projects; and Micro, Small and Medium Enterprise Development. See also: http://go.worldbank.org/3ZPR01N4I0 and the 2008 Medium-Term Strategy and Finance Paper document (World Bank, 2008a).

30 The response to the 2008-09 financial crisis somewhat changed the pattern, as most countercyclical lending was geared towards middle income countries.

Figure 5.2 *Annual lending commitments IBRD and IDA FY90-12 (USD billion)*



Source: World Bank Annual Reports

2: A bigger role in post-conflict and fragile states.
In the early 2000s, the Bank took on a more central role in addressing the challenges of states coming out of conflict or seeking to avoid a breakdown. IDA donors in particular have pushed the Bank into interventions aimed at 'breaking the vicious circle of conflict and poverty'. The Bank's focus broadened into new areas like de-mobilization and reintegration of soldiers, land-mine clearance and rehabilitation of state institutions. In several countries, ranging from Iraq and Afghanistan to Sudan, the Bank is now leading multilateral efforts to stabilize and improve the fragile situation. By means of dedicated trust funds, many donors, including the Netherlands, are supporting these efforts.

The evidence on the performance of the Bank in addressing fragile and (post-) conflict situations is assessed in Chapter 9.

3. Continue working with middle-income countries
The Bank continues to regard middle income countries as important clients, despite limited increase in volume of IBRD loans to these countries since the nineties.[31] The Bank's analysis is that middle-income countries now generally have access to commercial credit, but they may still face constraints in mobilizing funds for infrastructure and essential services. Also they may require support to reform policies and institutions to improve their investment

[31] The Zedillo report noted that before the 2008-09 economic crises, middle-income countries reduced their demand for IBRD loans in part because of 'the relatively high financial and non-financial costs of these loans (the 'hassle factor')' (Zedillo et al., 2009).

climate. Moreover, middle-income countries are still home to most of the world's poor people. The World Bank Group therefore wants to continue working with both tailored financial products and knowledge services (advisory) in middle income countries. Other themes that can be addressed relate to global issues like clean energy, trade integration, environmental protection and financial stability.

Box 5.2 *Reduced relevance of the Bank*

A growing challenge for the Bank is its relative importance as a provider of development finance. Private capital flows are now the main source of finance for developing countries as a group and even in Africa the role of the Bank is decreasing. Infrastructure investments from the BRIC countries in Africa are of similar magnitude as those of the traditional donors, including the Bank (IMF, 2011). The role of IDA will also change in coming years, as important IDA-clients like India and Vietnam (now blend countries) will graduate and a more limited number of smaller, sometimes fragile or conflict-ridden countries in (mainly) Africa will remain. Also, the vertical funds (e.g., GEF, the Global Fund, the Global Partnership for Education, and, soon, the climate funds) transfer grant funds in quantities approaching the net transfers by IDA. Furthermore, the BRIC countries are considering setting up a sort of World Bank of their own.

4. Leading efforts on global public goods.

In 2000 the Development Committee agreed that the Bank should play a role in addressing 'global public goods': aspects of development that reach across borders and extend beyond what market systems or individual countries can do on their own.[32] The Bank was subsequently mandated to work on five areas (World Bank, 2007b):

- Preserving the environment, including climate change and biodiversity;
- Controlling communicable diseases, including HIV/AIDS, tuberculosis, malaria, and avian flu;
- Strengthening the international financial architecture, including crisis prevention and mitigation;
- Enhancing developing countries' participation in the global trading system;
- Creating and sharing development knowledge.

The 2009 Zedillo report noted that opinion leaders around the world saw fostering global public goods as the Bank's most important mission after supporting the poorest countries (Zedillo et al., 2009).[33] The Bank's role on global public goods is often to set up multilateral

[32] 'Public goods' are generally defined as being both 'non-rival' (consumption by one person doesn't affect possibilities for another person) and 'non-excludable' (no one can be prevented from enjoying them). 'Global' public goods would then refer to worldwide availability or trans-boundary characteristics.

[33] The Zedillo Commission, a high level commission headed by former Mexican president Ernesto Zedillo, produced in 2009 an important report on the modernization of World Bank Group governance: Repowering the World Bank for the 21st Century (Zedillo et al., 2009). The report had been requested by Bank president Robert Zoellick. Herman Wijffels, former Dutch ED and former chairman of the Board of Rabobank, was part of the 11 eminent persons in the commission.

action and forge global partnerships, involving governments, non-profit organizations and private sector. A large part of this work is financed by trust funds to which many donors, including the Netherlands, contribute substantially. Some of the Global Programs financed by these trust funds are reviewed in Chapter 11.

5. A strong focus on knowledge and learning
In 1996, president Wolfensohn announced the Bank's desire to expand its research and advisory work to become a 'global knowledge bank'. Today, the production, aggregation, and dissemination of development knowledge is one of the Bank's core activities. The Bank has published over 20.000 books and papers, and more journal articles in economics than any university except Harvard (Ravallion & Wagstaff, 2010). Advisory work in developing countries has become a key instrument of the Bank. As a result of the 2010 Access to Information Policy, there is now free access to many World Bank databases free of charge and to lots of documents that were previously restricted to official users.

Box 5.3 *What knowledge?*

Although many regard the Bank as a key global source of development expertise, the knowledge claim of the Bank is not undisputed. Some observers have questioned the credibility of some of the evidence used in Bank publications (Deaton, Banerjee, Lustig, & Rogoff, 2006). Others point to the dominance of neo-liberal economic analyses (Stein, 2008; Bayliss, Fine, & Van Waeyenberge, 2011). It is perhaps with this debate in mind that at the presentation of a paper on future directions for research in June 2010, Bank president Zoellick said that 'A new multi-polar economy requires multi-polar knowledge; we need to democratize and demystify development economics, recognizing that we do not have a monopoly on the answers'.[34] The two most recent chief economists of the Bank, Justin Lin (2008-2012) and Kaushik Basu (since 2012), could be considered as exponents of the trend towards more multi-polar thinking at the Bank.

The Bank distinguishes three knowledge categories: 'knowledge for external clients' (3/4 of its knowledge activities, comprising economic & sector work, technical assistance and client training), 'knowledge for internal use', and 'knowledge as a public good' (this includes the annual World Development Report, research, etc.). In FY10 the Bank spent over USD 600 million on 'core knowledge products' (IEG, 2012a). A growing part of core knowledge spending is financed by trust funds: 40% in FY10. In particular work on issues like gender, governance and climate change has been sponsored by donors via trust funding (World Bank, 2011a).

34 Zoellick's speech on 'Democratizing Development Economics' in Georgetown University, September 29, 2010: http://go.worldbank.org/5VEUBEBHY0

Box 5.4 *The Voice and Representation Debate*

The discussion on 'voice and representation' of developing and transition countries in the World Bank Group started in the early 2000s. The issue at stake is the legitimacy and credibility of the Bank's governing structures in a changing international political environment. In 2008 it was decided to provide an extra chair for Africa in the Board and that future World Bank Group presidents would be selected in an open and transparent procedure. Also the voting power of the developing countries in IDA was somewhat increased. Plans to move further towards equitable voting power between developed and developing members have not reached agreement yet (World Bank, 2009a).

Post-Crisis Directions and beyond

In 2010 the World Bank presented an updated strategy document called *New World, New World Bank Group: Post-Crisis Directions* (World Bank, 2010a). This was a reflection on the lessons of the global crisis and a response to the changing landscape of an increasingly multi-polar world economy in which in particular the G-20 had gained a more central position. The strategy was accompanied by proposals for reform of the Bank's governance (see Box 5.4 on voice and representation) and for strengthening the financial capacity by means of a capital increase (see Box 5.5).

In the strategy document the World Bank Group also responds to G-20 questions about the different roles of the IFIs, by presenting its five comparative advantages: global presence; development knowledge; world-class finance; leadership role on global public goods; convening power in international arenas.

Box 5.5 *The Bank's response to the global crisis*

The global economic crises of 2008-09 reinforced the Bank's position vis-à-vis middle income countries. Stimulated by the Board and in response to a global call for countercyclical support, the Bank reacted swiftly. In 2008-10 annual WBG lending doubled compared to the pre-crisis years 2005-07. The bulk consisted of additional loans to IBRD countries (IEG, 2012b). The increased lending was aimed at addressing immediate credit shortages, protecting the poor (via social safety nets), securing essential government spending (like health and education) and to laying the foundations for recovery. The 2009 Zedillo report noted that 'the Bank's ability to increase lending at a time of capital market failure was an important element for stabilizing the global economy'.[35]
In order to compensate for the sharp increase in lending and at the suggestion of the 2009 G-20 Summit in London, the Bank asked and received in 2010 a one-off capital increase of USD 86 billion (of which USD 5.1 billion paid-in capital; the remainder is guaranteed). In its 2010 Post-Crisis Strategy, the Bank identified crisis preparation as a new priority (World Bank, 2010a).

While more attention is paid to managing risks and preparing for crisis, the Post-Crisis directions do not imply specific new foci that differ significantly from the Bank strategy as described above. The strategy confirms the importance of the full range of issues that the Bank has been taking on board over the past 15 years, including:

- a regional focus on Africa, on fragile and post-conflict states, and on poverty in middle-income countries;
- creating opportunities for growth related to the importance of agriculture, infrastructure, private sector development, and integration in regional and global markets;
- expanding economic opportunities for girls and women, cash transfers to the poor and vulnerable;
- public finance management, strengthened governance, and anti-corruption;
- and global collective active action, including on climate change.

The risks of working on such a broad agenda should not be underestimated. As the 2009 Zedillo report puts it: 'the World Bank's mandate is broad and its portfolio is complex'; 'mission creep is endemic, reducing accountability for results and increasing the risk that resources will be misallocated or spread too thin, undermining the institution's effectiveness' (Zedillo et al., 2009).

35 An IEG evaluation on the Bank's crisis response somewhat downplayed the role of Bank funding in addressing the crisis (IEG, 2012b). IEG analyzed that most new lending to developing countries had low correlation with the severity of the crisis impact, though it was not necessarily unjustified. Bank management disagreed, questioned the methodology used by IEG (lack of counterfactual: what if the Bank wouldn't have stepped in?) and pointed to the important leadership role in mobilizing international support beyond its own contribution.

Box 5.6 *The 2012 nomination process for the Bank president*

The appointment of Jim Yong Kim as the World Bank president for the 2012-2017 period was in some aspects remarkable and unprecedented. For the first time the Board had agreed (in 2008) to a nomination process that led to a competition between (three) potential candidates. Before, the US simply nominated the Bank-president as part of an unwritten deal with the European countries that they could select the IMF-president. Although it was still the US candidate that eventually got elected, unlike any of his predecessors, president Kim is neither a banker nor a politician. As a Korean-born physician and pioneer in the treatment of HIV/AIDS and tuberculosis, he is the first professional development specialist to head the Bank.

5.4 Concluding summary

- The World Bank has expanded into a broad range of policies and activities in response to requests of (segments of) its constituency and in an effort to remain relevant in a changing international environment. The capacity of the Bank in the past 15 years to absorb criticism and respond with new strategies and activities has been remarkable. Trust funding has stimulated this expansion.
- As a consequence, many of the Dutch priorities for the Bank (see Chapter 3) are now reflected in key Bank strategies: the reinforced strategic focus on poverty reduction (including MDGs and agriculture), on post-conflict and fragile situations, on global public goods like climate change, etc. In general, there has been a further convergence of Dutch and likeminded donor development views and the main policy directions of the World Bank.
- Working on such a broad agenda as the Bank is attempting to do, does bring risks. Resources can be spread too thin, the portfolio can become too complex, and ambitions may not be realistic
- The increasingly multi-polar world, reflected in the wide range of successful economic models represented in the G-20, has further challenged classic (Post)-Washington Consensus thinking within the Bank and appears to be leading to a more multi-polar approach in the Bank's knowledge work.

6

World Bank operational effectiveness

In 1992, an internal review concluded that the quality of Bank operations had dramatically deteriorated over the 1980s: less than two thirds of Bank projects completed were achieving their stated objectives according to IEG evaluation data, and the success rate in Africa was even worse (World Bank, 1992). This influential Wapenhans Report (named after former vice-president Willi Wapenhans, who led the exercise) further concluded that Bank staff was merely focusing on lending volume ('the Bank's pervasive preoccupation with new lending') and not on quality and sustainability of the operations. The report concluded: 'The portfolio is under pressure (...) attributable to deep rooted problems which must be diagnosed and resolved'.

How does the Bank monitor and measure the quality and effectiveness of its activities? To what extent has quality improved over the past decades? What does evaluation indicate about overall performance and results of the Bank?

6.1 Evaluation and quality control at the World Bank

Evaluation at the World Bank is built on two basic elements. First, the World Bank has a long standing and increasingly sophisticated monitoring and self-evaluation system rooted in its project cycle. Second, IEG independently evaluates a large segment of the Bank's activities, partly building on (by checking/validating) the internal self-evaluation reports. In addition, from 1996 to 2010 a Quality Assurance Group (QAG) reviewed samples of the portfolio on quality aspects like design, supervision and implementation of projects.[36]

Basically, evaluation at the World Bank is a process of qualitative assessments relative to stated objectives: core evaluation data are ratings of the performance of an operation at completion relative to its stated development objectives at approval. How does this work?

Monitoring and (self-)evaluation of intended development outcomes

Lending activities of the Bank are organized by 'operations', which are either projects supporting specific activities/interventions or policy lending/budget support which provides un-earmarked funds to the budget in support of policy reforms. The implementation of the activity is generally done by the partner government or a related implementing agency, supported by a Bank project team. An important element in the appraisal document that Bank staff prepare at the start – for approval by the Board - is the statement about the operation's development objectives. This indicates what it is intended to achieve. Since 2004 the Bank requires for all investment lending proposals a clear results framework, outlining intermediate and final outcomes. Also all development policy lending activities need to have specified expected outcomes and measurable indicators.

[36] The quality infrastructure within the Bank also includes the Operations Policy and Country Services network (OPCS) that leads on internal quality management in close cooperation with units in the operational regions. The internal audit group (IAD) is responsible for assessing operational risk and the Integrity Vice Presidency (INT) investigates alleged fraud and corruption in Bank programs. In 2005, the Bank also launched a Development Impact Evaluation Initiative (DIME) to increase knowledge and learn lessons based on impact evaluations.

Table 6.1 provides a brief overview and Annex 5 describes the complete M&E framework. All the major project reports are now available (often in real time) at the Bank's website.

The Bank team's task manager reports regularly and updates the status of the project at least once annually: the Implementation Status and Results Report (ISR). This report includes a rating of progress towards achieving development outcomes and provides the possibility to signal (potential) 'projects at risk' that – if nothing is changed – may not achieve the anticipated outcomes. [37]

When the project is concluded, the task manager writes the Implementation Completion Report (ICR), a comprehensive review of the project's outcomes. The borrowers' perspective is also taken into account. The ICR is presented to the Board within 6 months after completion. These ICRs assess and rate i) development outcomes, ii) risk to development outcome (sustainability), iii) Bank performance and iv) borrower performance. The Bank currently produces some 250 ICRs per year. The website of the World Bank contains over 4500 ICRs, covering loans and credits completed in the period 1994 up to present, with links to thousands of underlying project documents.[38] The coverage and level of sophistication of ICRs has increased over the years: recent ICRs are a wealthy source of information on performance of individual projects.

Table 6.1: World Bank M&E process for investment lending and country programs

<table>
<tr><th colspan="2">MONITORING</th><th colspan="3">EVALUATION</th></tr>
<tr><th rowspan="2">Defining Development Outcomes and Indicators</th><th rowspan="2">Tracking and Reporting on Implementation</th><th rowspan="2">Self-evaluation</th><th colspan="2">Independent Evaluation by IEG</th></tr>
<tr><th>Activity level</th><th>Aggregate level</th></tr>
<tr><td>Project Appraisal Document
PAD</td><td>Implementation Status and Results Report
ISR</td><td>Implementation Completion and Results Report
ICR</td><td>**ICR-Review**
Project Performance Assessment Report
PPAR</td><td rowspan="2">Annual Reviews

Sector/thematic evaluations

Corporate Studies

Other evaluations</td></tr>
<tr><td>Country Assistance Strategy
CAS</td><td>CAS Progress Report
CASPR</td><td>CAS Completion Report
CASCR</td><td>**CASCR-Review**
Country Assistance Evaluation
CAE</td></tr>
</table>

After self-evaluation comes independent evaluation by IEG: all the completion reports (ICRs) are subject to validation by IEG. By means of a desk review and interviews, IEG

[37] As part of the Bank's transparency policy thousands of ISRs produced after 2010 can be found at the website: http://go.worldbank.org/T74S4CVJ90.

[38] See for ICRs: http://go.worldbank.org/AHBG07FUZ0. Before 1994 ICRs were called PCRs, Project Completion Reports. Over 2250 of these PCRs, covering completion reports and accompanying IEG validation reports presented to the Board in the 1980s and early 1990s, can also be found on the Bank's website: http://documents.worldbank.org/curated/en/docsearch/document-type/581948. IEG's ICR Reviews are available at: http://ieg.worldbankgroup.org/content/ieg/en/home/project_assessments.html

re-assesses the self-evaluation of Bank staff, producing a so-called ICR Review.[39] In some cases this will lead to a different rating on the evaluation criteria. IEG uses the 'net disconnect' indicator to compare the self-ratings in the ICR to the rating that IEG gives to the activity. The net disconnect was about 15% over the last years, higher than the Bank's target of less than 5% (IEG, 2012c).[40] Recently, IEG ran into a backlog in validating ICRs: just 60% of operations closed in FY11 had been validated by autumn 2012 (IEG, 2012c). IEG has pointed to the rise in numbers of activities that it needs to review, due to the inclusion of recipient executed trust funds in the evaluation system in 2008 (IEG, 2011l).

Box 6.1 *IEG rating system*

When assessing the Bank's operations, IEG rates four aspects:

1. *Outcome:* the extent to which objectives were achieved efficiently. This rating has three dimensions:
   - *Relevance of objectives and design:* the extent to which objectives were consistent with a countries development priorities and with the Bank's strategies and goals (as expressed in PRSPs, CAS, Sector Strategy Papers, Operational Policies) and the extent to which the project's design is consistent with the stated objectives.
   - *Efficacy:* the extent to which the projects' objectives were actually achieved, taking into account their relative importance.
   - *Efficiency:* the extent to which the project achieved a return higher than the opportunity cost of capital, and achieved benefits at least cost compared to alternatives.
2. *Risk to Development Outcome:* the risk that development outcomes will not be maintained (related to internal and external factors). This captures the sustainability of outcomes.
3. *Bank Performance:* the extent to which services provided by the Bank i) ensured quality at entry of the operation and ii) supported effective implementation through appropriate quality of supervision.
4. *Borrower Performance:* the extent to which the government performance and the implementing agency(ies) performance ensured quality of preparation and implementation, and complied with agreements, towards the achievement of development outcomes.

Ratings for Outcome, Bank and Borrower performance are: Highly Satisfactory – Satisfactory – Moderately Satisfactory – Moderately Unsatisfactory – Unsatisfactory - Highly Unsatisfactory. Ratings for Risks are: High – Significant – Moderate – Negligible to Low – Not Evaluable.

39 IEG reviews the completion report ICR and interviews the last task team leader. IEG also adds two further ratings: for the quality of Monitoring and Evaluation (design, implementation and utilization) and the quality of the ICR itself (evidence and analysis provided, results orientation, internal consistency, consistency with Bank ICR guidelines, and conciseness (IEG, 2012c).

40 The quality and rigor of reporting on completed projects by Bank staff has always been an issue. See for instance *World Bank Operations Evaluation Department: The First Years*; World Bank 2003.

In addition, IEG selects (purposefully) about 20-25% of all completed projects for a more detailed ex-post evaluation, currently around 70 per year. These evaluations - called Project Performance Assessment Reports (PPARs) - include field research and are generally done 2-5 years after completion. PPARs often assess three or four Bank-supported projects grouped together, to shed light on the impact of the Bank in a particular sector in a country or in a sub-sector across countries. The website of the Bank currently displays around 400 of these evaluation reports, the first dating back to 1976.[41] This is probably the longest running database of development project evaluation in the world.

At the country level, the effectiveness of Bank programs is also monitored and evaluated: since 2005 also the Bank's Country Assistance Strategies (CASs) have to include a results framework with indicators. These are being tracked by operational staff by means of biennial CAS Progress Reports. After about four years, the CAS Completion Report is prepared. These self-evaluation documents, first introduced in 2002, are again validated by IEG. IEG uses these evaluations together with its own research to produce Country Assistance Evaluations that cover around 8-10 years of Bank activity in a borrower country.

In 2005 the evaluation criteria for investment and development policy lending used by Bank staff (for ICRs) and by IEG in its evaluations have been fully harmonized. This has created a more solid layer for assessment.

In contrast to the Bank's core activity – lending – there is not a sophisticated results-based monitoring and evaluation system in place for the Bank's analytical and advisory services (AAA). These activities are only assessed by IEG as part of CAS reports and sector or thematic evaluations. Also for many trust-funded activities executed by the Bank there is, up to present, no systematic monitoring and evaluation system in place that can match the M&E system for lending activities. However, recipient-executed trust funds with a value of over 5 million have since 2008 been given the same treatment as standard Bank lending.

IEG evaluations influence Bank policies and operations. Conclusions and recommendations are discussed with Bank management in the Board committee on development effectiveness, to which IEG reports. The uptake of IEG's recommendations is monitored jointly with Bank management by means of the so-called Management Action Record (MAR). Of over 150 recommendations in 26 evaluations between 2008 and 2012, one-third was substantially adopted after one year, while IEG considered ¾ substantially adopted within four years. IEG found that its recommendations related to performance management or internal coordination had lower rates of uptake than sector, theme or topic specific recommendations. IEG and Bank management are discussing MAR reform, in particular ways to strengthen the 'actionability' of IEG recommendations (IEG, 2012c).

41 See for PPARs: http://go.worldbank.org/BFELHY4C70.

Quality review by QAG

The Quality Assurance Group (QAG) was set up in 1996 as one of the key actions to improve quality of Bank operations in response to the low outcome ratings of the early 1990's. Situated in the Office of the Managing Director of Operations, its mandate was to conduct real-time quality assessments, in order to increase management and staff accountability for quality and results. QAG looked in particular at quality-at-entry of newly approved projects and the quality of supervision of on-going projects (implementation advice to borrowers, attention to fiduciary/safeguard requirements, and candour of M&E reporting). In addition, QAG analysed the quality of the Bank's expanding Analytical and Advisory services (AAA) on relevance, analytical quality and likely impact. Panels with professionals from inside and outside the Bank judged samples of projects and activities. QAG had no clearance function, but reported by means of regular reports to senior management and to the Board. Reports such as the Quality Assessment of Lending Portfolio (QALP) provided rich insights into the reality of the Bank's operations.

In 2010, QAG was dissolved and its function of quality assurance was delegated to the regional quality units within the Bank. Apparently, management judged that a central body to review internal operational quality was no longer required. The burden on Bank staff of QAG's quality work, alongside the existing oversight architecture of the so-called 5I's (Internal Audit Group, IEG, INT, IPN, and Compliance Advisor/Ombudsman (CAO)), was also mentioned as a reason for dissolving QAG.

Quality concerns have, however, not disappeared. Recently, and in particular in response to the 2012 IEG evaluation of the matrix structure of the Bank (IEG, 2012a), the debate between Board and Management and within the Bank has intensified again. IEG described QAG as an important mechanism, independent of management, that created checks and balances. They find that, with QAG disbanded, the Bank lost its sole mechanism for autonomous review of portfolio quality. Also, IEG recalls that since QAG was dissolved, there is no systematic review of performance in AAA services anymore. Moreover, the latest indicators suggest, that overall Bank performance is deteriorating since its peak in the mid-2000s (see next paragraph).

A new Bank-wide quality assurance framework is to be rolled out in FY13.

Box 6.2 *Access to Bank Information*

The World Bank has in recent years taken further steps to improve access to information. In 2010, the Bank's Open Data Initiative was launched. The Bank now provides free and open access to statistics and thousands of indicators on development via the new website data.worldbank.org.

In the same year, the new Access to Information Policy took effect as part of the Bank's modernization agenda. The Bank moved from an approach that spells out what information it can disclose to one under which the Bank makes public any information that is not on a list of exceptions. The exceptions include financial and personal information and information on matters still under debate. In particular, more information has been made available on key decisions made during project development and implementation, including decisions of project concept review meetings, project supervision missions, and mid-term project reviews.
Source: (World Bank, 2010b)

6.2 Bank performance since the 1990s

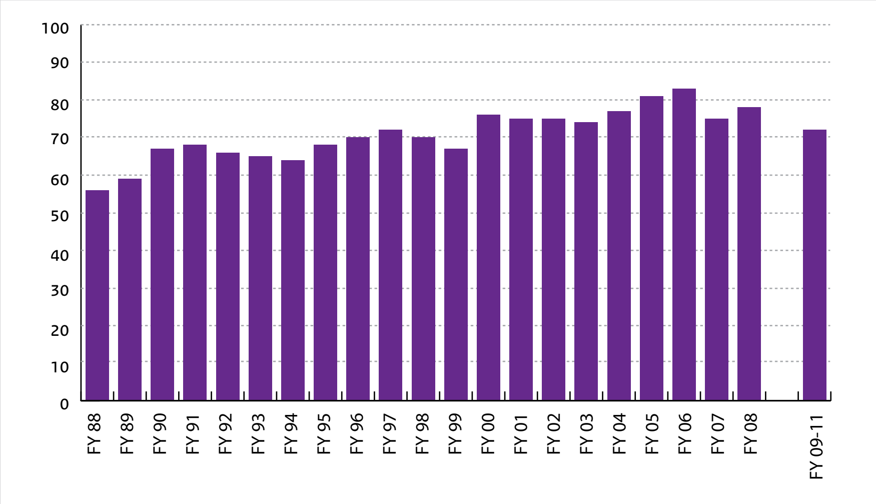
Improvements

Based on evidence from evaluation of development outcomes, there can be no doubt that Bank performance has improved after the early 1990's (see figure 6.1). Between 1993 and 2008 there was a 20% increase in satisfactory project ratings at exit on average for the whole World Bank (IEG, 2009a).

Improvements were particularly significant for Bank activities in Africa, where in the early 1990s only around half the projects had satisfactory outcomes. This improvement already started in the late 1990s, when for instance satisfactory outcome ratings for (the remaining) agricultural projects in Africa increased from 54% in FY93-96 to 76% in FY97-98 (IEG, 1999).

Improvements over the period were not only visible in outcomes as recorded by IEG, but also in quality-at-entry as reviewed by QAG. The last QAG review (World Bank, 2008c) found that over 93% of the QAG-sample of Bank activities had adequate quality-at-entry, with Africa scoring even higher: 97% moderately satisfactory or better.

Figure 6.1 *Percentage of World Bank lending activities with satisfactory outcome rating at exit*



Sources: IEG Results and Performance of the World Bank Group 2010, 2011 and 2012, QAG Annual Review on Portfolio Performance FY08.

Overall performance of country programs also appears to have improved somewhat, although not nearly enough to achieve the Bank's corporate target of 70% satisfactory. IEG's review of 83 recent CAS Completion Reports (FY08-12) indicated that 58% was rated satisfactory on overall outcomes, while Bank performance was satisfactory in 73% of the cases. Unsatisfactory outcome ratings do therefore not imply poor Bank performance: outcomes of the jointly agreed strategies are determined by the combined impact of the country, the Bank, partners and exogenous forces. However, IEG keeps pointing to the need to agree CASs that have sufficient ownership and are realistic. IEG notes that realistic country programs show an understanding of the country's political economy and are selective by focussing on areas where the Bank can best add value. Also strong results frameworks lead to better outcomes; a strong results framework has well-defined objectives that can be achieved under realistic assumptions, which also makes it possible to adjust programs and strategies in view of developments on the ground.

As indicated, there was a 20% increase between 1993 and 2008 in satisfactory project ratings at exit on average for the whole World Bank. The change is smaller when the average rating on the 6 ratings categories is calculated (instead of just the dichotomy satisfactory/ unsatisfactory): the improvement is then more than halved to about 8%.[42] Yet the improvements remain significant (IEG, 2009a).

[42] This alternative performance metric was calculated by IEG by assigning values from 1 (for highly unsatisfactory) to 6 (highly satisfactory) and taking the resulting average.

Reasons for improvement

According to IEG the improvement actually began before the 1992 Wapenhans report: improvements in the quality (at entry) of the portfolio started in the late 1980s and gradually improved quality ratings at exit. It should be noted that the exit moment for investment lending operations is generally about six to seven years after entry into the portfolio (for development policy lending this is much shorter). This implies that, for instance, most exit ratings in 2008 refer to projects entering the portfolio around 2001-02.

Closer analyses of what happened over the 1990s and 2000s in the composition of the Bank's portfolio suggests – according to IEG – that changes in sectoral and regional composition had a small but positive net effect (IEG, 2009a). There was for instance more Bank lending in China and former Eastern Europe, where positive outcomes were generally easier to achieve. Also the share of relatively well-performing transport investments in the Bank's portfolio increased, while low-performing agriculture activities were reduced. However, over the period the Bank also expanded its portfolio in health, nutrition and population, an area in which it proved hard for the Bank to achieve a high rate of positive outcomes, in particular in Africa. Moreover, IEG notes that also within sectors and within regions there was a significant improvement in performance over time. In addition IEG points to improved macro-economic conditions and policies outside the Bank, which could partly explain improved Bank performance. The timing of improvements coincided with reforms to Bank sector policies, country-level economic reforms and improved economic conditions.

Sustainability of improvements

The most recent data indicate that the positive trend in overall World Bank outcome ratings over the 2000s has partly been reversed. In the 2012 matrix evaluation, IEG noted 'a significant decline in outcome ratings since FY06' (IEG, 2012a). IEG's annual report 2012 finds a decline in outcome ratings for investment lending from 78% satisfactory in projects closing in FY06-08 to 70% in those closing in FY09-11. For development policy operations (which represent a much smaller number of activities, generally completed over a much shorter period) the same period shows a slight improvement, from 80% to 83%. Taking both categories together, the overall outcome rating for Bank activities would have declined from 78% in FY06-08 to 72% in FY09-11.[43]

The decline in outcome ratings for investment lending between FY06-08 and FY09-11 was particularly pronounced (and statistically significant at 95% confidence level) in Agriculture & Rural Development, Transport, Urban Development, and Water, as well as in the East Asia and Pacific region and in upper middle income countries. Human development was the only area in which the share of projects rated satisfactory improved slightly. Reductions in ratings were also found in quality of Bank supervision (from 85% to 78%). The deterioration is less severe if performance is disaggregated by lending volumes, rather than by project numbers: larger projects generally received better outcome ratings.

[43] Based on IOB's own calculations. 2006-08: 80% of 152 Development Policy Operation (DPO) activities + 78% of 588 ILs = 78.4%. 2009-11: 83% of 82 DPOs + 70% of 424 ILs = 72.1%

IEG checked several possible explanations (more projects in fragile situations, changes in regional or sector composition of the portfolio, lower preparation costs, the 2008-09 global crisis, etc.), but found no single factor. Instead, several sector-specific issues are part of the explanation. IEG mentioned in particular the complexity in design of agriculture and rural development projects; these projects often aim to achieve too many objectives at the same time (capacity building, production, resource management). Also water projects in urban settings in middle income countries were often found to be too complex in terms of objectives, while they needed to be implemented in a difficult environment with many stakeholders. IEG noted also the ambition to achieve 'higher-order development results', such as improved governance, anti-corruption, learning outcomes (instead of enrolment), reducing environmental degradation nationwide, etc. Bank management also suggested that more rigorous measurement of results after stricter M&E ratings were introduced in 2006 could as such have been part of the reasons for the recorded downward trend (IEG, 2012c).

Overall, overambitious project design, inadequate consultation with stakeholders, insufficient candour during supervision and failure to follow-up on problems identified during supervision missions, were reasons often mentioned in IEG evaluations when outcome was not satisfactory. IEG found a strong positive correlation between Bank performance indicators and outcome ratings over the past 6 years, but cautions that this does not imply causality. While a Bank-wide working group has been established to provide more insights into the observed trends, IEG advises to use the opportunity by working more closely with clients to strengthen quality-at-entry and implementation. IEG also points to the importance of 'correctly diagnosing and addressing binding constraints to development and poverty reduction, including constraints rooted in political economy' (IEG, 2012c).

Incentive systems play a role in organisational performance. In the 2012 matrix review IEG assessed the extent to which the results-based orientation of Bank operations was actually a dominant feature for Bank staff. They concluded that this is not always the case: 'accountability for quality is weak and focused on outputs and managing risks rather than results; incentives lead to fiduciary and safeguard issues receiving more attention than other aspects of quality of lending operations'. They find that within the Bank 'the focus on reputational risk (fiduciary and safeguard risks) has crowded out attention to other aspects of quality of lending operations' and that 'lending culture still reigns' (IEG, 2012a). One of IEG's recommendations is that management should strengthen incentives for Bank staff to focus on results and learning.

Management is taking up this issue and exploring ways to further strengthen the framework of formal incentives for results management (IEG, 2012c). Other recent steps aimed at sustaining the quality of operations and a focus on results include i) the on-going modernization of investment lending, aimed at (among other targets) achieving leaner and clearer procedures;[44]

[44] The investment lending policy consolidation agreed in 2012 is part of the Bank's investment lending reform. The reform reduces the maze of 35 policies that applied to investment lending, which was found to affect the efficiency and effectiveness of clients and Bank staff in lending delivery, because of gaps, overlaps, inconsistencies, and sheer volume.

ii) the new Program for Results financing instrument (see Box 6.3); iii) the introduction of a risk assessment tool to help Bank staff and clients better balance results and risks of individual operations; and iv) new training programs for Bank staff in the front lines of investment lending.

Box 6.3 *The new Program for Results instrument*

In early 2012, the Board approved a new financial instrument called the Program for Results (PforR). This instrument for program support was set up to fill the perceived gap between the Bank's project support and its development policy lending. With the PforR, the Bank can provide financial support to a specified part of an existing or new government program, along with other donors. Disbursements would be conditional on the achievement of specified results indicators. In such programs, Bank task teams are to work directly with the client governments' institutions to strengthen their capacity and performance over time.

In the first year, five PforR operations were approved, totaling USD 880 million of Bank finance in support of USD 2.3 billion of government programs in Vietnam, Morocco, Nepal, Tanzania and Uruguay. The programs range from water supply to bridge improvement.

In particular environmental NGOs have voiced concerns that the new instrument enables the Bank to sidestep the social and environmental safeguards which recipients of World Bank loans must normally meet. This has led the Bank to exclude programs with potentially high environmental risks and to promise thorough and public assessments of a client country's environmental and social systems. IEG will review the program in 2015.

6.3 The Results Agenda and the Bank's Corporate Scorecard

Outcome ratings as such do not provide information on the results being achieved by the Bank. Over the last ten to fifteen years there has been a call, in particular from donor countries in successive IDA replenishment negotiations (see Chapter 7), to provide more detail on what exactly the Bank's lending was accomplishing in developing countries. The challenge for the Bank was to find a way to extract and aggregate the results data that are embedded in the individual projects.

Building on the IDA Results Measurement System (introduced in IDA-13 in 2002 and refined in consecutive IDA-arrangements), the Bank now has a scheme in place for the collection and aggregation of standardized results data from its projects. Since FY10, standardized sector indicators were recorded and aggregated in four sectors: education, health, roads, and water supply. Similar indicators have been added since July 2011 for three more categories: micro and small and medium enterprise (MSME), urban development, and information and communication technology (ICT). Core indicators for additional sectors and themes are under discussion and the scope of the exercise has been expanded to include the IBRD portfolio and certain trust funded activities as well. Currently, the Bank uses in total 24 core sector indicators.

To provide 'an integrated view of results and performance', the Bank introduced in 2011 the World Bank Corporate Scorecard (World Bank, 2011b) and an accompanying results report (World Bank, 2011c). Since April 2012 the scorecard is available in an online version.[45] This is regularly updated and provides links to underlying data and sources.

The scorecard aims to provide a 'snapshot of the Bank's overall performance, including its business modernization'. The scorecard distinguishes four 'tiers':

- *Tier I: Development Context*. This tracks country progress on indicators related mainly to the MDGs, ranging from annual growth and poverty prevalence to under-5 mortality, school completion, household electrification, cereal yield, deforestation and CO2 emissions. The Bank does not claim a causal relation with its activities.

- *Tier II: Country Results Supported by the Bank*. This section provides aggregate data collected by the Bank on (standardized) sector indicators. The Bank does not seek attribution for these results. It shows results at output/outcome level supported by on-going or completed Bank operations. The indicators capture aggregate results per annum on governance, human development and gender (like 0.9 million teachers trained, 85 million children immunized in FY10), infrastructure (like 32.000 km roads constructed or rehabilitated, 31 million people provided with access to improved water sources, 1380 megawatts energy generation capacity in FY10), agriculture (like 7.2 million hectares provided with irrigation services in FY10), climate change, environment and private sector development. On this tier the scorecard does not include a performance standard or target for the Bank.

- *Tier III: Development Outcomes and Operational Effectiveness*. This tier examines the IEG outcome ratings. In addition, it shows a series of indicators on the operational effectiveness of lending operations and knowledge activities. These include quality of design, completion reports reporting key results, projects with gender-informed design, publications cited in professional journals, use of country systems, etc. This tier contains several performance standards to which the Bank has committed itself.

- *Tier IV: Organizational Effectiveness and Modernization*. This tier aims to capture key aspects of efficient performance (like months needed before a project is approved, average cost of preparation and implementation), capacity development (like staff diversity, mobility), organizational issues (like decentralization) and progress on sector strategy commitments (like increased support for agriculture and infrastructure). Also this tier has a number of performance standards previously agreed within the Bank.

45 http://corporatescorecard.worldbank.org/

IEG called the scorecard a 'significant step in the direction of better capturing corporate results', but also indicated that its relevance could be further improved (IEG, 2012c). One element is the gap in capturing results of the Bank's knowledge work. IEG also argues that more emphasis should be put on how Bank-financed activities have actually helped countries and people: instead of indicators for output, more indicators on outcome should be used in Tier II. For instance: the number of people benefitting from a road project, instead of the kilometres of road constructed. Furthermore, the information level of the Tier II indicators would be enhanced if links were provided to the underlying data. That could also help to address criticism that a few large countries (like India) or projects could dominate the data set, which could limit the representativeness of the results presented.

It should be noted that the stated output/outcome data for Bank supported operations (Tier II) do not disaggregate between what the Bank contributed and what others (the recipient government, or say Dutch or UK support) may have contributed to the activity in the case of jointly financed activities. The Bank has no intention to seek attribution to its own contribution; disaggregated attribution would not possible in view of the multiple influences and contributions to the observed outcomes.[46]

6.4 Concluding summary

- The Bank has further improved the foundations for proper results-based management and professional monitoring & evaluation of its lending activities. A key step was the introduction of an obligatory results framework that forces operational staff to identify measurable indicators for intermediate and final outcomes for an activity that the Bank intends to fund. Transparency is exemplary, since practically all documents of the project cycle can now be accessed via the internet.
- Some gaps, however, remain. There is no substantive monitoring and evaluation system in place for the Bank's analytical and advisory work, nor for a significant part of trust funded activities.
- IEG evaluations are used to improve policies and operations: the uptake of IEG's recommendations by the Bank is substantial.
- The Bank has managed to set up a useful system for the collection and aggregation of standardized results data. While the system can still be improved, the Bank should be commended for setting up such a scheme. The same is true for the Bank's corporate scorecard, a vehicle for presenting development results and progress on key internal performance indicators.
- Based on IEG measurement it can be concluded that overall Bank performance has improved since the 1990s. Around ¾ of Bank projects completed over the 2000s performed satisfactory in achieving the intended development outcomes, while this percentage was about 2/3 over the 1990s (and lower in the early 1990s).

[46] Interview with one of the authors of the corporate scorecard February 2012.

- Recently, however, outcome ratings of projects have deteriorated, which questions the sustainability of the improvements.
- IEG's evaluation of the Bank's matrix organisation suggests that structural weaknesses in project management – including a pre-occupation with achieving lending targets and spending money while avoiding reputational risk - have an effect on the actual results orientation of Bank funding.
- IEG keeps pointing to the need to ensure realistic project design, adequate consultation with stakeholders and proper supervision. These are key to sustaining and improving outcome ratings for investment lending.

Box 6.4 *Conclusions on World Bank performance in MOPAN 2012 report*

The Multilateral Organisation Performance Assessment Network (MOPAN) is a network of 16 donor countries (including the Netherlands) set up to assess the organisational effectiveness of multilateral organisations. Independent consultants prepare the report based on a survey of stakeholders (including client governments), review of documents, and interviews with headquarter-based donor staff. The most recent assessment of the World Bank was published in December 2012. The perception data in this report suggests that the Bank's performance has remained steady or improved since the previous 2009 MOPAN report. Overall, the performance of the World Bank was perceived as good, with all the 19 key performance indicators rated 'adequate' or 'strong'. Other multilateral agencies assessed in the 2012 edition of MOPAN (UNICEF, UNDP, AFDB, among others) did not receive such consistent positive ratings. The conclusions in the report are:

- The World Bank has demonstrated strategic leadership in managing for and reporting on development results.
- The World Bank is committed to transparency and has invested in the creation of an Open Bank.
- The Bank allocates resources in a transparent manner and on the basis of country performance and its administrative budget is allocated to expected results.
- The World Bank is recognised for its strong financial and fiduciary practices.
- The World Bank's management of human resources is considered strong overall but it needs to improve its staff compensation system.
- Surveyed stakeholders rated the Bank adequate for its use of country systems and adjustment of procedures but in their written comments expressed concerns about the Bank's bureaucratic procedures.
- The Bank is considered strong in its evaluation of results and dissemination of knowledge. It has also introduced integrated mechanisms to report on its performance, but it will take time for these to be fully developed.

Source: (MOPAN, 2012); http://mopanonline.org

7

IDA policies and performance

For the Netherlands, IDA is the most important fund within the World Bank Group. Its focus on the poorest countries has made it a key multilateral channel for Dutch development cooperation. What are the characteristics of IDA and how did IDA policies develop over the past period? How did IDA's performance evolve and what results were achieved?

7.1 IDA's characteristics and policies

IDA is one of the largest sources of concessional finance for low-income developing countries. It accounted for 14-18% of total ODA in the 1990s (IEG, 2002b) and still is the largest source for countries where people earn less than two dollars a day (World Bank, 2011d). It provides credits at zero or low interest rates, with long maturity periods. IDA also provides grants, for countries at risk of debt distress and for specific purposes.

IDA is a revolving fund that relies on contributions from donor governments for over 60% of its funding. The remainder comes from reflows, while also contributions from the net-income of IBRD and IFC have become significant. Every three years, replenishment for a new IDA-period is being negotiated. The number of contributing governments has grown over time and the list now also includes middle-income countries like Russia, China, Brazil, Mexico and Saudi-Arabia. However, the traditional OECD DAC donors remain the most important contributors: non-DAC donors contribute only about 4% of donor pledges to IDA16 (OECD, 2011).

The Netherlands has contributed significantly to IDA: 3.6% of about USD 200 billion that donors have provided since 1960. The Dutch contribution to the current IDA16 is 3% of donor pledges.

Box 7.1 *IDA Basics*

Founded in 1960. Netherlands' membership since 1961. Now 172 members.
Total contributions committed by members up to July 2011: USD 204.3 billion, of which the Netherlands contributed 3.58%. Annual IDA commitments: USD 16.3 billion in FY11, of which 17% grants. IDA loan conditions (July 2011):
- IDA-only credits: maturity after 40 years, 10-year grace, 0.75% service fee.
- Blend credits: maturity 25 years, 5 year grace, 0.75% service fee, 1.25% interest.

Eligible countries: GNI below USD 1195 per capita for FY13 (but many exceptions).
Current country list: 82 countries, of which 78 active and 54 IDA-only:
- 40 Africa (of which 34 IDA-only).
- 15 East Asia (10 IDA-only).
- 9 Latin America and Caribbean (2 IDA-only: Haiti, Nicaragua).
- 8 South Asia (4 IDA-only: Afghanistan, Bangladesh, Maldives, and Nepal).
- 8 Europe and Central Asia (2 IDA-only: Kyrgyz Republic, Uzbekistan).
- 2 Middle East and North Africa (Djibouti, Yemen; both IDA-only).

Allocation of IDA funds depends mainly on a country's CPIA score (see separate Box).
Top-10 IDA borrowers in FY11: Bangladesh, India (on blend terms), Pakistan (blend), Vietnam (blend), Ghana, Ethiopia, Nigeria, Democratic Republic of Congo, Kenya, and Tanzania.

The fact that IDA relies for a large part on contributions from DAC donors has been a major influence on IDA policies. In the cyclical replenishment negotiations, donor governments have put forward a series of demands on IDA that reflected the dominant development thinking of that period. At the same time, the Bank has shown an unlimited capacity to adopt new priorities and add sectors and activities. The Bank often welcomed, stimulated or proposed new activities. Already in a 2002 evaluation of IDA 1994-2000, IEG called on the Bank to concentrate more. However, IEG also noted that the Bank had to comply with a 'formidable list of replenishment undertakings' agreed with the IDA donor governments (IEG, 2002b).

Significant changes/features in the 2000s were for instance the introduction of grants, the further move into fragile situations, the strong focus on social investments alongside infrastructure and (more recently) agriculture, and the introduction of a useful results measurement system. Box 7.2 illustrates the range of policies and actions that IDA donors have agreed with the Bank over the decade.

Box 7.2 *Priorities and actions agreed in IDA replenishment negotiations*

IDA12: More investments in basic social services, with a target of 40% for health, nutrition and population, education, and gender. Mainstreaming of environmental concerns. A stronger poverty focus in Country Assistance Strategies (CASs). Support to macroeconomic and sectoral reforms that promote labour-intensive, broad-based growth and benefit the poor. Encouraging the growth of the private sector and support to good governance critical to sustainable economic development. Allocation of IDA-funds to be related to a country's policy performance and governance.

IDA13: Ensure that IDA assistance is effective and delivers measurable results by establishing a Results Measurement System (RMS). Introduction of IDA grants, to a maximum of 18-21% of total commitments, to assist poorest and most vulnerable countries for areas such as recovery from conflict and natural disasters, HIV/AIDS, extreme poverty and debt sustainability problems. Results-based CASs, reflecting country-owned PRSPs. Improve the Performance-Based allocation system. Direct half of IDA's assistance to Africa. Aid Harmonization, Coordination and Selectivity. Focus on Education, incl. setting up the Fast Track Initiative. Good governance and anti-corruption. Expansion of fragile states work (IDA, 2002).

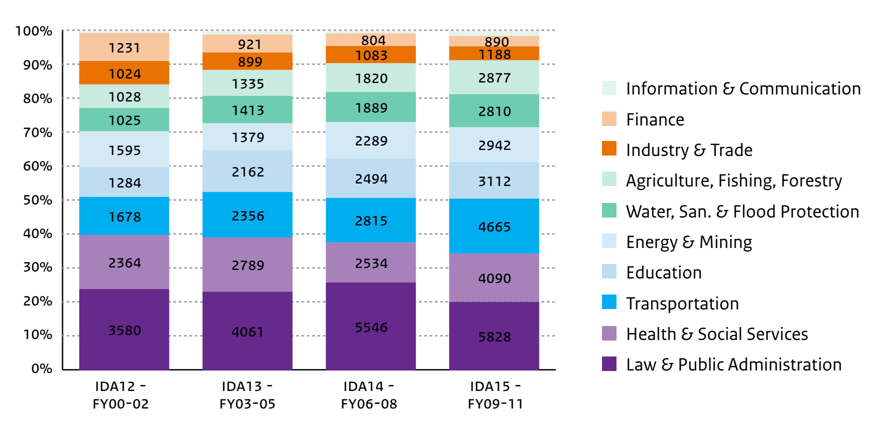
IDA14: Support economic growth for poverty reduction. Strengthen analytic work to support policy decisions. Increase commitments in infrastructure, including services for the poor. Support private sector development including micro-small and medium enterprises, and private participation in delivery of infrastructure and social services (e.g. output based aid pilot projects). Refine grant eligibility criteria including link to debt sustainability. Strengthen the RMS by implementing a two-tiered system: progress on country outcomes and IDA's contribution to them. Improving statistical capacity of IDA countries. Work with other donors to harmonize development aid. Strengthen poverty reduction strategies and support regional programs. Increase support to small and fragile states. Results frameworks in IDA projects and programs must reach 100% coverage. Monitor and target quality-at-entry. Work towards a higher share of satisfactory outcome ratings. Foster a culture of results at both the country level and among IDA management and staff. Independent assessment by IEG of IDA internal control systems (IDA, 2005).

IDA15: Intensify IDA's support for the MDGs, including climate change and gender. Intensify involvement in fragile states. Increase selectivity at national level, scale up regional programs and strengthen complementarity between vertical programs and aid delivery. Improve IDA's country-level effectiveness: strengthen the IDA allocation system, the RMS and statistical capacity building of countries. Strengthen harmonization and alignment in line with the Paris Declaration. Enhance effectiveness in fragile states. Develop indicators for quality of Public Finance Management (PFM). Improve baselines and quality of progress and completion reports (IDA, 2008).

IDA16: Focus on delivering development results with a further enhanced RMS (with 4 Tiers: IDA countries progress, IDA-supported development results, IDA operational effectiveness, IDA organizational effectiveness), reported by means of an IDA Report Card. Introduce a Results-Based Investment Lending instrument to finance (sectoral) government expenditure programs. Enhance IDA's capacity to respond to crises by establishing a Crisis Response Window economic crises or natural disasters. Intensify work on gender and support gender-related MDGs. Intensify work on climate adaptation and mitigation. Intensify support to fragile and conflict-affected countries. (IDA, 2011).

IDA funds support a broad range of activities in poor developing countries. Over the past 12 years the relative size of the commitments to all these major sector categories has not changed fundamentally (see Figure 7.1). Notable changes in the most recent IDA-period (IDA15) are the relatively large increases of lending for transport and agriculture.

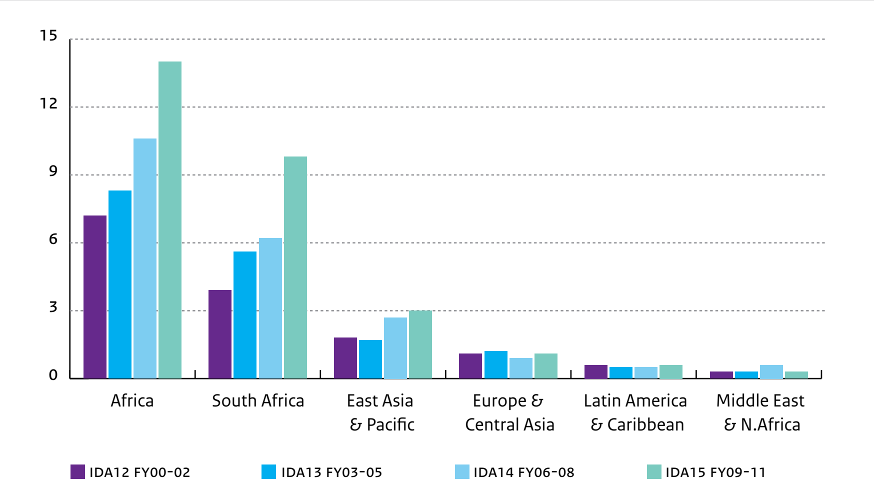
Figure 7.1 *IDA Commitments by Sector (SDR million)*



Source: (IDA, 2012a)

In terms of regions, the main beneficiaries of IDA are Africa (around 50%) and South Asia (around 30%). The regional picture may change in coming years, when two large Asian countries, India (South Asia) and Vietnam (East Asia), are expected to 'graduate' to IBRD-only status (World Bank, 2012a). As a result, Africa could become over the years more dominant in IDA commitments.

Figure 7.2 *IDA Commitments by Region (SDR billion)*



Source: (IDA, 2012a; IDA, 2010a)

Box 7.3 *IDA performance based allocation system CPIA*

The Country Policy and Institutional Assessment (CPIA) data are used to assess the quality of country policies. CPIA ratings are a key determinant of the IDA Performance Based Allocations system. CPIA rates four aspects: economic management (macroeconomic, fiscal, debt policy), structural policies (trade, financial, business regulation), social inclusion/equity policies (gender, equity of public resource use, building human resources, social protection and labour, environmental protection policies), and public sector management and institutions (property rights, rule based governance, financial management, revenue mobilization, public administration quality, transparency, accountability, corruption). CPIA data have been publicly disclosed since 2004.

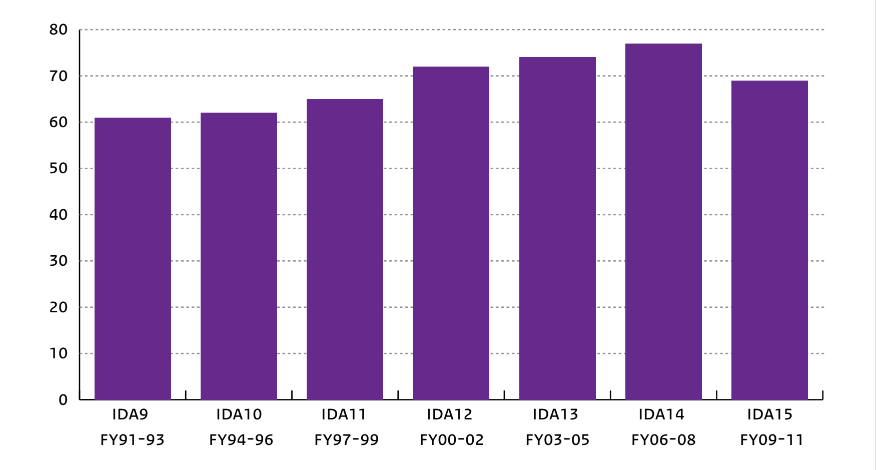
7.2 IDA performance and results

Compared to the weak performance of IDA projects in the 1980s, IDA performance indicators have improved significantly over the 1990s and improved further in the new millennium. In 2002, an IEG evaluation of IDA9 to IDA11 concluded that the quality of the IDA portfolio had improved in the 1990s and that a growing number of borrower countries had better economic management, increased their rates of economic growth, and strengthened their social development with IDA's help (IEG, 2002b).

Satisfactory project outcomes at exit improved further in the 2000s, from 65% during IDA11 to 77% during IDA14. When looking at the year of approval, satisfactory outcomes at exit were recorded for 72% of projects that started under IDA11; this indicator increased to close to 80% for IDA projects that were agreed under IDA13 (IDA, 2010).

However, the latest IEG outcome ratings suggest that recently completed IDA-projects have a lower score than those completed a few years ago (see Figure 7.3). Satisfactory outcome ratings dropped to 69% under IDA15 in FY09-11 (World Bank, 2012b). Reasons for the lower scores have been discussed in the previous chapter.

Figure 7.3 *IDA9 - IDA15: Percentage of lending activities with satisfactory outcomes at exit (by exit period)*



Sources: The IDA 16 Replenishment: Implementation Framework Report, OPCS 2010. (World Bank, 2012b; IEG, 2002b; IDA, 2010b)

Country Assistance Strategy completion reports indicate that there is room for improvements. Since 2005 the CAS has an obligatory results framework to improve results orientation of the country strategies. At completion (generally after 4 years), the outcome is rated first by World Bank staff and then by IEG. Since IDA15 a target for the outcome of these evaluations has been agreed: at least 66% should receive a 'satisfactory' rating. However, in FY11 only 41% of CAS Completion Reports in IDA countries received a satisfactory outcome rating (compared with 59% in all Bank client countries). The Bank blames 'unrealistic objectives' in the first generation of the results-based CAS, in particular in fragile situations (World Bank, 2012c).

The performance of IDA is also measured by the Bank (by OPCS) on several other indicators agreed in the IDA replenishment frameworks. These indicators provide information as to what extent operational principles are actually applied in IDA projects. Recent data signal for instance (IDA, 2010):

- The percentage of first implementation reports (ISRs) with adequate baselines for *all* project development outcome indicators increased from 54% in FY07 to 61% in FY09-11, while the percentage projects with adequate baselines for at least one key outcome indicator reached 90% in IDA-15 operations over FY09-11. Agreed target for IDA16: 95%.
- The percentage of completion reports (ICRs) with satisfactory or exemplary rating for the report itself (not the activity) remained well above 90% in recent years.
- The percentage of completion reports that fully report on key outputs and outcomes related to the development objectives stood at 76% in FY09-11. Agreed target for IDA16 is 100%.

While the fact that these data are being collected and presented can be regarded as a clear sign of serious attempts to continue improving operational quality, the actual figures indicate that there is still room for improvement. Implementation of agreed operational principles is not always standard practice yet.

Further decentralization of Bank staff to IDA countries has over the years been an important point in IDA replenishment undertakings. The lack of skilled permanent staff in smaller IDA countries was found to be a hindrance to the effectiveness of operations, in particular in fragile and conflict affected situations (see also Chapter 9.3 and Annex 6). Over the years, the Bank has moved more staff to field offices, in an effort to be more in touch with developments on the ground and improve collaboration with its clients and with other donors. By FY12 about 40% (5000) of total WBG staff (12,500) was located in country offices, of which about a third in Sub-Saharan Africa. The Bank now has a presence in almost all IDA countries and between FY09-11 more skilled staff has also been moved to fragile and conflict-affected states. The programs in the close to 40 African IDA countries are managed by 15 country directors, supported by 22 country managers in the smaller IDA countries. While this is an improvement to the situation ten years ago (when many country operations in such smaller countries were run from Washington or from an office in the region), IOB found in interviews with Dutch staff located in these countries that the mandate, availability and continuity of Bank country staff was frequently noted as problematic.

The lack of disaggregated IEG reporting on IDA makes proper analyses and judgement difficult. The last specific review of IDA by IEG dates back to 2002 and covered IDA10 to IDA11 undertakings.[47] Since then IEG has increasingly integrated its evaluation findings of all sections of the World Bank Group (also in IEG annual reports on results and performance). While this may reflect the actual – and as such desirable - integration of WBG activities at the country level, there is still ample need for disaggregated IDA evaluation to feed into the IDA-reviews with donors. The reporting on IDA from the Bank itself is comprehensive (in mid-term reviews and replenishment negotiations), but should be completed by regular independent evaluation.

47 IEG did undertake one more IDA-specific evaluation, the 'Review of IDA Internal Controls', published in 2009. This review was agreed in IDA14 and has the character of an audit of internal controls over IDA operations and compliance with IDA charters and policies.

Box 7.4 *IDA scores high in donor quality rankings*

IDA scored well in several independent assessments of aid practices of donors and aid agencies.

- In the Quality of Official Development Assistance (QuODA) ranking of the Washington-based think-tank Centre for Global Development, IDA has high rankings on all four dimensions: 1st, 3rd, 3rd and 6th (Birdsall, Kharas, & Perakis, 2011).
- In the 2008 ranking of aid practices by William Easterly, IDA ends up 1st (Easterly & Pfutze, 2008). However, after introduction in 2011 of additional criteria for 'specialization', IDA drops to a 10th position (Easterly & Williamson, 2011).
- Positive scores were given to IDA in DFID's Multilateral Aid Review of 43 organizations (DFID, 2011b). Of 43 multilaterals IDA ended up 4th with a 'satisfactory' score on organizational strength and 5th ('strong') on contributing to UK development objectives.
- The Australian Multilateral Aid Assessment ranks the World Bank (and IFC) among the 13 best performing multilateral organizations out of 42 in total, with a score of 'strong' or 'very strong' on six out of seven components (Commonwealth of Australia, 2012).
- The Bank came in second (after the UK and before the Netherlands) on the Publish What You Fund Transparency Index 2012 (http://www.publishwhatyoufund.org/).

IDA Results

IDA's Results Measurement System was launched under IDA13 in 2002. At first results and performance were tracked only on 2 levels: tier I capturing outcomes in IDA countries on key indicators (not attributed to IDA-support) and tier II indicators on IDA's agency effectiveness. The tracking and monitoring system was extended under subsequent IDA's and covers four tiers under IDA16 as of FY12. For tracking sector results supported by the Bank, core indicators were introduced in IDA15 (FY09) for four sectors: education, health, infrastructure and water. In this system a total of 25 indicators were used. Under IDA16 core sector indicators were added for three other areas of work: urban development, ICT, and micro, small & medium enterprise (MSME).

Together with the introduction of the Results Measurement System, the Bank agreed to increase support for statistical capacity in IDA countries. The availability and quality of data available in IDA countries needed to be improved in order to get reliable data on results related to IDA supported activities and on progress towards the MDGs. Internal reviews suggest that substantial outputs and outcomes have been achieved in this area. Over two thirds of IDA countries now have a national strategy for development of statistics. By 2014, about 98% of the world's population will have been counted in a census. Availability of data for monitoring the MDGs has improved dramatically, and so has the quality of statistics (World Bank, 2012b). IDA and bilateral donors supported this, including via a dedicated World Bank trust fund (Trust Fund for Statistical Capacity Building, to which the Netherlands provided USD 6 million over the evaluation period; see Annex).

The actual results of IDA in terms of output (and sometimes outcomes) are reported on the internet and in several documents, including the Corporate Scorecard and IDA review documents. The systematic collection (since FY10) of data on core sector indicators in IDA financed operations implies that IDA is now able to provide aggregate data on 24 key outputs in health, education, water and transport. Such data as such do not indicate effectiveness (nor efficiency) of the financed operations. Also it should be noted that these are results to which IDA 'contributed'; the Bank does not claim full attribution. However, the data are a useful proxy for the reach of IDA funded activities. Box 7.5 gives examples of the achieved outputs.

Box 7.5 *Outputs in IDA-financed operations in Health, Education, Water and Transport FY09-11*

Calculations based on Implementation and Completion Reports indicate that IDA-financed operations in FY09-11 contributed to substantial outputs. Some examples:

- 15,491 hospitals built or rehabilitated
- 193,713 health professionals trained
- 5,608,350 children dewormed and/or treated for bilharzia
- 10,094,485 insecticide treated bed nets distributed
- 185,571 classrooms built or rehabilitated
- 1,145,773 teachers trained
- 57,745 teachers recruited
- 1,900,000 pupils benefitting from school feeding programs
- 59,188,768 beneficiaries from water supply or sanitation interventions
- 434,903 new water connections
- 219 km sewers constructed
- 19,658 km roads built
- 458 km railroad constructed or rehabilitated

Source: (World Bank, 2012b)

7.3 Concluding summary

- IDA policies and operations have over the years been influenced by demands of donor groupings, including the Netherlands and likeminded donors. This process has resulted in a further convergence of Dutch development views and IDA policies over the 2000s, increasing the potential relevance of IDA for the Netherlands.
- IDA has a relatively strong results orientation in programming in place and also a useful system for reporting on results (outputs). However, full implementation of operational principles agreed in IDA-replenishments remains an issue.
- The performance of IDA (as measured by IEG in the percentage of projects achieving satisfactory outcomes) has improved since the 1990s. However, the recent deterioration in Bank project results is also reflected in IDA.
- More Bank staff has in recent years been moved to country offices in IDA countries. This may help to address the lack of skilled permanent staff in particular in smaller fragile and conflict-affected states, which has posed a hindrance to the effectiveness of operations.
- IEG has not undertaken IDA-specific evaluations since 2002, which limits adequate overview of IDA performance by its donors.

8

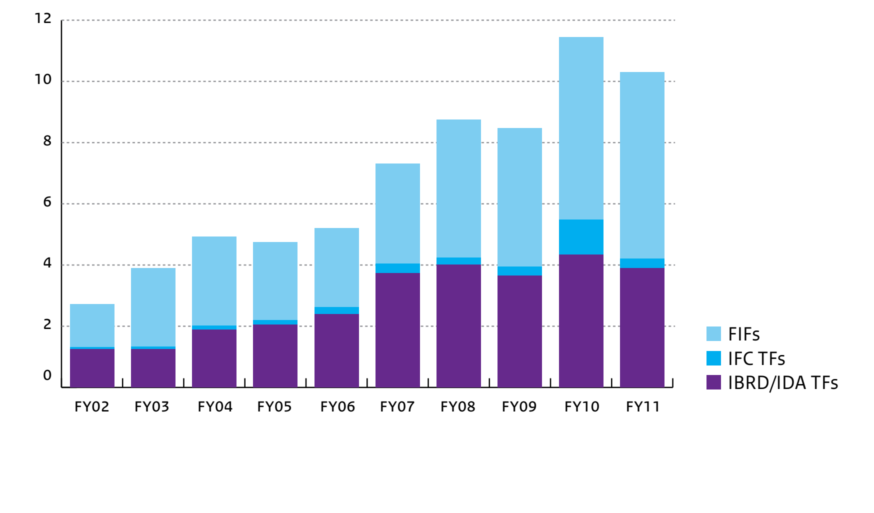
World Bank trust fund policy and performance

Trust funds administered by the World Bank have in the past 15 years expanded rapidly in number and size. Why trust funds, what are they used for? How are they managed? What does evaluation indicate about their effectiveness?

8.1 World Bank trust fund policy and portfolio [48]

A new pillar of the global aid architecture
Trust funds are financial vehicles for channelling aid resources for specific purposes from governmental and nongovernmental donors to a development organization like the World Bank (the trustee), who then uses these funds to finance agreed programs or activities. According to IEG, trust funds can be seen as a new pillar of the global aid architecture that emerged alongside bilateral and multilateral aid. Trust funds accounted in recent years for approximately 11-12% of all aid from OECD DAC members (IEG, 2011a; World Bank, 2012d). Up to the 1990s, trust funds played a limited role in the funding of the World Bank. They were used mainly for co-financing of IDA-loans at country level and for a few global or regional programs such as the River Blindness Control Program and agricultural research coordinated by the CGIAR.[49]

Figure 8.1 *Donor contributions to WB trust funds FY02-FY11, including FIFs (USD billion)*



Source: (IEG, 2011a) (World Bank, 2012d)

The expansion of the Bank's trust fund portfolio started in the 1990s (IEG, 2011a). New trust funds were set up to accommodate high profile international initiatives, such as the

48 This chapter also covers FIFs, because the IEG included FIFs in its analyses of the Bank trust fund portfolio.
49 For an evaluation of Dutch co-financing with the World Bank in the 1975-1996 period, see IOB, 1999.

Montreal Protocol on ozone depletion and the follow-up of the Rio Environment conference (creating the Global Environment Facility GEF). They were also used to channel support for West Bank and Gaza following the Oslo Accords and support for Bosnia Herzegovina after the Dayton Agreement. Also multilateral debt relief under the HIPC initiative was provided using trust funds. Furthermore, several donors, including the Netherlands, started setting up trust funds to support particular areas of the Bank's work program. The Bank-Netherlands Partnership Program was initiated in 1998.

After 2000 there was a rapid and substantial expansion of both the size and the number of activities supported by Bank trust funds (IEG, 2011a). Total funding quadrupled over the past ten years (see Figure 8.1). Several trust funds were set up to accelerate achievement of the MDGs (like Education-for-All), to assist in high profile post-conflict situations (such as the Afghan Reconstruction Trust Fund) and to support the provision of global public goods (like Climate Investments Funds). Large FIFs were agreed, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria. Also, IFC started to receive support for its advisory services, including via the IFC-Netherlands Partnership Program (NIPP) set up in 2002. Since IDA13 (FY03-05), annual donor trust fund contributions (including FIFs) surpassed annual donor contributions to IDA.

An important characteristic of trust funding is the grant character. Trust funds can fill gaps in the multilateral system by providing grants when normal loans would not be possible (for instance related to fragile states), or when a large increase in lending would not be financially sustainable (for human development investments in the poorest countries for instance). By providing earmarked grants through trust funds, donors can speed up delivery on priority targets via the multilateral system. One of the main reasons to use the Bank as the trustee for such purposes is the tight control framework of the Bank (IEG, 2011a).

The structure of donor support to Bank trust funds

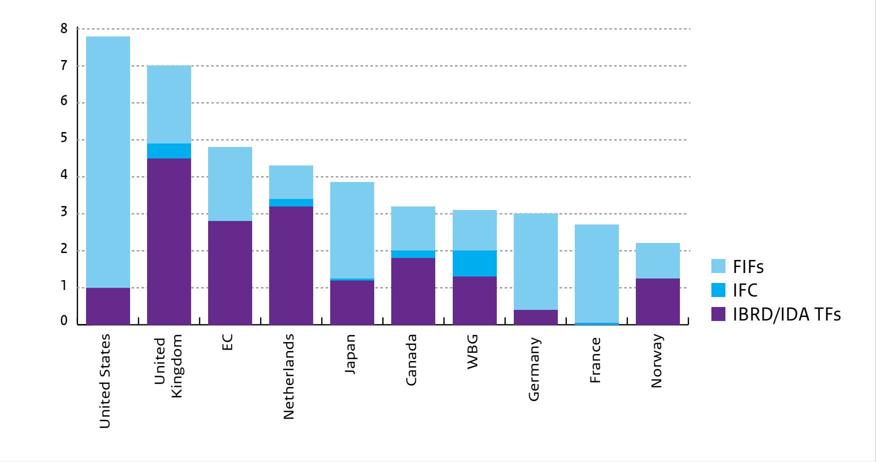
IEG described the complex trust fund structure at the Bank in FY09-10 as follows:

- More than 200 donors provide funding through 1075 main trust fund arrangements (single- or multi-donor) to over 180 IBRD/IDA trust fund programs, 35 IFC programs and 16 FIFs.[50]
- The 180 IBRD/IDA trust fund programs support close to 3500 Bank-executed grant activities and over 1500 recipient-executed trust fund activities.
- The 35 IFC trust funded programs support over 770 grant activities, mainly technical assistance.

Since 2002, 10 donor governments have accounted for about ¾ of total contributions to trust funds, including FIFs (see Figure 8.2). The US, Japan, Germany and France contributed mainly to FIFs. The Netherlands, the UK, the European Commission, and Norway provided their finance mainly to IBRD/IDA trust funds; the Netherlands was the 2nd contributor, after the UK. The Bill and Melinda Gates Foundation and the Russian Federation were the only non-traditional donors that provide significant contributions (to FIFs). More than half of all donor contributions went to the 16 Financial Intermediary Funds, in particular the Global Fund and GEF.

50 The 'main' trust funds do not cover all trust funded activities; smaller, ad hoc trust funding is not included.

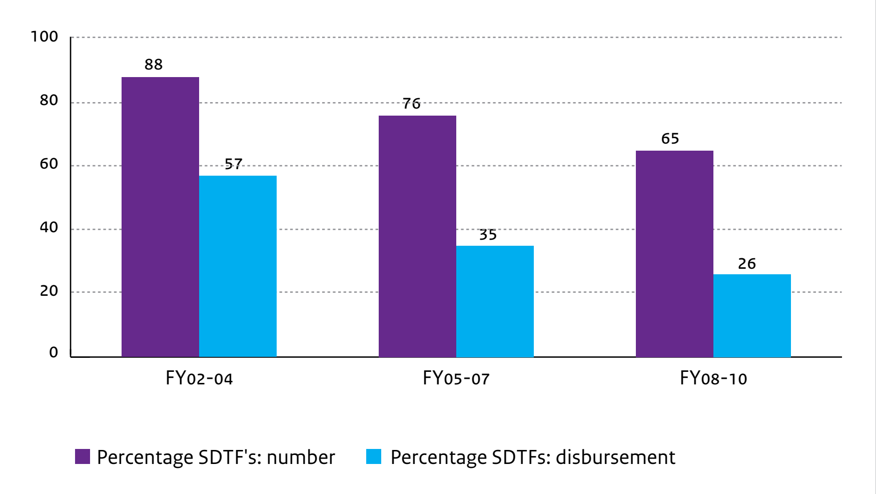
Figure 8.2 *Top 10 donor trust fund contributions FY02-FY10, including FIFs (USD billion)*



Source: (IEG, 2011a)

While increasingly multi-donor trust funds are used to pool funds from several donors for combined financing for specific purposes, there are still many single donor funds at the Bank. IEG found that single donor trust funds accounted in recent years for about two thirds of the number of trust funds and for ¼ of trust fund disbursements (see Figure 8.3). IEG sees this situation as a cause of fragmentation and inefficiencies in the Bank's trust fund portfolio (IEG, 2011a).

Figure 8.3 *Share of Single Donor TFs in IBRD/IDA trust fund portfolio*



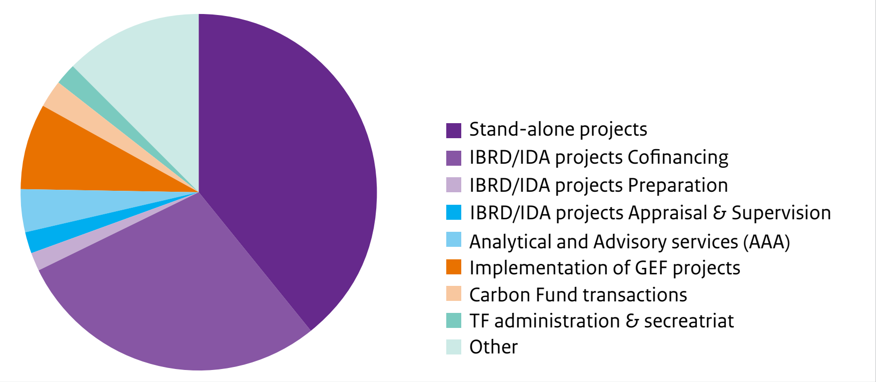
Source: (IEG, 2011a)

The use of trust funds

World Bank Group trust funds finance three types of activities: investments, technical assistance, and global knowledge generation. Most trust funding supports development goals at the country level.

Looking specifically at the IBRD/IDA trust funds, one third was used for co-financing Bank projects (see Figure 8.4). A bigger part (40%) of IBRD/IDA trust funds finances stand-alone projects, mostly in fragile or post-conflict situations. IFC trust funds finance primarily IFC advisory services in conjunction with IFC's own resources.[51]

Figure 8.4 *Activities financed by IBRD/IDA TF disbursements FY02-10 (total USD 20.5 billion)*



Source: (IEG, 2011a)

Along with the emergence and growing importance of trust funds the business of the Bank has changed (IEG, 2011a). The scope of the Bank expanded to include post-conflict and post-disaster engagement (which was often not an option with classic Bank lending) and support for the provision of global and regional public goods. Also, it led to an issue-focused business model in addition to the Bank's traditional country-focused model. And the Financial Intermediary Funds could be regarded as a separate business line.

Moreover, with an almost flat administrative budget of around USD 2 billion since many years, Bank units now draw heavily on Bank-Executed Trust Funds (BETFs) for a wide range of activities in support of core programs (IEG, 2011a). In FY10, BETFs funded almost 20% of total supervision costs of Bank projects, 35% of economic and sector work and 53% of non-lending technical assistance. Trust fund contributions to knowledge work are also substantial. Their share in total knowledge expenditure increased from 32% in FY08 to 45%

51 The increase in IFC trust funding in FY10 is mainly due to the provision of donor funds for improving trade liquidity, in response to the economic crisis. The Netherlands contributed a USD 50 million loan to the Global Trade Liquidity Program.

in FY12 (World Bank, 2012c). This includes contributions to core products such as the World Development Report.[52]

8.2 Effectiveness of trust fund support

IEG recently reviewed the appropriateness and effectiveness of WBG trust fund support (IEG, 2011a). An important limitation that IEG encountered was that trust-funded activities 'tend to have results frameworks that are either weak or non-existent' and therefore provide limited information beyond output level.[53] Looking only at the achievement of outputs, however, most of the trust-funded programs reviewed were found to be successful.

Most of the activities were also consistent with country and global development priorities. However, IEG noted that trust-funded activities at country level were not always incorporated into the Country Assistance Strategies (CAS). A positive exception found in the case-studies was Indonesia, where the major trust funds were fully integrated into the country strategy (and where the Netherlands was the largest trust fund donor – see Chapter 10). Other country case-studies (on Bangladesh, Benin, Ethiopia, Rwanda) showed that trust funds co-financing IDA-operations were generally integrated in the CAS, but not other trust funded activities, like the Bank's technical advisory activities and the large global funds (mainly FIFs).

IEG is positive about the potential of well-integrated trust-funded activities in scaling up country operations. Examples mentioned are the multi-donor trust fund (MDTF) for Health, Nutrition and Population in Bangladesh and the MDTF for Community Empowerment in Indonesia (which both received substantial Dutch support: USD 45 million and USD 37 million respectively).

In particular in post-disaster and post-conflict situations, MDTFs have become an important platform for coordination and pooled grant funding. According to IEG, this often reduced aid transaction costs for both recipients and donors. In post-conflict situations, grant support through trust funds has often been the only way for the World Bank to become involved, in the absence of a national government able to borrow from a bank. Multi-donor trust funds have become the primary source of finance for Bank-managed programs in fragile and conflict-affected situations . In FY09, USD 1.8 billion was provided via trust funds, compared to USD 1.4 billion via IDA. However, experience is still mixed. IEG found for instance that in South Sudan cumbersome Bank procurement led to slow implementation (see Chapter 9 for further assessment of the Bank's role in fragile situations).

52 Some Executive Directors have expressed concern about the independent nature of the Bank's intellectual contributions in view of the dependence of core products on trust funds (World Bank, 2011e).

53 Recipient-executed trust funds of more than USD 5 million have been integrated in the Bank's basic system.

On specific issues like primary education and child immunization, trust funds (including FIFs) have facilitated coordination of donor funds around common program platforms. While there have been questions about trust funds replacing regular IDA-support for social investments - in particular in basic education - IEG found no support for that claim.

Trust funds have also been instrumental in promoting investments in developing countries in global public goods. IEG found that these grants can work as an incentive to trigger country action in areas like communicable diseases, environmental preservation and climate change adaptation and mitigation.

In the area of technical assistance, trust funds have financed what IEG calls 'a plethora' of activities, ranging in size from USD 50,000 to USD 350,000. Intended outputs appear to have been delivered, but the IEG evaluation could not systematically assess the usefulness or impact. An important reason is that reporting on this type of activities – but also on global knowledge activities - focuses on inputs and outputs, with very little attention to outcomes (IEG, 2011a). Bank staff stated in interviews that the technical assistance and economic and sector work financed with trust fund contributions dealt with issues relevant to the countries. However, they also added that 'the work is not always of the highest priority, would not have been done using the Bank's budget, and does not always receive management attention and quality assurance' (IEG, 2011a).

IEG finds that trust funds aimed at single countries - be they single-donor or multi-donor – generally work reasonably well in delivering support. They also note that multi-donor trust funds generally have a better design with a clearer results framework than single-donor trust funds.

Regarding management of trust funds within the Bank, IEG stresses that the accountability framework for trust funds is still much weaker than that for regular IDA/IBRD operations.[54] In 2007, the Board approved a Trust Fund Management Framework; the main objective was to bring trust funds into the mainstream of Bank business. However, the IEG evaluation found that despite efforts to move toward integration, trust-funded activities remain structurally separate from the Bank mainstream accountability framework. Standard Bank supervision and completion reporting is since 2008 required for trust fund grants of USD 5 million or more. But for the bulk of smaller grants only a Grant Reporting and Monitoring report (GRM) is to be produced, which according to IEG is 'inadequate' and 'ineffective' (IEG, 2011a). The reporting on the smaller trust fund grants lacks a results focus and this hinders accountability. IEG therefore strongly recommends using standard Bank results frameworks for all trust funded activities, along with their sign-off and filing requirements.

[54] This was also concluded in IEG's assessment of global and regional partnership programs (to which the Netherlands is an important contributor – see Chapter 11). IEG found that though several of such joint programs were developing a positive culture of evaluation, many continue to regard periodic evaluations as a substitute for putting adequate M&E systems in place to track program outputs and outcomes (IEG, The World Bank's Involvement in Global and Regional Partnership Programmes: An Independent Assessment, 2011b).

Box 8.1 *Recommendations of IEG's 2011 trust fund evaluation*

IEG concluded that the Bank should continue to accept trust funds, because they address limitations in the aid system and support the Banks development agenda. But substantial changes are needed to increase effectiveness, efficiency and accountability. A more structured and disciplined approach is required. IEG provided three recommendations:

1. Adopt a three-pillar structure for non-FIF trust funding:
   - Country-specific trust funds. These are useful vehicles, that should apply standard IBRD/IDA management and accountability processes, integrated into a CAS. This pillar would cover 2/3 of current Bank trust funds.
   - Global and Regional Partnership Programs. These multi-recipient country programs with active donor involvement need to be more formally structured as a partnership, and work transparent, with a clear charter, governing body and management unit. This pillar would account for ¼ of current IBRD/IDA trust funds.
   - Umbrella Facilities. This pillar would consist of a small number of multi-donor, multi-recipient country facilities. They would replace the current range of Bank- and recipient-executed trust funds, which should be phased out by Bank and donors. Each could support one strategic priority (like governance, social development). Resources would be allocated upfront to the dedicated Bank section. Bank staff and management would be accountable for results, to be reported in a single annual report per facility (instead of individual reporting to donors). This would cover 1/10 of current IBRD/IDA trust fund portfolio.
2. Strengthen the Bank's framework for guiding the acceptance and management of FIFs. Review experience, seek Board approval for any new FIF, and report to the Board on FIF's delivery of intended results.
3. Start a debate in the international aid community on the reasons for the gaps in the multilateral system that have led to the expansion of trust funding, to explore opportunities for reforms in the multilateral aid architecture.

Bank management has welcomed the analyses and key recommendations of IEG on trust funds. Work is under way on combining similar trust funds into a single umbrella trust fund to which all donors can contribute. An update on the reform of the trust fund arrangements is expected in 2013.

8.3 Concluding summary

- Trust funds have become an expanding pillar in the international aid architecture and the Bank is the key player. Trust funds are often used for channeling grants to specific purposes when regular lending is less appropriate or scarce (fragile situations, global knowledge, etc.) or when existing multilateral structures cannot deliver fast outputs. The proliferation of trust funded activities raises the question whether the multilateral aid architecture as such needs adaptation.
- The Netherlands was the second biggest contributor to IBRD/IDA trust funds.
- On the potential effectiveness of Bank trust fund constructions IEG notes that:
  - In general, country-specific trust funds that were well integrated into a broader Bank country strategy were more adequate than global or regional trust funds with activities at country-level. Trust funding for scaling up existing country operations often worked well.
  - In post-disaster and post-conflict situations, multi-donor trust funds led by the Bank have become important platforms for donor-coordination and pooled grant funding, with a potential to reducing transaction costs for both recipients and donors. However, effectiveness has varied significantly, with a variable performance of the Bank in leading the process (see also Chapter 9).
  - The extent to which the broad range of trust funded technical assistance and knowledge activities at the Bank was useful and effective, could not be systematically assessed. Outputs are generally produced, but there was little information on what this achieved.
- A key issue remains the variable quality of results frameworks and management arrangements of trust funded activities. Trust funded arrangements (except recipient-executed trust funds above USD 5 million) often lack the standard quality that Bank results frameworks could provide.
- IEG has provided important recommendations for improving the structure and management of the Bank's trust fund portfolio. In particular the acceptance of a limited number of umbrella facilities to replace a large number of single-donor and multi-donor trust funds would have implications for the Dutch trust fund portfolio at the Bank (see Chapter 11).

9

World Bank performance on specific themes and sectors

This chapter analyses the Bank's performance on the policy themes and sectors that were key to the Dutch engagement with the World Bank over the evaluation period. The full analyses of the underlying IEG evaluations and other sources can be found in Annex 6. The paragraphs below present the main findings.[55]

9.1 Poverty Focus

The Bank intensified its focus on poverty reduction and achieving the MDGs over the 2000s, largely in line with Dutch and other likeminded donors' views. The performance and effectiveness of key policy instruments and sectors for poverty reduction has, however, varied.

Over fiscal 2001-2009 the Bank approved close to USD 8 billion for almost one hundred Poverty Reduction Support Credits (PRSCs: budget support operations), of which 84% was rated by IEG as satisfactory at completion in terms of achieving its development objectives. Such PRSCs have helped to advance public financial management and procurement in most borrowing countries. PRSC countries also had a good record on reducing income poverty and on MDG achievement – better than comparable IDA countries.[56]

The Bank expanded its support for Social Safety Net operations (SSN) over the 2000s, spending USD 11.5 billion. These operations were generally successful in achieving their development objectives, in particular in low-income countries, where no less than 88% of interventions recorded satisfactory outcomes. Conditional cash transfers were the best performing SSN instrument. According to Bank estimates, SSN programs supported by the World Bank reach about 191 million people in developing countries. The Netherlands contributed significantly to SSN multi-donor trust funds in Indonesia and Ethiopia; these SSNs achieved substantive impacts (see Chapter 10).

From 2001 to 2010 the World Bank committed USD 23 billion to education, a sector in which Bank projects have historically achieved better results than in most other sectors. The Bank contributed to major improvements in access and gender equity in primary education. However, satisfactory performance declined over the decade (from 82% to 69%), probably related to higher ambitions and a more complex portfolio: from a focus on access and gender equity in primary education, the lending objectives had gradually moved towards improving the actual learning and employment outcomes, including in post-primary education.

55 This chapter does not have a paragraph with a concluding summary because the full text is basically a summary of the analyses provided in Annex 6.

56 Whereas IEG could not analytically establish a causal relation between budget support and the better performance of the receiving countries, a recent IOB evaluation suggests that for a sample of countries supported by means of budget support by the Netherlands, such a relation was there (IOB, 2012).

The Education-for-All Fast Track Initiative, to which the Netherlands provided close to USD 450 million, allegedly contributed to the enrolment of 19 million children, the construction of over 30.000 classrooms and the training of 337.000 teachers since 2003. A review found that the anticipated contributions to catalysing an increase in donor resources and to function as an in-country coordination point were not achieved.

Bank funded activities in Health, Nutrition and Population (HNP), totalling USD 17 billion over 1997-2006, provided important outputs in health, but generally performed below Bank average. IEG found that just 2/3 of the lending portfolio substantially achieved its development objectives and that in Africa HNP-performance was even worse (in particular in HIV/AIDS projects). As reasons IEG mentioned frequent inadequate and overly complex design, often related to limited capacity of the borrowing government to execute the project, and a lack of intensive supervision by the Bank.

Agriculture, a key sector for poverty reduction in Africa, was largely neglected in Bank policies (and by many other donors) until the food prices crisis of 2007. Since then, commitments have increased significantly.

Box 9.1 *The Multi-Donor Poverty Reduction Strategy Trust Fund PRSTF*

Stimulated and supported by the Netherlands, Japan and Switzerland, the World Bank established in 2001 the Multi-Donor Poverty Reduction Strategy Trust Fund PRSTF. The IMF and the World Bank had just agreed (in 1999-2000) that nationally-owned Poverty Reduction Strategies would become the principal framework for providing assistance in poor developing countries, including debt relief under the HIPC-initiative. However, preparing and monitoring such comprehensive Poverty Reduction Strategies (PRS) was a big challenge in many of the countries concerned. Therefore the PRSTF was set up to provide grants for basically all activities that could strengthen the domestic process of preparing such a PRS.

The fund functioned from FY02 to FY09 and the Netherlands contributed about 40% (USD 10 million) of total. The grants strengthened the formulation, implementation, and monitoring of PRS in over 30 countries. Capacity building activities included hiring consultants, staff training, secondments to institutions with expertise in poverty reduction, and south-south study tours.

A recent evaluation found that two-thirds of grant funded activities had performed satisfactory or better. Case studies confirmed that grants had been effective in strengthening the PRS process and outcomes. Where performance was marginal, the reasons were often related to poor government ownership, political instability, and lack of well-defined priorities or shifting priorities.

9.2 Gender equality, environmental sustainability, and governance & anticorruption

Gender

Stimulated by donors like the Netherlands, the Bank agreed its first substantive gender strategy in 2001. In the early 2000s, IEG found measurable progress in gender integration in Bank programs in several sectors, with more than half of relevant projects integrating gender concerns. The Bank contributed to improved gender equality outcomes in key areas such as girl's education, access to water at household level, microfinance, access to land and increased voice of women in development. The level of contribution varied from country to country, with ownership being an important factor.

After the first half of the 2000s, the implementation of the gender strategy weakened. Lack of systematic engagement at management level appeared to be an important factor. The introduction of a specific results framework for gender mainstreaming in 2010 was an attempt to put the strategy back on track. Together with the focus on gender in the IDA16 replenishment and the high profile debate around the 2012 World Development Report on gender, this reversed the previous weakening of gender integration in Bank activities.

Reporting requirements on gender indicators in the corporate scorecard and the IDA framework are sustaining a basic level of attention for the gender dimension in much of the Bank's work. What remains a question is whether gender-informed activities actually lead to better outcomes for women and girls. There are no recent data available regarding the extent to which this has effectively translated into gender relevant outcomes at country level.

Environmental sustainability

The Bank's current environmental strategy and its safeguards policy promote serious consideration of environmental aspects in most Bank activities. IEG found that the Bank has made progress on this aspect of its policy, in particular since 2001. Safeguard policies have helped to avoid or mitigate large scale social and environmental risks.

Also, the Bank has become a financier of (global) environmental and natural resources management. IEG identified satisfactory results in several areas of work, including in land en watershed management, community-based forest management and grants for reduction of ozone depletion substances. Weak results were found in capacity building and industrial pollution control.

The Bank's advisory work has in many developing countries contributed to the identification of key environmental issues. However, translating this into lending arrangements has proven difficult, mainly because of lukewarm interest from client countries. IEG found that IDA's primary external constraint in pursuing its environmental commitments was the lack of interest and commitment among client governments: many do not want to borrow to address environmental concerns, either because they don't see it as a priority or because they prefer grant funding for such purposes.

Box 9.2 *The Inspection Panel and the Office of the Compliance Advisor Ombudsman*

The Inspection Panel was set up in 1993 as a mechanism for improving accountability of the World Bank. Communities affected by Bank-financed projects (or their representatives) can file a complaint if they believe that the Bank is not complying with its own operational procedures for avoiding harm to people or the environment. The Panel, consisting of three members appointed by the Board, will first establish eligibility of the complaint. It reports to the Board. The Board decides whether the Panel should start an investigation and to what extent recommendations of a final Panel report are to be implemented. The Panel has received around 80 request since 1994, of which over 80% have led to further action by the Panel or the Bank to address concerns. Most requests submitted concerned the Bank's safeguard policies on environmental assessment, involuntary resettlement, or indigenous people. Energy and infrastructure projects are most dominant in recent complaints.
The Office of the Compliance Advisor Ombudsman (CAO) was established in 1999 as a similar mechanism for the private sector activities of IFC and MIGA. CAO reports to the President of the World Bank Group. It currently receives more than 10 eligible complaints per year. Conflict over land has been an issue in almost 60 percent of CAO cases over the last five years. Around half of the cases are settled by mediation.

Governance and anticorruption
The Bank has a comprehensive strategy in place for addressing governance and corruption. Successive revisions over the 2000s (up to 2012) have in particular resulted in a very strong internal framework for detecting and sanctioning fraud and corruption with Bank funds. This framework is accompanied by strong transparency and openness on activities funded, as well as on sanctions applied.

The Bank's record on promoting good governance and anti-corruption in client countries was more varied. IEG found slow and uneven progress, although ¾ of countries receiving public sector reform loans improved their CPIA score on governance. Improvements were most marked in public finance management, in particular regarding transparency in budget formulation and reporting (but less in procurement and auditing). Also tax administration reforms generally succeeded because of strong government ownership, and in particular in IDA-countries. Civil service reforms, however, frequently failed, often as a consequence of inherent political difficulties when salary reductions and retrenchment were part of the reform. Indirect measures to address corruption (by reducing opportunity) had some success, but anti-corruption laws or commissions rarely succeeded.

9.3 Fragility & post-conflict, private sector development, and water

Fragility & post-conflict

Over the 2000s, working in fragile and conflict affected situations (FCS) emerged as a core activity for the Bank, and for IDA in particular. Bank funding for this purpose increased over the decade, but grants from multi-donor trust funds became the primary source. The Netherlands was the third-biggest contributor to such trust funds, providing close to USD 600 million over FY07-11, in particular to trust funds for Afghanistan, South Sudan, the Great Lakes region and the reconstruction effort in Aceh.

The record of Bank activities in this highly difficult area of work is mixed. Financed largely by the Afghan Reconstruction Trust Fund, the Bank achieved up to 2011 'impressive results' in Afghan public finance management, public health, telecommunications, and community development. Also, 'substantial outputs' were recorded in education, rural roads, irrigation and micro-finance in Afghanistan. In Timor-Leste, a strong Bank performance in early reconstruction was followed by a period in which the Bank's program lacked focus and achieved little. With Bank lending clearly focussed on restoring the state and rebuilding infrastructure, Liberia was supported to move from a state of total disarray in 2003 to one with a solid foundation for further development at the end of the 2000s. The MDTF for South-Sudan – with substantial Dutch funding - failed to deliver early results after the 2005 peace agreement, although the program improved in the last years of implementation. Very weak administrative leadership by the Bank in the initial years, worsened by the lack of capacity within the South-Sudanese administration, were blamed in an external evaluation. In the Great Lakes, the Multi-country Demobilization and Reintegration Program, of which the Netherlands was a founding father and the key donor, contributed to regional stability by demobilizing hundred thousands of combatants from seven countries. Again, slow and weak administrative leadership hampered early results.

The sustainability of improvements was (and is) in many cases a major concern. The early and consistent deployment of sufficient quality staff (instead of Bank missions flying in and out) was identified as a key practical constraint in several situations where the Bank agreed to take the lead.

Box 9.3 *Achievements in health and education supported by the World Bank in Afghanistan*

The Bank contributed to remarkable gains in health service access and improved outcomes in Afghanistan. Basic health services were extended to all provinces. Functioning health facilities increased from about 500 in 2002 to more than 2000 in 2011. Midwives were trained, facilities with skilled female health workers increased from 25% to 72%. Skilled birth attendance more than doubled to 34% of deliveries. Infant mortality rate fell by 38% between 2002 and 2010. Primary school enrolment increased from 1 million pupils in 2001 to 7.2 million in 2011, of which about 40% are girls. ARTF covered teacher salaries. Bank assistance provided for the construction of over 5000 classrooms and supplies for almost 10.000 schools. Inadequate supervision and security issues, however, affected quality (IEG, 2012d).

Private sector development

Private sector development (PSD) was core business for the WBG, building on a comprehensive 2002 strategy. The Bank's focus shifted from privatization to influencing a range of government-policy conditions related to the investment climate in developing countries. IFC vastly expanded its activities with private sector clients, also in IDA countries and in fragile and conflict-affected situations. An overall evaluation of the Bank's private sector efforts is not available. Evaluations of specific sectors suggest mixed results.

IEG concluded in 2005 that the Bank's record of privatizing poorly run government corporations has been 'very mixed'; 'rushing to privatize without adequate regulatory, prudential, and incentive systems is a recipe for failure and for serious political and social consequences'. Also IEG found that 'in social sectors such as education and health, the required reforms are not privatization, so much as better service delivery'.

The Bank's substantial work on financial sector reform generally achieved its intended outputs, such as reduced government involvement in banking and credit, prudential financial regulation and stronger banking supervision. But IEG found no proof that this translated into well-developed and more stable financial systems that provided more credit to private sector development in countries borrowing for financial reform, compared to countries not borrowing for such reforms.

IEG found that the WBG played a catalytic role in spreading ICT in developing countries, spending USD 4.2 billion over 2003-2010, of which 70% in the poorest countries. Countries with WBG support for policy reform or for catalysing private sector investment increased competition and access to ICT faster than countries without such support. IFC projects in telecommunication achieved particularly strong results in IDA and conflict-affected countries.

Evaluating the joint World Bank-IFC Doing Business initiative (DB), IEG found that many countries had indeed reformed business regulations in line with the DB-indicators. This had improved the overall investment climate. But IEG questioned the ranking of countries on the DB-indicators, because many other relevant constraints - cost of finance, quality of infrastructure, labour skills, corruption, etc. - were not taken into account.

IEG noted (in a 2011 report) that IFC's poverty focus was increasingly visible in terms of goals, sectors and choice of countries, but also found that the majority of investment projects studied did not provide evidence of opportunities for the poor to participate, contribute to, or benefit from the economic activities that the projects had effectively supported. IFC responded by pointing to recent changes in its work, including more emphasis on achieving broad-based growth and inclusiveness.

Box 9.4 *Privatization in the Benin cotton sector*

The World Bank has pushed systematically for liberalization and privatization in the cotton sector in Africa (Fok, 2001). In Benin this resulted in a private monopoly: one local entrepreneur acquired the former parastatal and several other key cotton companies, building on his relations with important members of government and in the absence of competitive bidders. Quality and timing of inputs (seeds and fertilizer) and promptness of payments to farmers suffered. This contributed to the sharp reduction in cotton production in Benin in the second half of the 2000s. A recent DFID-study found the efficiency in the cotton chain in Benin to be 'unsatisfactory'. In neighboring Burkina Faso, were the state still had a majority control in the former parastatal (alongside 15% for private parties and 30% for the farmer's organization), the market coordination in the cotton chain was much better ('satisfactory') (Serra, 2012).

This points to the crucial importance of understanding the political economy of a developing country. Also, the Bank's push for privatization generally started by focusing on state failure which was thought to be the root of all evil, whereas too little attention was paid to market failures that can dramatically increase transaction costs (Fok, 2001).

Water

Water was a key sector in Bank lending. It supported hundreds of projects in subsectors like wastewater treatment, urban water supply, rural water supply, irrigation, hydropower, and watershed management. The water-related MDGs gave a boost to the Bank's involvement in the sector.

Performance of water projects improved significantly in the early 2000s, coming from low levels in the 1990s. Merely 80% of projects in Africa completed over the 2003-07 period achieved satisfactory outcome ratings. IEG found the program to be large, growing and integrated. Water was, however, also one of the sectors that by the end of the 2000s showed a significant decrease in ratings, in particular in urban water supply.

IEG found that Bank financing made a 'modest yet important' contribution to improving rural household's access to safe water, looking at completed rural water supply projects in 27 countries. In general, public provision of water services remained the norm, despite Bank efforts to increase private sector involvement and investment in water. Sanitation was an area of limited progress for the Bank; many governments were reluctant to borrow for it and where they did, the projects often failed to reach poor rural families.

The Netherlands was an important partner of the Bank in water activities. Several dedicated trust funds for the provision of technical assistance to water projects were funded, while Dutch private sector expertise was sometimes involved in execution of such projects.

Box 9.5 *Failing privatization of water supply in Tanzania*

In the early 2000s, the World Bank stimulated the government of Tanzania to move towards private management of water supply in the capital Dar es Salaam. According to the British NGO ActionAid, privatization of the public utility DAWASA was actually a condition for debt relief under the HIPC initiative (ActionAid UK, 2004). At that time, public water provision by DAWASA was not functioning. There were massive leaks, illegal tapping and non-payment, while less than 100.000 households had a connection in a city of over 2.5 million inhabitants. In 2003, a USD 146 million credit for an ambitious Dar es Salaam Water Supply and Sanitation Project was approved by the Bank, aimed at addressing the problems by handing over the assets of DAWASA to private sector management. However, after a British/German/Tanzanian combination had won a 5 year contract, the situation merely deteriorated. Its reportedly inexperienced management failed to deliver on their contractual obligations in the complex Dar es Salaam environment (The Guardian, 2012). In 2005 Tanzanian ended the contract. Several lawsuits followed, which were mainly won by the Tanzanian government.[57]

9.4 Harmonization & alignment

IEG found that the Bank's record on harmonization & alignment was uneven. Good and early progress was made in alignment to country poverty reduction strategies. The same was true for improved (sector) coordination with other donors and the use of local implementation structures. However, the use of client country financial and procurement systems appeared to run against the limits of the Bank's strict fiduciary requirements, in particular in investment lending (not in policy lending). And selectivity (related to a more optimal division of labour among donors) was apparently not considered a priority, not by the Bank nor by its clients.

Dutch officials working with the Bank at country level frequently noted a one-sided approach on the Bank's part to collaboration and coordination: joining up with the Bank was warmly welcomed, while harmonizing Bank work towards other donors' approaches was generally not considered an option for the Bank. The strict working methods of the Bank are part of the explanation.

The introduction of the Program-for-Results financing facility in 2012 – intended to fill the gap between the Bank's investment lending and its policy lending - implies more use of country systems. Also the forthcoming procurement reform is to provide more flexibility.

57 In Ghana, a Dutch/South African private operator (Aqua Vitens Rand) won in 2006 a similar five-year Bank-supported management contract to improve water supply and extend infrastructure in Accra. Reportedly, the company had great difficulties in living up to its obligations and getting grip on the situation (interview IOB with Dutch MFA staff). The contract was not extended in 2011.

10

Effectiveness of Dutch trust fund support in Indonesia and Ethiopia

This chapter reviews the trust fund portfolio that the Netherlands supported in two bilateral partner countries: Indonesia and Ethiopia. What were the reasons for working intensively with the Bank in these countries and what does evaluation indicate about the performance of the supported programs?

10.1 Dutch support to World Bank trust funds in Indonesia

Indonesia was by far the biggest single recipient of Dutch support via the Bank over the 2000s. Dutch contributions to World Bank Trust Funds in Indonesia totalled almost half a billion Euros, or about 45% of Dutch bilateral aid to Indonesia.[58]
What were the reasons for working with the Bank in this country and what did this achieve?

Dutch policy on World Bank trust funds in Indonesia
Soon after the elected Indonesian president Wahid took office in 1999, the Netherlands approached the Indonesian government to discuss a possible restart of bilateral cooperation. The development cooperation relationship had ceased in 1992, when Dutch criticism of the government's human rights record – in particular in East-Timor - had led the Suharto regime to refrain from accepting any further assistance from the Netherlands.

When the relationship with Indonesia was restored in 2000, the Dutch government proposed to channel its support primarily through multilateral organizations, based on priorities to be identified by the Indonesian government. The then Minister for development cooperation, Eveline Herfkens, argued that multilaterals like the World Bank and UNDP were well established in Indonesia and provided the best possibility to achieve early and visible results in the wake of the Asian economic crisis. Setting up a purely bilateral program with an intended size of about USD 50 million per year would overstretch the implementation capacity on both the Dutch and the Indonesian side (TK, 2000b).

In view of aid effectiveness and coordination, the Dutch government also wanted to move away from supporting a large number of individual projects (as was the case in Indonesia before 1992) towards funding a limited number of sector programs. By adding its funds to multilateral programs, the Netherlands would be part of the related policy dialogue with the Indonesian government and in this way increase the leverage of Dutch aid. Also, working via the multilaterals was presented as a way to be better protected against corruption (TK, 2004a).

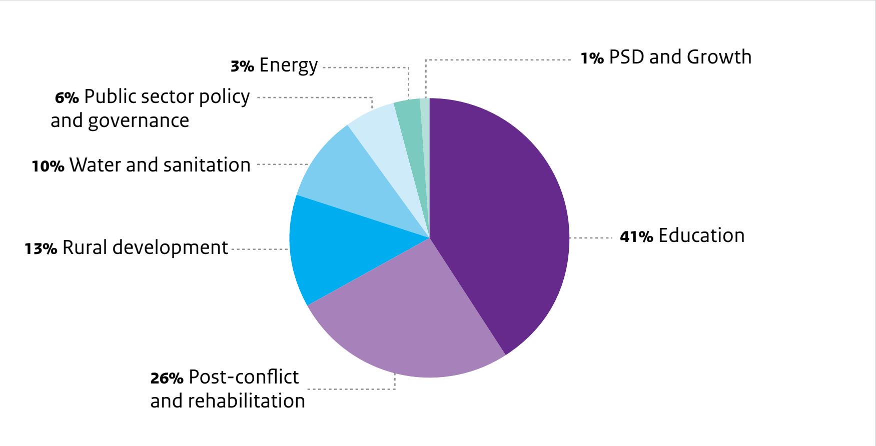
Up to the late 2000s Dutch development cooperation with Indonesia was channelled mainly via the World Bank, UNDP, ADB, UNICEF, IOM and ILO. The Dutch government that took office in late 2009 changed this policy as part of a wider reform of Dutch development

[58] Excludes Dutch contributions to WB programs in Indonesia via Trust Funds for global programs (like ESMAP, WSP). Also excludes bilateral contributions via private sector development programs (PSI/PSOM, ORET/MILIEV, etc.) and co-financing with NGOs.

cooperation. In 2011, the then Minister for development cooperation, Ben Knapen, confirmed that the emphasis would shift towards bilateral cooperation based on Indonesian demand for areas of Dutch expertise. Water, food security and judicial reform were agreed with the Indonesian government as the main areas for bilateral cooperation. This shift was presented as part of a gradual move from a development cooperation relation with Indonesia towards an economic relationship based on mutual interest (TK, 2011b).

Over the evaluation period, contributions to World Bank trust funds in Indonesia added up to almost half of Dutch support for the country. Almost a quarter of this funding was related to the exceptional reconstruction effort after the tsunami of December 2004. The three other main areas were education, rural development and water & sanitation. In addition, the Netherlands contributed to Bank trust funds programs on governance and anti-corruption, energy (since 2008) and private sector development (see Figure 10.1). Dutch funding channelled via the Bank accounted for 64% of all Dutch support to education in Indonesia, 74% of reconstruction support, 100% in rural development, and 37% in water and sanitation.

Figure 10.1 *Dutch World Bank contributions Indonesia by sector (2000-2011), total EUR 488 million*



Source: Ministry of Foreign Affairs, IOB database

In education, the Dutch contributions to Bank trust funds aimed to support large scale Indonesian government programs to keep poor children in school in the aftermath of the Asian economic crisis (EUR 115 million), improve teacher quality (EUR 35 million), facilitate studies, pilots, monitoring & evaluation, transparency and accountability of the governments' national education strategy (EUR 32 million) and provide early childhood education to poor families (EUR 17 million). The Netherlands was the largest bilateral contributor to these trust funds.

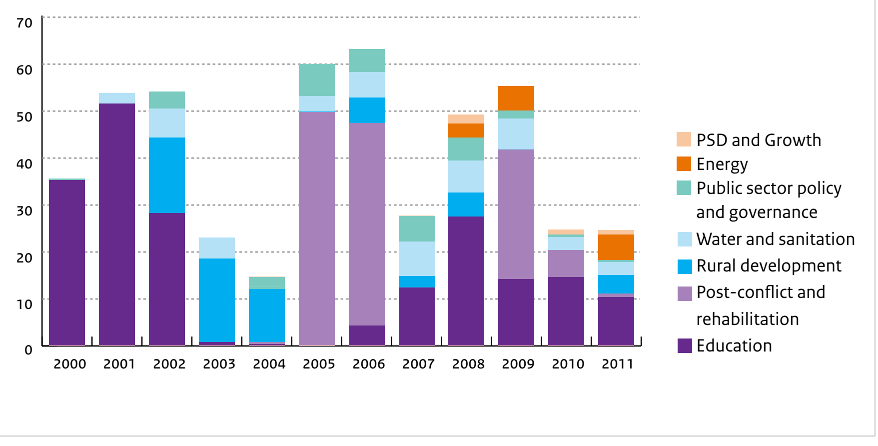
In rural development, the Netherlands contributed to Bank trust funds for the government's poverty reduction programs that provide block grants to thousands of villages (EUR 63 million).

The Netherlands was the largest bilateral contributor to the MDTF for the reconstruction of Aceh and Nias after the 2004 tsunami (EUR 115 million) and the Java reconstruction fund (EUR 10 million).

In the water sector, the Netherlands has provided support via Bank trust funds for the government's reform and decentralization of water and irrigation management and the strategy to extent access to safe drinking water (EUR 48 million).

Over the past decade, the Netherlands was the biggest contributor to World Bank trust funds in Indonesia: of annual trust fund contributions to the Bank of about USD 150-160 million, the Netherlands provided around a third.

Figure 10.2 *Dutch World Bank contributions Indonesia (2000-2011, EUR million), total EUR 488 million*



Source: Ministry of Foreign Affairs, IOB database

Implementation and effectiveness of the Bank's trust fund support in Indonesia
In its recent critical evaluation of the World Bank's trust fund policy, IEG was fairly positive about a number of aspects of the Bank's large trust fund portfolio in Indonesia (IEG, 2011a). IEG noted that Indonesia was the only case study (of 8 countries studied) where the Bank's country strategy (CAS) gave proper treatment to trust funds and where the major trust funds were fully integrated into the country strategy. IEG also used the example of Indonesia to illustrate that well-integrated trust funds can help scale up country operations, such as the rural community development program of the Indonesian government (to which the Netherlands was a main contributor). IEG further noted that technical assistance grants from trust funds played an important role in a country like Indonesia that was reluctant to

borrow from the Bank for technical assistance. IEG also referred to the importance of MDTFs such as the one for Aceh and Nias as a platform for aid coordination.

In its evaluation of the Indonesia CAS 1999-2006, IEG called the large trust funds for reconstruction and education 'a valuable innovation' (IEG, 2008a). IEG found that they 'provide for closer oversight than budget support funds, while substantially reducing the transaction costs for the government. They seem to be working well in Indonesia and could well be an instrument with potential for use in other countries'.
In the same evaluation, IEG questioned the expansion of technical advisory trust funds and the related build-up of Bank staff in Jakarta supported by these funds. IEG noted that the Bank had senior staff in most areas where it was active and even some where it was not very active (e.g. urban water and sanitation). IEG also found that in some instances donor interests rather than government priorities had influenced the choice of issues studied. Care should be taken not to generate supply driven activities in which the Bank played the central role, according to IEG. This concern was addressed in the CAS 2009-12 (World Bank, 2008b). The CAS confirmed that the Bank needed to be more selective in accepting trust funds. A more strategic approach should ensure that trust funded activities would generally support existing government programs included in the government's budget. The latest CAS progress report suggests that the trust fund portfolio in Indonesia is still very large (World Bank, 2011f). The Bank argued that this is because more donors now align their support to government programs via the Bank.

The IEG country assistance evaluation over the period 1999-2006 presents a mixed picture on the outcomes of Bank activities. IEG rates the overall outcomes as 'moderately satisfactory'. On the four pillars of the Bank's strategy, IEG found satisfactory outcomes in (a) poverty reduction and social services and (b) disaster management, moderately satisfactory outcomes in (c) restoration of growth and investment and a moderately unsatisfactory rating for (d) improving governance and building institutions. The two goals to which the Netherlands contributed over 90% of its trust funding (a. and b.) thus received the best rating. Evaluations of key programs in education, rural development and reconstruction, to which Dutch trust funding contributed, confirm these positive outcome ratings.

The Scholarships and Grants Program (SGP/SIGP), to which the Netherlands was the main bilateral donor (EUR 115 million), helped to protect enrolment after the Asian crisis. It reached out to around 60% of Indonesian schools and about 7 million schoolchildren (TK, 2004a). A 2003 study found that 'on the whole, schools have remained open and enrolments have been maintained. SGP and other programs have contributed and a large number of schools have benefitted. They have not been forced to raise school fees to levels that might have resulted in high drop-out' (Hartono & Ehrman, 2003). A 2007 evaluation concludes that, although better targeting to the poor could have increased effectiveness, 'scholarships have proved to be an effective instrument for protecting access to education. The program has increased enrolment, especially for primary school aged children from poor rural households' (Sparrow, 2007).

Box 10.1 *Corruption in World Bank support in Indonesia*

Ensuring that Bank projects were free of corruption was a difficult task in Indonesia, according to IEG's country assistance evaluation (IEG, 2008a). An environment of 'pervasive corruption' led the Bank to declare misprocurement in a number of cases. INT, the Bank's unit responsible for investigating allegations of fraud and corruption, conducted in 2001 a review of a Sulawesi development project (to which the Netherlands did not contribute). The review found 'significant weaknesses' in procurement, financial management, missing documentation, manipulation of the procurement processes, etcetera, and in 26 cases appropriate action was taken. Allegations in 2003 regarding massive corruption in the Scholarship and Grants Program were found to be overstated. INT was again called in. It found that the Indonesian government body for monitoring the implementation of the scholarship program was correct in its conclusion that irregularities were very limited (about 1% of the funding, of which around half could be re-confiscated) (TK, 2004b).

The Indonesian government's programs to provide block grants to poor communities (KPD/PNPM) have generally been evaluated positively. Dutch support via Bank trust funds to these programs totalled EUR 63 million over the evaluation period. The initial programs developed into a national program covering all villages of Indonesia, funded almost entirely by the Indonesian government. IEG rated the KDP-2 program 2002-2007, to which the Netherlands was the only bilateral contributor, as 'satisfactory'. Some 20 million people in 1,000 poor communities benefitted directly or indirectly. An impact evaluation of KDP-2 found significant gains for in particular poor households in communities participating in the program, compared to non-participating control communities: increase in consumption was 11 percentage points higher, 9% more households were likely to move out of extreme poverty (USD2/day poverty line) and access to outpatient care was 11.5 percentage points higher. Limited or no gains were found in comparison to the control group concerning enrolment rates and unemployment (Voss, 2008). A large scale impact evaluation of the successor PNPM program 2007-2010 found significant impact across a range of 12 indicators related to poverty, maternal mortality, child mortality and basic education. The greatest impact was in health, in particular in malnutrition. The program was most effective in areas with very low health and education status (Olken, Onishi, & Wong, 2011).

The post-tsunami reconstruction effort is generally considered successful (Brusset & Bhatt, 2009).[59] IEG noted that the Aceh relief effort compared favourably with other post-tsunami programs and referred to it as 'a highly satisfactory program' (IEG, 2008a)'.[60] The Bank led MDTF pooled USD 665 million donor contributions (with the Netherlands providing 22%, the second biggest of the 15 donors, after the EU) to a total of USD 7 billion provided by the Indonesian government, NGOs and other donors. The MDTF supported 23 projects, mainly for infrastructure and community recovery. This resulted in reconstruction of 20,000 houses, over 3,000 km of village roads, over 600 km of main roads, 15 km bridges, 5 ports, 1,600 km irrigation and drainage channels, 600 schools, 8,000 wells, etcetera (World Bank, 2012e). In addition, the Bank was closely involved in the wider reconstruction effort, providing support and technical advice to the Indonesian Rehabilitation and Reconstruction Agency. The MDTF was an important vehicle for effective coordination and for dialogue with the Indonesian government.

Box 10.2 *The Java Reconstruction Trust Fund*

The Java Reconstruction Fund (JRF) was set up in 2006 as a vehicle for multi-donor support to assist in rebuilding the earthquake and tsunami-affected areas of Yogyakarta, Central Java and West Java. At the request of the Indonesian government, this MDTF was set up in a similar way as the Aceh reconstruction fund. The activities were governed by a steering committee and co-chaired by the Indonesian government, the European Commission and the World Bank as trustee. The Netherlands was the second donor, providing about 13% of donor funding. Achievements of the JRF included over 15,000 earthquake-resistant permanent houses reconstructed; community settlement plans with a disaster-risk reduction focus developed in 310 villages; community infrastructure including almost 1,000 roads and footpaths, 100 bridges, 1,200 retaining walls, and 230 water supply projects. In addition, more than 15,000 micro-, small, and medium enterprises (MSMEs) were supported with technical assistance, enhanced business skills, and access to finance. More than 40% of these MSMEs were run by women, and over 70% were able to improve over their pre-earthquake incomes.

Source: World Bank communication

[59] Brusset & Bahatt concluded in 2009 that 'early post-tsunami estimates of a potential failure to achieve effective and positive linkages between immediate relief, recovery and development efforts have happily not been realized. One can conclude from the evidence that the recovery effort thus far has resulted in real development in terms of reduced vulnerability and increased resilience of affected societies and states in relation to the pre-tsunami situation. We have not just returned to the status quo. That being said, as one would well expect in any urgent and massive recovery effort involving myriad stakeholders, recovery has been less than optimal given the willingness and resources at hand'.

[60] IEG had noted one weak element in its mid-term review of the MDTF in 2008: the housing program, that had run into delays. However, the housing program improved soon after and this community-based approach for housing reconstruction actually became a standard for post-disaster housing reconstruction in Indonesia and served as a model for the government's own reconstruction program in Java to build over 200,000 houses (source: interview NL MFA and information provided by World Bank staff).

There are no substantive independent evaluations available of the water trust funds that the Netherlands supported. Interviews and anecdotal evidence suggest that the sanitation activities supported by the WASAP trust fund (Water and Sanitation Program, EUR 24 million) were successful in piloting an urban sanitation program that was effectively scaled up to become the national urban sanitation program. The record on WASAP supported activities for improved management of drinking water, however, was mixed and Dutch support for some activities was ended before the program finished.

Also the World Bank-Netherlands Program for Institutional Development and Capacity Building Trust Fund (EUR 18 million 2004-2012) lacks an independent evaluation. This Bank-executed single-donor trust fund provided flexible and quick funding for a broad range of technical advisory activities related to the Indonesian governments' policies on education, public finance management, trade, investment climate and poverty reduction. In a way this could be seen as a 'BNPP for Indonesia'. An internal Bank review praised the catalyst effect this funding had. The review suggests that the Dutch trust fund provided much of the deeper analyses that increased the effectiveness of the Bank's loans and helped make the Bank a trusted partner of the Indonesian government in key policy reforms. Outputs like studies on how to improve targeting of cash transfers, fed directly into reformed government programs.

10.2 Dutch support to World Bank trust funds in Ethiopia

From 2006 to 2011, the Netherlands contributed almost EUR 100 million to Bank trust funds in Ethiopia. What were the reasons for working via the Bank and what does evaluation indicate about the effectiveness of the trust funded programs?

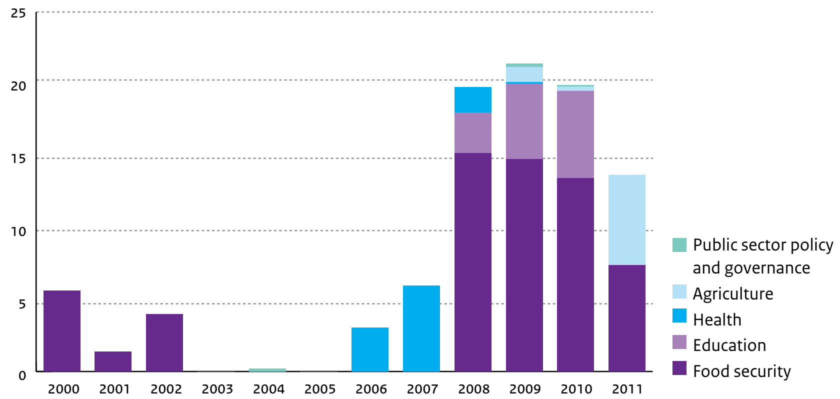
Dutch policy on World Bank trust funds in Ethiopia

After the 1998-2000 Ethiopia-Eritrea border war, the Dutch government aimed for more intensive bilateral cooperation with Ethiopia. The country was regarded as important and poor, but with good potential for economic and social development (TK, 2000c). However, the Ethiopian government's overall governance, democratization and human rights record made it politically difficult for the Netherlands (and several other donors) to work closely with the central government.

Over the years, the Netherlands refrained from providing direct budget support. After the violent election process in 2005 it was decided to further reduce aid flows via the federal government (then 35% of bilateral support) and work more through other channels, including NGOs and multilateral organizations (TK, 2005e). This choice led to support for the Bank's trust funds for Protection of Basic Services (PBS) (which was mainly health related) and the Productive Safety Net Program (PSNP) (TK, 2007). In addition, a Bank trust fund for education quality (GEQIP) was funded, which later on also received support from the Education-for-All Fast Track Initiative (FTI). These three MDTFs co-financed Bank operations and constitute the bulk of the Dutch contribution to Bank trust funds in

Ethiopia over the period 2006-2011. The percentage of Dutch ODA allocated via the World Bank peaked at over 40% in 2010.

Figure 10.3 *Dutch World Bank contributions Ethiopia by sector (2000-2011), total EUR 94 million*

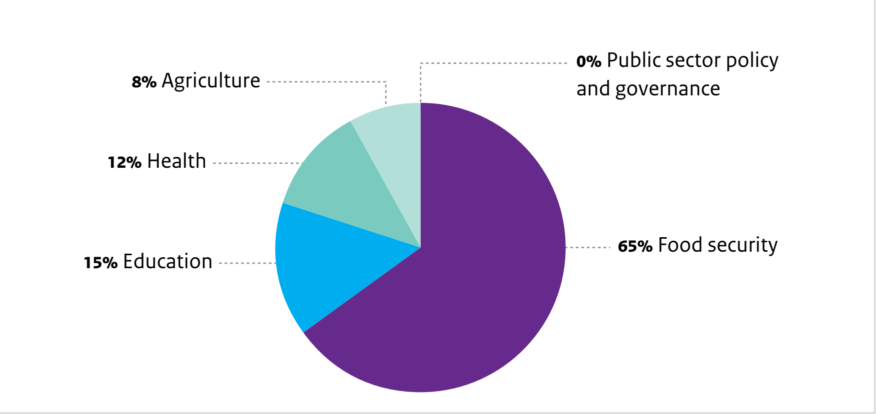


Source: Ministry of Foreign Affairs, IOB database

In view of the reform of Dutch development policy in early 2011, the Dutch Minister for development cooperation agreed with the Ethiopian government to re-focus bilateral cooperation on the promotion of productive investments and collaboration with involvement of the (Dutch) private sector (TK, 2011c). Agriculture and food security are expected to become the most important areas for such collaboration. This choice is likely to reduce the importance of the multilateral channel in bilateral cooperation with Ethiopia. The support for the education quality trust fund GEQIP will be phased out. PBS-support has already finished.[61] Support for the MDTF for the productive safety net program PSNP will be continued, however, under the food security focus (Embassy of the Kingdom of the Netherlands in Addis Ababa, 2012). Also, since 2011 support has been provided to an MDTF for an agricultural growth program of the Bank.

[61] Support to the health sector is now directly channeled to the Ministry of Health in a Joint Financing Arrangement with several major donors.

Figure 10.4 *Dutch World Bank contributions Ethiopia (2000-2011), total EUR 94 million*



Source: Ministry of Foreign Affairs, IOB database

Implementation and effectiveness of the Bank's trust fund support in Ethiopia

In its evaluation of the Bank's trust fund policies, IEG found that trust funds were 'an indispensable instrument for development assistance in Ethiopia, primarily because they permit key donors to continue substantial funding in the social sectors under political conditions that make them reluctant to provide direct support to the government' (IEG, 2011a). Indeed, the expansion of trust fund support in Ethiopia took place after the 2005 civil crisis: from FY02 to FY06 donor trust fund contributions added up to only USD 33 million, while funding in the following four fiscal years totalled USD 1200 million.

The main MDTFs in Ethiopia are those to which also the Netherlands contributed the bulk of its support: PSNP, PBS and GEQUIP. Other, smaller trust funds were used to support the preparation, implementation, and supervision of co-financed projects, or supplement Bank budget for economic and sector work. In addition there are grants under global and regional programs such as the Global Environment Facility (GEF), the Education-for-All Fast Track Initiative (FTI), the Nile Basin Initiative (NBI), and the Global Partnership on Output-Based Aid (GPOBA) (World Bank, 2010c). Over FY02-10 Ethiopia was the 3rd recipient of IBRD/IDA trust fund disbursements, after Afghanistan and West-Bank/Gaza.

The productive safety net PSNP was set up in 2004 and recently evaluated 'satisfactory' (IEG, 2011c). Under this workfare program up to 7 million poor and food insecure Ethiopians (out of over 80 million inhabitants) receive cash or food transfers. It is the biggest safety net program in Sub-Saharan Africa in a country where population growth is still high and where despite recent progress in poverty reduction a large part of the population is still food insecure. Donor funding and Ethiopian government contributions have been secured for the period up to 2015.[62]

The program was initiated to move away from annual ad hoc emergency relief appeals and set up a more predictably financed and more productive safety net construction. According to the IEG evaluation this has generally worked well. Initial problems with targeting and predictability of transfers were addressed, although some questions about political bias in PSNP targeting lingered on. The efficiency of PSNP was substantially better than the previous incidental relief activities. Moreover, impact evaluations showed that the scheme effectively worked as a safety net. PSNP beneficiaries were more likely to be food secure. Beneficiaries also used income from cash transfers to invest in farming inputs and livestock. And during periods of drought and high food prices (as in 2008) the PSNP prevented beneficiary households from sliding deeper into poverty and selling household assets, thus protecting them from the worst effects of the shocks.

The Protection of Basic Services (PBS) operation was initiated in the midst of the political governance crises that followed the 2005 elections. Donors wanted to prevent a reversal in gains made in human development and continue support for basic service improvements, but not via budget support at the central government level. The alternative agreed between the Bank, the government and bilateral donors was to provide earmarked funding for provision of basic services via the *woreda*, the district governments of Ethiopia. This would support the on-going decentralization process and strengthen the existing mandate of the local governments in basic service delivery.

While no independent IEG evaluation is available on the 2006-2009 PBS project yet, the Bank's completion and results report suggests evidence of 'satisfactory' achievement of development outcomes (World Bank, 2010d). The health component of PBS, to which the Netherlands contributed close to 10% of the funding, supported a large increase in core primary health services in rural areas via the district structures. Targets and indicators were achieved or surpassed, for instance on children's vaccination coverage, malaria cases and assisted deliveries. However, the Bank report also indicates that there were 'substantial' risks related to the project that required intensive supervision: transparency, macro-economic developments, possible politicization of aid or misuse of resources, etc.

The GEQIP education quality project 2009-2013 is under implementation and has not been evaluated yet. A 2012 implementation report suggests satisfactory progress (World Bank, 2012f). The report refers to the priority the government has accorded to education, noting budget increases from 21% of total budget in 2007 to 25% in 2010. Targets of GEQIP for 2013 - on percentage of teachers with a diploma, completion rates, textbook/pupil ratios, etc. - are already achieved or appear to be within reach. However, the program faces

62 Nevertheless, the program appears to be underfunded, which prevents it being rolled out in all the regions that could potentially benefit. Also, ad-hoc humanitarian aid continues and covers -depending on drought and refugee conditions- several millions of beneficiaries each year.

implementation difficulties, resulting in under-disbursement. Evaluation after completion will have to assess the effectiveness of the project.

10.3 Concluding summary

- The Dutch decision in 2000 to resume cooperation with Indonesia via multilateral channels has worked well in as far as the World Bank was concerned. The Bank's trust fund program in Indonesia was well integrated into the broader country strategy and the Netherlands was the largest bilateral contributor. The bigger trust funded programs supported by the Netherlands in education, rural development and reconstruction achieved substantive results and impact. The effectiveness of the smaller trust funds, in particular the separate technical advisory trust funds, and the activities in water & sanitation, could not be established.
- The recent move from a primarily multilateral program to a much smaller bilateral program based on mutual interest - in combination with the phasing out of Dutch support for education – will minimize the intensive and effective collaboration with the Bank in Indonesia over the past decade.

- In Ethiopia, trust funds facilitated continued support for poverty reduction in a country where direct support via the government was politically not feasible for donors like the Netherlands. The results of the trust funded activities to which the Netherlands contributed appear to be positive and substantial, in particular the social safety net program.
- The change in focus and approach in Dutch bilateral cooperation policy is likely to reduce bilateral trust funding via the Bank in Ethiopia.

11

Effectiveness of Dutch trust fund support to BNPP, NIPP and global partnership programs

In this chapter, the two biggest Dutch single-donor trust funds with the World Bank and IFC are analysed. What was the goal of the Netherlands in setting up (and later on terminating in the case of BNPP) these partnerships with the Bank and IFC? How did the programs evolve over the past decade, and what has been achieved with this funding?
In the final paragraph the Dutch support to a range of Global and Regional Multi-Donor Trust Funds is analysed, by means of a review of available external evaluations.

11.1 Bank-Netherlands Partnership Program

The Bank-Netherlands Partnership Program BNPP was over the evaluation period the single largest Dutch trust fund arrangement with the Bank. What were the reasons for setting up BNPP (and phasing it out in 2011), how did it function and what activities did it support? To what extent was it an effective vehicle for Dutch cooperation with the Bank?

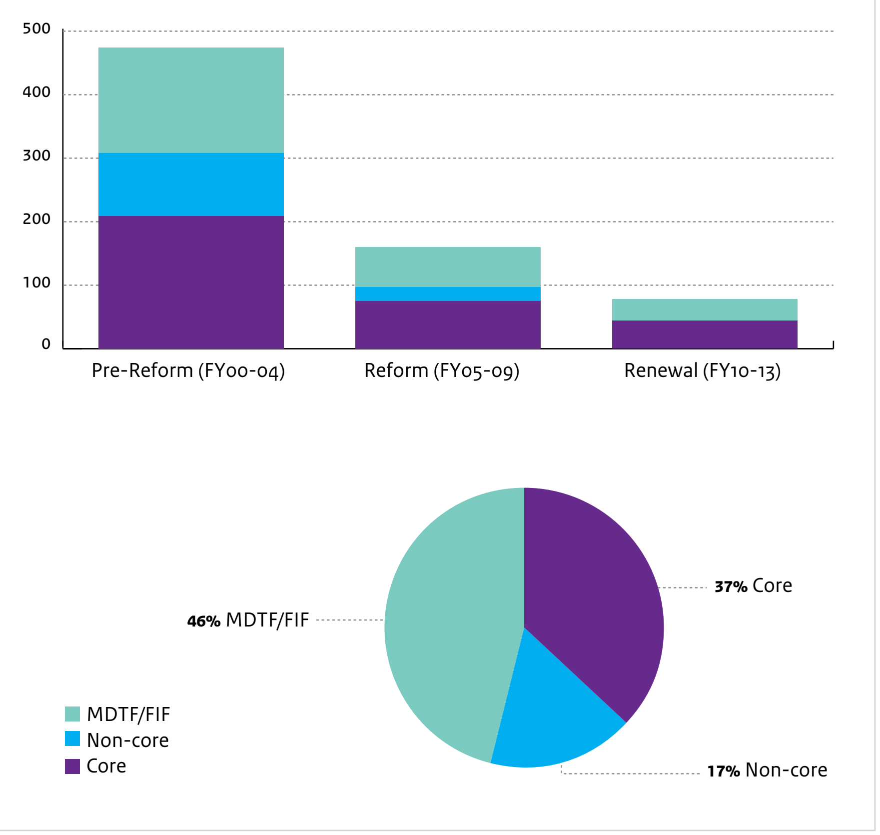
Background and program overview
The Bank-Netherlands Partnership Program (BNPP) was established in 1998 as an arrangement for all non-country specific and centrally administered (i.e. from The Hague) trust fund activities with the Bank. Before, such trust funded activities were scattered over various budget lines, making it difficult to monitor them and set priorities (Cohen, Van der Linde, & Van der Windt, 2003). BNPP was centrally coordinated by the multilateral department at the Ministry of Foreign Affairs. Official consultations between the Bank and the Ministry were to underline the partnership character of the arrangement.The objectives of BNPP were (MFA, 2002a; Cohen, Van der Linde, & Van der Windt, 2003):

1. To strengthen the Bank's policies in areas considered important by the Netherlands, by funding innovative projects and programs;
2. To provide funding for selected multi-donor activities executed by the Bank;
3. Improve coordination of Dutch funding for the Bank by simplifying administrative structures and management.

BNPP included a Core program (37% of total funding), a Non-Core program (17%), and a pass-through program which was used to channel contributions to various MDTFs and FIFs (46%). The Core program financed Bank-executed analytical work and operational support (World Bank, 2012g). The Non-Core program financed sector-specific activities, primarily in energy and water. This part of BNPP was phased out in FY10; the funding was channelled directly to multi-donor trust funds in these areas (World Bank, 2011g).
There were three 'BNPP phases', each with their own administrative structure and focus: Pre-Reform (FY98-FY04), Reform (FY05-FY09) and Renewal (FY10-FY13). Over the evaluation period 2000-2011 a total of EUR 575 million, was channelled through BNPP. This is equivalent to 17% of total Dutch trust fund contributions to IBRD/IDA and IFC.
In 2011, the Netherlands decided to phase out the BNNP vehicle. At that moment, substantial cuts in the development cooperation budget had to be made, and the BNPP Core program was one of the victims. BNPP was dissolved and the responsibility for managing Dutch support to MDTFs was transferred back to the policy theme departments in the Ministry.

The following analyses focuses on the Core program of BNPP. Some MDTFs that were part of the Non-Core and the pass-through program are analysed in Chapter 11.3.

Figure 11.1 *Dutch BNPP allocations by program/phase (FY00-FY11, USD million), total USD 716 million*



Source: Concessional Finance and Global Partnerships (CFP) Vice Presidency

Program strategy and activities

The objective of BNPP was to strengthen the Bank's work, by financing additional and innovative knowledge and capacity on areas of mutual priority. The activities were to have a global, regional or cross-country reach - not country-specific.[63] The focus would be on issues related to low income countries (IDA) and in particular Sub-Saharan Africa. The aim was that BNPP outputs/results would be relevant for the World Bank's wider strategies and

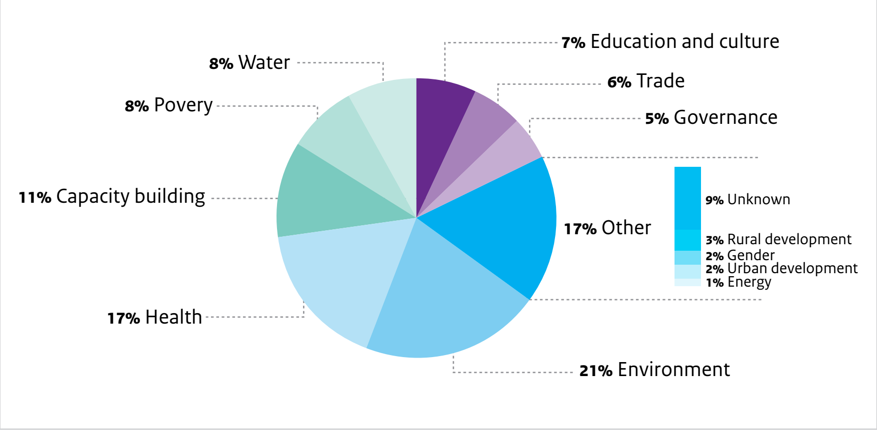
[63] Country-specific activities with the Bank would be the area of the Dutch embassies that could finance such activities from their delegated budget. BNPP would finance activities from the central budget in The Hague. Single country activities were eligible under exceptional circumstances, for instance in the context of work in fragile states when cross-country work was not possible.

operations. They were to be integrated into policy instruments (like Country Assistance Strategies), contribute to future lending operations or inform recipient government policies. Over the years, the list of BNPP priority sectors largely followed the often shifting and broad range of Dutch development policy foci. The Pre-Reform program focused on poverty, gender, environment, health, education, governance, trade and capacity building. In 2002 this was extended to 12, covering also urban and rural development, water and energy.

In 2005 both partners recognized that the number of sectors and thematic priority areas were excessively broad and made program administration difficult (Amelink, 2007). In BNPP Reform (FY05-09) the priorities were reduced to 7: basic education, health, trade, private sector development, environment, energy & water, and good governance.[64]

BNPP Renewal (FY10-13) initially had 6 priority areas: education, sexual & reproductive health, growth & equity, sustainable development & climate change, gender equality, and fragility & conflict. In FY12 the priority list was reduced to 5 by skipping education, in line with changes in Dutch cooperation policies. Just before its termination, BNPP was adapting to the latest change by adding food security and water to the priorities.

Figure 11.2 *Dutch Pre-Reform Core program allocations by sector (FY00-FY08), total USD 167 million*[65]



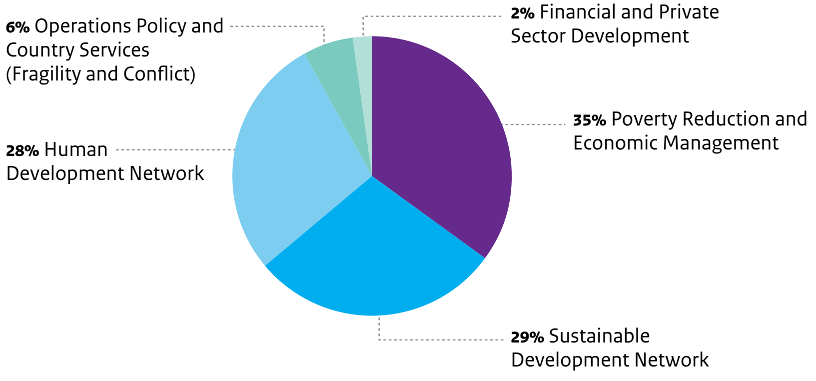
Source: Concessional Finance and Global Partnerships (CFP) Vice Presidency

Since the Reform-phase (FY05), priority areas have been aligned directly to the corresponding Bank Networks which managed the BNPP activities (World Bank, 2009b). Figure 11.3 shows the division of funds between the networks.

64 The actual reduction in the number of priorities was smaller. Areas such as poverty, gender equality and capacity building were to be mainstreamed in the program. Other areas were framed as being still within the scope of BNPP's mission, but no longer its primary objectives, e.g. rural and urban development.

65 Data provided by CFP were limited to FY00-FY08 and do not include FY98-FY99 allocations. Moreover, though the Reform phase started in FY05, allocations under the Pre-Reform phase were made up to FY08.

Figure 11.3 *Dutch Reform and Renewal Core program allocations by Bank network (FY05-FY11), total USD 98 million*



Source: Concessional Finance and Global Partnerships (CFP) Vice Presidency

The BNPP Core program has resulted in hundreds of outputs (case studies, sector studies, handbooks, impact evaluations, workshops, etc.) on a very broad range of subjects. The BNPP website mentions 563 publications. The BNPP Reform phase FY05-11 comprised 156 grant activities, with a total allocation of USD 93 million (Evaluation of the Reform BNPP Program (fortcoming), 2013). The activities were predominantly Bank-executed, with the Bank Networks and Regions sometimes hiring consultants or commissioning studies to universities.

Box 11.1 *Examples of BNPP outputs*

The BNPP website contains dozens of studies and other outputs financed by the Core and Non-Core program. Many studies supported in the Renewal-phase have, however, not been included (yet). Some illustrative examples from the website:

- ‘Why does cargo spend weeks in Sub-Saharan African ports?’. A World Bank book published with BNPP support in 2012. Three of the six case-studies were financed by BNPP, as well as a workshop in Tunis to discuss findings and implications. The study aims to inform future donor investments in port facilities and port management.
- ‘A Resource Guide for Municipalities: Community Based Crime and Violence Prevention in Urban Latin America’. The purpose of this Bank resource book published in 2003 was ‘to provide Latin American Mayors with information on how to design violence and crime reduction programs’.

- 'Equity and Access to Tertiary Education for Students with Disabilities in Indonesia'. Funded with a BNPP grant, this study was commissioned by the World Bank and undertaken by researchers from the state university of Yogyakarta, Indonesia. Report was published in 2010.
- 'Governance and Anticorruption - Addressing Results in Projects: The Andhra Pradesh Rural Poverty Reduction Project'. The 2010 case study looks at innovative anticorruption measures introduced in this Bank project in India. Results were published in an 8-page flyer, to spread lessons learned.
- 'Estimates of maternal mortality worldwide between 1990 and 2005: an assessment of available data'. This 2007 overview article in The Lancet acknowledged support from BNPP (and UNICEF) for the two main authors Kenneth Hill (Harvard) and Kevin Thomas (Pennsylvania University).
- 'Nigerian LP Gas Sector Improvement Study'. This 2004 report explores possibilities for better domestic use of LGP in Nigeria. An Irish firm was commissioned with financing from the Energy Sector Management Assistance Program (ESMAP), a World Bank TA trust fund that received finance from BNPP.

Source: http://www.bnpp-kd.org/en/content/welcome-bnpp

Governance and project management

In the Bank, BNPP was managed by the Global Partnership and Trust Fund Operations Department (CFPTO) in coordination with the Networks (World Bank, 2010e).[66] Within CFPTO a special BNPP program administrator had the responsibility for overall coordination and administration. The BNPP-administrator worked with BNPP focal points in the Bank's Networks. This entailed issuing a call for proposals to be grant-funded, ensuring adequate reporting and the preparation of the annual BNPP consultations (Amelink, 2007). Task Team Leaders (TTLs) in the Bank's Networks and the operational Regions were (as with other Bank projects) responsible for the actual design, implementation and reporting of the individual projects.

On the Dutch side, the multilateral department (DMM) had the task of coordinating BNPP within the Ministry and was the counterpart for the BNPP program coordinator in Washington. Specialists in the policy theme departments were designated to oversee BNPP work in their area of expertise and work with their counterparts in the Bank. Together with DMM, they formed an internal BNPP steering group that would meet a few times per year. The frequency of these meetings was lower in recent years.

[66] Networks involved since BNPP-Reform: Human Development (HDN), Poverty Reduction and Economic Management (PREM), Sustainable Development (SDN), Finance and Private Sector Development (FPD) and Operations Policy and Country Services (OPCS).

Box 11.2 *Exchanges with the Bank at expert level*

The involvement of the Ministry's sector specialist in networking with their counterparts in the Bank as part of the BNPP partnership varied in intensity over time. In some periods, exchanges with Bank specialists were intensified on specific themes, like gender and PRSPs (in the early 2000s in particular), education (in preparation of the 2003 Fast Track Initiative, for instance), trade (when the WTO Doha Round was high on the global agenda), water (participation in the annual Water Week of the Bank) or fragility & conflict (in preparation of the World Development Report 2011, for instance).

Overall, the Ministry's involvement in the BNPP funding process was fairly limited, and decreased over time. The set-up of the BNPP-Core program developed towards a hands-off approach. In particular over the last years of BNPP, the Ministry largely relied on the Bank's internal processes, quality and priority assessments, based on agreed strategies, with only occasional involvement in the selection of issues for grant funding.

The Bank had the full lead in the identification of activities for BNPP grant funding. The BNPP-administrator would issue a call for proposals through the BNPP focal points of the Networks. This would result in a list of proposed activities for the next period. Up to the start of the Reform program, such proposals had to be formally submitted for approval by the Ministry, generally through a declaration of no objection. In practice, funding proposals were practically always endorsed in the form they were presented (Cohen, Van der Linde, & Van der Windt, 2003).

As of 2007, the BNPP Focal Points developed Network-specific strategy papers in consultation with their counterparts in the Ministry, to underpin the selection process (Amelink, 2007). Starting with the Renewal phase (FY10), the Netherlands formally delegated the approval of funding proposals to the Bank, though the specialists in the Ministry were still encouraged to comment on strategy papers. With the formal delegation of approval to the World Bank, BNPP-funds were also pre-allocated to the Bank's Networks. The Ministry maintained a set of selection criteria: the mainstreaming of capacity building and gender, a 50% allocation target for Africa, the requirement of increased alignment with Bank policy instruments and operations, and a minimum grant size of USD 300,000 (World Bank, 2011h).

Like other Bank analytical and advisory activities (AAA), BNPP-financed activities were subject to a limited monitoring and evaluation system. In response to the BNPP review in 2007, the Bank and the Ministry agreed on a specific BNPP results framework. This had two related pillars: (i) enabling the Bank to leverage the outputs produced by BNPP grants to increase its development and institutional effectiveness; (ii) integrating the results of BNPP activities into the Bank's policy instruments and analytical pieces, such as sector strategies, utilization of results into upstream policy discussions and future lending programs (World Bank, 2009b). Two outcome indicators were adopted and had to be addressed in proposals and the Grant Reporting Monitoring (GRM) reports to be filled out by TTLs: (i) the percentage of grants with satisfactory outcome; (ii) the number of grants informing CASs, PRSPs, Sector Strategies, etc.

The Ministry received these grant progress and completion reports filled out by the TTLs and could comment on them. From FY08 on, the reporting process was complemented by an annual BNPP report (World Bank, 2011h).

In response to the criticism that BNPP funded outputs were not accessible (Amelink, 2007), CFPTO developed a knowledge dissemination website, and organized knowledge dissemination and outreach events, to among others promote Netherlands visibility.

In the BNPP dialogue, the Ministry and the Bank would discuss progress in the partnership and policy issues. Both higher ranking officials and technical specialists participated in the meetings that generally covered two or three days in Washington or in The Hague.

Efficiency
BNPP was intended to improve efficiency of Dutch trust fund support to the Bank by creating a single funding window. This was to simplify administrative structures, reduce the number of administrative acts (reporting, legal arrangements) and strengthen management of trust funding through the coordinating role of the multilateral department of the Ministry (MFA, 1998; MFA, 2009). On the Bank's side similar gains were expected, so both partners were to benefit.

The intended efficiency gains have been partly realised. The 2003 evaluation noted that BNPP had improved transparency and consolidation of the Dutch trust fund portfolio at the Bank. However, the broadening of the priority list into 12 sectors/themes had hampered the intended administrative and management gains (Cohen, Van der Linde, & Van der Windt, 2003). The subsequent reduction of priorities in the Reform program from FY05 onwards, was an attempt to address this concern.

Nevertheless, the 2007 review found that 'strategic management of the program is fragmented, there are unmet expectations on both sides of the partnership and management transaction costs are high' (Amelink, 2007). Stakeholders on both sides had expressed reservations on the extent that BNPP functioned as a partnership: the Dutch side perceived the relation increasingly as an administrative one, while from the Bank's perspective it was not clear who was responsible for developing and maintaining the partnership.

The subsequent changes in the BNPP-Reform program appear to have addressed several of these issues, at least from the Bank's perspective. The introduction of the BNPP results framework, the BNPP website, and – in particular – the changes in managing the grant-funding on the Bank's side, improved the program. The Bank's evaluation of BNPP-Reform concludes that BNPP 'is a well-structured and efficiently-managed program that has been able to improve the development effectiveness of the World Bank consistent with the Netherlands' development policy. [...] Delegation of full proposal approval authority to the Bank (at mid-program cycle) while maintaining strategic oversight contributed to successful implementation of the program' (Evaluation of the Reform BNPP Program (fortcoming), 2013).

Within the Ministry, BNPP provided a useful single legal framework for a wide range of global level trust fund initiatives with the Bank, creating some efficiency gains. However, the split between the overall coordinating role of the multilateral department and the role on content of the partnership by the theme departments also created new difficulties. In order to financially close BNPP accounts, the multilateral department had to chase the experts of theme departments (or their successors) for signing off on the activities in their area of expertise. The multilateral department maintained up to recently that the coordination of BNPP and the underlying MDTFs led to considerable administrative costs on their side. It is not clear to what extent this was compensated for by the improved transparency and consolidation gained through the simplification of managing Dutch World Bank activities centrally.

Relevance

One of BNPPs objectives was to foster changes in Bank policies and add specific policy issues to the Bank's agenda (MFA, 1998; MFA, 2002a; MFA, 2009; TK, 2000a). However, Dutch and World Bank development views increasingly converged (see Chapter 4), which appears to have reduced the perceived need to influence World Bank policies. In recent years, the Ministry still used BNPP funding occasionally to highlight specific issues and stimulate Bank action and thinking on these matters (for instance on fragile states), but this was overall less intense than in the early years of BNPP.

The increasingly hands-off approach was not helpful in this regard: with limited contact between the theme specialists at the Ministry and their counterparts in Washington, the partnership lost part of its attractiveness. The 2007 review already noted that BNPP had little perceived value for Dutch development policies and programs because of the perceived lack of ability to shape the agenda being pursued by the Networks, and the lack of access to the resulting knowledge products (Amelink, 2007). One of the reasons mentioned at the Ministry for terminating the BNPP Core program was the lack of relevance for Dutch policy of products that came out of the BNPP Core funding.

The partnership provided a platform for high-level Dutch-World Bank engagement during the BNPP consultations. In BNPP's early years these consultations received considerable high-level attention and the general perception of the consultations was good. In later phases of the program, perceptions on their relevance were more mixed. Some MFA interviewees remarked that the consultations had a narrow focus on BNPP project management. Presentations reported on the extent that BNPP grants adhered to the various criteria, or presented specific research findings with limited relevance for the Netherlands. Others maintained that the consultations were actually a valuable vehicle for broad and informative policy discussions. They saw the consultations as a conducive operational-level networking environment, additional to high-level engagement through the ED's office, the annual and spring meetings and direct cooperation between embassies and World Bank field staff. The frequency of the consultations was reduced in 2007 from two to one per year, in order to limit transaction costs.

For the Bank's knowledge work, BNPP remained relevant. With a flat operational budget, funding for such activities was always scarce. Because the Bank engaged in a wide range of activities, it could fairly easily accommodate the regularly shifting Dutch priorities. In this way, BNPP functioned as a rolling program, which flexibly adapted to changing Dutch priorities. The Ministry has been lauded by the Bank for its flexible hands-off approach and the amount of autonomy granted to the World Bank in administering, vetting, executing, and using BNPP funds. The 2007 review reported BNPP to be a very valuable instrument for the Bank, providing flexible funding for activities that would not normally be funded by other sources (Amelink, 2007). The Reform evaluation finds that BNPP's comparative advantage lied in its catalytic and innovative nature – providing funding for development managers to test hypotheses and generate a knowledge base that influences current thinking on development issues and approaches (Evaluation of the Reform BNPP Program (fortcoming), 2013).

Effectiveness

According to the 2003 BNPP evaluation, BNPP had influenced the Bank's policies and priorities (Cohen, Van der Linde, & Van der Windt, 2003). Though the authors acknowledged that it is not easy to determine to what extent BNPP projects contributed to 'adding new issues to the development agenda', BNPP was found to have played a role in 'the development of various new policy issues and the implementation of new approaches and strategies in each of the twelve priority sectors'. The evaluation further concluded that BNPP activities were innovative and would not have been executed, or with considerable delays, without BNPP funding and that overall performance was satisfactory. The gender window had outperformed the others (see also Box 11.3).

Box 11.3 *Engendering Development: example of a successful BNPP funded activity*

With BNPP-support, various studies were funded that culminated in 2001 in the publication 'Engendering Development'. This report received overwhelming positive feedback, as it was said to provide rigorous empirical evidence on the benefits of incorporating a gender perspective in development policy making. The evaluation noted that the report appeared to have influenced legislation, policy and development planning in a number of countries (Thailand, Morocco, and Bulgaria). Also it provided the empirical underpinnings for the Bank's 2001 Gender Strategy Paper, and it was used for policy-making by the Netherlands itself (Cohen, Van der Linde, & Van der Windt, 2003).

The 2007 review also noted that BNPP was encouraging the development of new knowledge, capacity and tools which, if effectively used, would inform and influence World Bank policies and operations. However, the use of BNPP outputs was not optimal. One problem identified in the review was the non-country-specific nature of BNPP-grants, which made it difficult to influence a Bank that largely operates under a country-based model. Also, the outputs of BNPP grant activities were not sufficiently disseminated and widely promoted. Moreover, the review noted that the management systems and incentives in the Bank did not facilitate the use of knowledge of the type that BNPP produced (Amelink, 2007). This constraint would be related to the existence of 'silos' that IEG found in its recent evaluation of the Bank's matrix structure (IEG, 2012a).

The introduction of a BNPP results framework with indicators in 2007 improved the results orientation of the program. As the evaluation of the Reform Program puts it: this 'helped to educate Bank TTLs and other BNPP stakeholders and helped drive a more targeted approach to the design, management and reporting on results' (Evaluation of the Reform BNPP Program (fortcoming), 2013).

On the first BNPP outcome indicator - the percentage of BNPP grants with satisfactory outcome on achievement of development objectives – team leaders scored their work very high: no less than 100% of activities in FY10-11 would have been satisfactory at completion, coming from 93% in FY08 (World Bank, 2011g; World Bank, 2012g; World Bank, 2009b). The BNPP portfolio would thus have performed better than the Bank's 85% target. However, these self-evaluations at completion by the responsible TTLs are not subjected to any independent external quality check or evaluation (which similarly applies to other Bank AAA work). Therefore, these scores can be regarded as indicative only.

The reporting on the second indicator - the number of grants informing Bank strategies - was less systematic. In BNPP annual reports, anecdotal evidence was provided of BNPP outputs being used in country strategies or influencing World Bank policies. The evaluation of the BNPP Reform program found evidence of the contribution of BNPP outputs to 'the Bank's thinking and programs across a wide range of innovative global, regional and country development activities'. The evaluation notes key achievements 'in the development of tools to support anti-corruption policies and operations, support for the formulation of the Bank's Reproductive Health Action Plan, Anti-Corruption Strategies, critical support for the Scaling Up Nutrition initiative, evidence-based analyses in basic education, policy directions in environmental management, and operational outcomes from large energy and water management grants, among others'.

11.2 Netherlands-IFC Partnership Program

Between 2002 and 2011, the Netherlands contributed close to EUR 130 million to IFC's Advisory Services via the Netherlands-IFC Partnership Program (NIPP). What was the purpose of this single-donor trust fund? How was NIPP managed, what was the relevance of the Dutch support and how effective was its use?

Box 11.4 *IFC's lines of business*

Under its mandate to support private sector development, IFC offers three lines of business: investment services (loans, equity, and guarantees), advisory services, and, since 2009, asset management via the Asset Management Company (AMC).
In investment, annual net commitments increased to just over USD 10 billion in FY11. Since the crisis there has been a large increase in short-term trade financing, a stable level of longer term loans and a limited increase in equity investments (to about 20% of net commitments). In terms of sectors, financial sector products now dominate investment services (73% in FY11). Infrastructure fell to 15% and manufacturing, agribusiness, and services sector to 12%. The decline in real sectors was in all regions except Sub-Saharan Africa. Short-term finance has also increased in IDA-countries and has become an important instrument for IFC involvement in these countries.
IFC's AMC mobilizes and manages funds for institutional investors, including sovereign wealth and pension funds. AMC aims at investors who want to increase their exposure in emerging markets and are interested in investing alongside IFC. AMC now holds more than USD 4 billion under management.

Source: (IEG, 2012c), website IFC

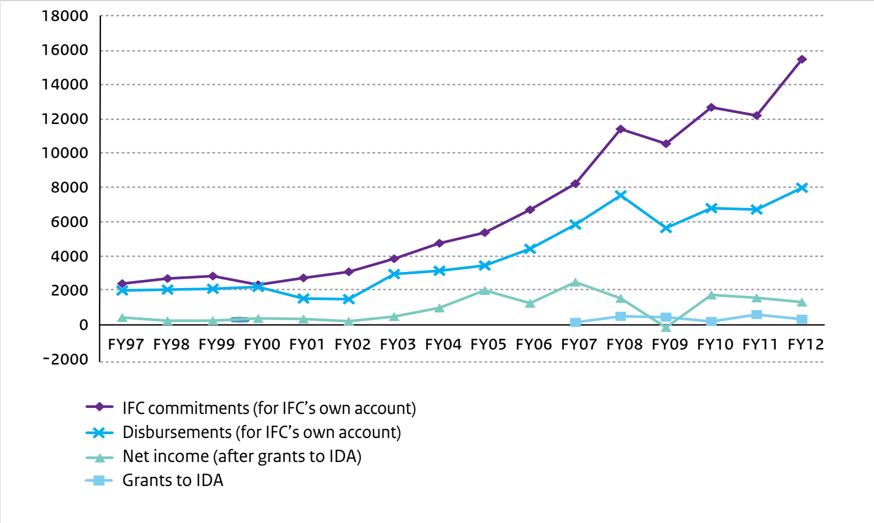
IFC advisory services

Advisory Services (AS) became a quickly growing line of business for IFC after 2000. Advisory services were set up to facilitate IFC's entry into countries with difficult business environments - such as in IDA countries - and to provide advice and training to companies and governments. Outputs include: feasibility studies, draft legal and financial frameworks, advice on institutional development, best practice guidance, training, and one-off events such as conferences and workshops. AS projects were generally small in financial size (USD 350,000 on average) and completed within one and a halve years (IEG, 2009b). In recent years, average size and duration has increased. Though IFC's investment operations focus on the private sector, about half of AS projects are with national or local governments (IFC, 2010). Such activities include advise on investment climate and public-private-partnerships. About a quarter of AS is related to work with individual firms, including investment clients of IFC.[67]

Donor grants and a portion of IFC's retained earnings have financed the rapid expansion of AS over the 2000s. Between FY04-FY08 donors added USD 739 million to IFC's own spending of USD 715 million. The rapid growth of AS activities in first half of the 2000s took place 'in a largely unchecked manner' (IEG, 2009b). AS expenditure grew from USD 24 million in FY01 to USD 207 million in FY11. Staffing increased six-fold, from 168 in FY01 to 1,061 in FY10 (IEG, 2011d; IFC, 2011a). More than 50 AS products emerged, 18 regional facilities, 13 global business units, while about half of AS work was contracted out to short term consultants.

[67] Information provided by IFC.

Figure 11.4 *The growth of total IFC expenditure FY97-FY12, in USD Millions*[68]



Source: IFC Annual Reports FY01-12

In the second half of the 2000s, IFC strengthened the business model and governance arrangements of its advisory services. As from 2006 AS operations were arranged into five business lines (IEG, 2009b):

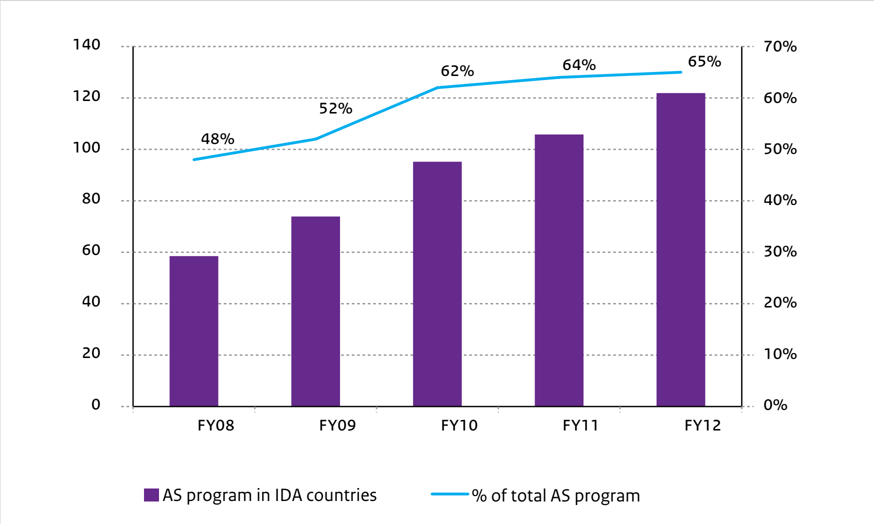
- Access to Finance (A2F): Assistance for expanding financial services to micro and small businesses and low-income households.
- Business Enabling Environment (BEE): Activities geared toward improving the business environment to allow private sector projects to be viable.
- Corporate Advice (CA): Activities aimed at improving the capability of companies.
- Environmental and Social Sustainability (ESS): Advice and market transformation activities that enable the private sector to deliver environmental and social benefits in developing countries.
- Infrastructure (INF): Advice on improving access to basic services such as roads, telecommunications, water and energy utilities, health and education.

In 2010 AS operations were further combined into four business lines: Access to Finance (A2F), Investment Climate (before: BEE), Sustainable Business Advisory (before: CA & ESS), and Public-Private Partnerships (before: INF). The number of AS products was brought back from 50 to 32. Better alignment was sought between advisory and investment services. More systematic evaluation of AS was set up in 2008 (IEG, 2012c).

[68] Reported annual amounts should be regarded as an indication. In some cases reported amounts do not precisely overlap with earlier or later reported amounts. Net income includes among others income from loans and guarantees, equity investments, debt securities, liquid asset trading activities and advisory services.

Advisory Services have become an important part of IFC's engagement in IDA countries, accounting for more than 60% of total AS program spend in FY10-12 (compared to 45% in FY08-09). See figure 11.5.

Figure 11.5 *The growth of IFC's Advisory Services in IDA countries FY08-12 (USD Million)*

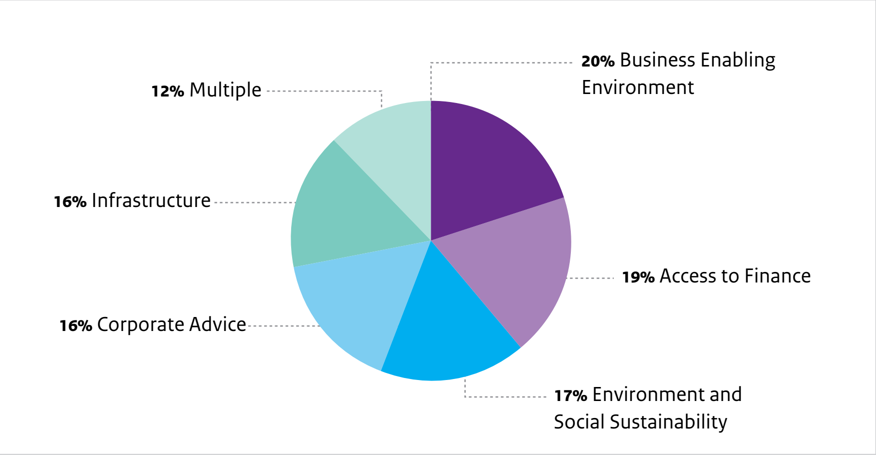


NIPP strategy and project management
The Netherlands has been a top three donor and partner in IFC's Advisory Services (IFC, 2011a). Around 2000, Netherlands-IFC cooperation was limited in financial terms (EUR 1.5 million annually) and primarily focused on technical assistance to support investment projects (MFA, 2002b). In 2002, the Netherlands and IFC decided to streamline their co-operation by bringing all non-country specific trust funds and programs under one umbrella agreement, the Netherlands-IFC Partnership Program (NIPP). Annual consultations and contacts between MFA and IFC program staff would intensify the relationship and build the partnership.

NIPP had three key objectives (MFA, 2002b; MFA, 2005; MFA, 2006; Van Gerwen & Van Manen, 2006; MFA, 2008):
- Combine Dutch funding with IFC's financing and technical expertise to achieve better results in private sector development;
- Strategically support specific IFC activities;
- Reduce the administrative burden for MFA and IFC.

Since 2002 EUR 129 million has been transferred to IFC via NIPP. This amounts to 69% of total Dutch funding for IFC during the evaluation period (EUR 187 million, 2000-2011).[69] In the period 2002-2007 NIPP's average annual budget was about EUR 10 million. Funding was increased in 2008 with an annual EUR 6 million for allocations to Foreign Investment Advisory Services (FIAS), renewable energy (NIPP-RE) and PSD in fragile states (NIPP-CAC).

Figure 11.6 *NIPP contributions by AS Business Line (FY06-FY11), total USD 94 million*[70]



Source: IFC Partnerships and Advisory Services Operations

At the start of NIPP in 2002, the thematic focus was on Small & Medium Enterprise (SME) development with a pro-poor approach. After their introduction in 2006, NIPP contributions were spread evenly over IFC's five AS business lines (see Figure 11.6). Within these business lines, the Dutch funds were channeled to a large extent to various multi-donor trust funds (MFA, 2005). NIPP thus functioned as a framework agreement for both single- and multi-donor trust funded activities.

In IFC, the Partnerships and Advisory Services Operations Department is responsible for overall management of NIPP and coordinates reporting. Management of the AS programs/facilities supported by NIPP rests with the business lines and regional departments.

69 Other expenditure categories over the 2000-2011 period are: (i) contributions to the 'Global Trade Liquidity Program' (18%) which is a revolving fund for addressing the shortage of trade finance resulting from the global financial crisis, (ii) country specific decentralized activities (10%), (iii) pre-NIPP centrally funded activities (2%); and, (iv) projects financed outside NIPP by MFA (1%). In 2012 the Netherlands agreed to fund the private sector window of the Global Agriculture and Food Security Program (GAFSP), with a total anticipated contribution of EUR 100 million.

70 By Business Line division of IFC AS programs was introduced in IFC and in NIPP in FY08, therefore attribution of programs approved by NIPP prior to FY08 to any of the Business Lines performed by IFC Partnerships and Advisory Services Operations is approximate and based only on program description.

Appointed 'champions' for every business line act as counterpart to MFA contacts. They devise strategy documents, make proposals for activities to be funded and monitor results.

Within MFA, three departments are involved.[71] The department that deals with multilateral cooperation (DMM) is responsible for overall management and financial aspects. The Sustainable Economic Development Department (DDE) and the Environment, Water, Climate and Energy Department (DME) are responsible for content-related matter on their areas of expertise. Contact persons in these departments advise on NIPP strategy documents and the selection of activities. Annual consultations function as a governance forum where the main decisions are taken.

In line with BNPP, NIPP evolved into a set-up that excludes micromanagement and leaves the execution of AS programs to IFC. Initially the Netherlands and IFC decided together on the fifteen or so facilities to be financed under NIPP during annual consultations (MFA, 2002b). Since 2006, IFC has the lead in the identification of activities to be financed through NIPP (MFA, 2006). During consultations the Netherlands and IFC agree upon a set of policy and thematic priorities captured in 'business line strategies'. Each year IFC presents an allocation arrangement to the Netherlands with a list of programs/facilities to be funded by NIPP. DDE and DME contact persons verify that proposed activities are in line with agreed priorities and sign off on them (MFA, 2008). For NIPP-CAC and NIPP-RE the responsibility for the selection, assessment and evaluation of activities rests with DDE and DME in consultation with IFC (MFA, 2008).

In the first years of NIPP there was no centrally coordinated approach to monitoring and evaluation (M&E) in IFC's AS operations. By 2007, IFC had established the Development Outcome Tracking System (DOTS), a more comprehensive M&E system for measuring development effectiveness of both investment and advisory work (see Box 11.5). Part of it was the use of a set of indicators for each AS business line. In principle, such results could then be discussed during the IFC-MFA consultations. In addition, multi-donor activities financed under NIPP had their own reporting requirements and evaluations.

[71] In addition to MFA, IFC worked with the following Dutch Ministries and agencies (Van Gerwen & Van Manen, 2006):

- The Netherlands' Ministry of Economic Affairs, through its agency EVD, supports the creation of a favorable investment climate for Dutch foreign investment. Its contributions to the Technical Assistance Trust Fund (TATF) and the Private Enterprise Program (PEP) are dedicated to projects in emerging and transition markets that are of interest to Dutch companies.
- In cooperation with the Ministry of Economic Affairs and the Ministry of Housing and the Environment, IFC set up two facilities to purchase carbon emission reductions: the Netherlands European Carbon Facility, managed by IFC and IBRD, and the IFC-Netherlands Carbon Facility. IFC is using funds from the facilities to purchase greenhouse gas emission reductions in developing countries on behalf of the Netherlands, and the Netherlands used the emission reductions to meet its commitments under the Kyoto Protocol.
- The Netherlands Development Finance Company (FMO), the international development bank of the Netherlands, is active both in syndications and in co-investments with IFC, having supported IFC's microfinance projects and the Africa and China Project Development Facilities.

Over the years, there has been only one evaluation of the program: an external review of NIPP 2002-2005, produced in 2006 (Van Gerwen & Van Manen, 2006). Though a 2006 memorandum mentioned the intention for a review in 2008, there has not been an independent evaluation of the full NIPP program since 2006.

Box 11.5 *IFC's M&E System and Results Focus (DOTS)*

IFC's Development Outcome Tracking System (DOTS) requires IFC staff to identify specific, standardized, and verifiable indicators, with baselines and targets for each of the AS business lines. Progress is tracked during implementation. At completion, intended results are compared with achieved results. The task team provides a self-assessment of performance: the Project Completion Report (PCR). Since 2008, IEG reviews and validates the PCRs.

The development effectiveness rating of an Advisory Service project is based on five dimensions: strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the service. Individual ratings are synthesized into an overall rating of Development Effectiveness. This is not a mechanical average, but a judgmental synthesis of the project's results-on-the-ground and its contribution to IFC's purpose and mission.

DOTS covers Advisory Services projects in so far as they are client-facing (so not activities for internal use and certain knowledge activities).

In 2011, IFC started testing the IFC Development Goals (IDGs) to help strengthen its ability to manage for key development results. The IDGs are corporate-level targets for the incremental reach that IFC aims to achieve through its investments and advisory services. For instance: for FY12 IFC aimed to 'increase access to financial services for SME clients' (IDG 3a) for 1.17 million people, and achieved commitments that would reach 1.54 million people.[72] The IDGs use a contribution factor to adjust contributions by the magnitude of IFC's involvement in a project.

Efficiency of NIPP project administration and management

The 2006 review found that NIPP enabled a reduction of the administrative burden for the Ministry. NIPP introduced a single activity approval process. The administrative arrangements only required approvals of annual commitments (Van Gerwen & Van Manen, 2006). The reporting process was simplified as only an annual report (with information on individual projects) was required. However, staff at the Ministry still need to sign off on individual activity reports in order to be able to close the activity on the Dutch side. In 2008, an internal memorandum stated that the experience with NIPP was positive as it structured the cooperation with IFC, facilitated uniformity in the Dutch IFC policy and enhanced project management efficiency (MFA, 2008).

[72] See: http://www1.ifc.org/wps/wcm/connect/c7a466004c3e205e8939cbf12db12449/IFC_DOTS_factsheet_DevelopmentGoals_8-3.pdf?MOD=AJPERES

The authors of the 2006 review noted that NIPP may have reduced the administrative burden for IFC as well, although information on individual projects still had to be provided (Van Gerwen & Van Manen, 2006). IFC recently described the Netherlands as an innovative donor, being the first to set up a comprehensive framework agreement in which IFC could allocate donor funds to priority programs by business lines (IFC, 2011a).

When the responsibility for activity selection was further transferred to IFC in 2006, it was the Ministry's intention to also bring more focus to the program. The idea was that a rolling program would emerge, based on existing activities, new priorities and an overall reduction of the number of facilities to be financed (MFA, 2006). Moreover, management of NIPP on the side of IFC was to be improved by ensuring that all activities had clear indicators that enabled the measurement of results. Overall performance would then be discussed at the annual consultations.

However, the NIPP portfolio expanded further in recent years. Whereas NIPP financed 17 activities in 2005, this gradually increased to 54 in 2012, of which the smallest received USD 75,000 and the largest USD 2.9 million. Interviews with NIPP contacts at the Ministry suggest that the way NIPP evolved did not fully live up to expectations on the Dutch side. Respondents voiced concerns about the character of the annual NIPP reports (which do not specify what NIPP-support contributed to the overall results that IFC achieved in the AS business lines) and the dispersed portfolio.[73] Several of the larger MDTFs financed through NIPP did have their own reporting, which Ministry staff said was more insightful than NIPP reporting. In the 2012 consultation, the Ministry asked IFC to consider how a closer link could be made between Dutch priorities in PSD and NIPP-funded AS activities, while leaving the selection of projects to IFC. This could be perceived as a departure from the hands-off management approach initiated in 2006.

NIPP's relevance

There are indications that NIPP was a relevant vehicle for the Dutch strategy to enhance specific advisory services at the IFC. Via NIPP, the Netherlands influenced IFC's emerging activities in, for instance, the field of environmental stewardship and corporate social responsibility, the focus on SMEs, the focus on Africa, and increased attention for M&E (Van Gerwen & Van Manen, 2006). According to recent NIPP annual reports, the Netherlands helped to shape and sustain IFC's AS agenda through its early and continued engagement in a broad range of innovative programs (IFC, 2010; IFC, 2011a). Interviews suggest that also more recently, NIPP funding has stimulated specific IFC AS activities, such as private sector development in conflict-affected situations (via NIPP-CAC).

When NIPP was set up in 2002, IFC's AS portfolio and donor support for it were small. With an annual contribution of EUR 10 million, NIPP provided a relatively large contribution to the build-up of IFC Advisory Services. The 2006 review found that up to 2004, the overall

73 This partially improved when IFC in 2011 added a separate monitoring and evaluation volume to the annual report.

presence of MFA in building IFC's AS was strong (Van Gerwen & Van Manen, 2006). In 2002, the Netherlands funded almost a quarter of IFC's AS, falling to 9% in 2005.

The relative contribution of NIPP to IFC advisory services is now smaller. IFC has expanded its own financial contribution to AS via the allocation of a part of its net-income (which has varied between UDS 1.3 and USD 2.5 billion per annum since 2007, except for 2009, when it was negative). Many other donors (like the UK, Canada and Switzerland) have become important partners for IFC's Advisory Services as well. IFC holds a stock of donor funding for advisory services called 'the Pool' (IFC, 2012). This contained end FY12 over USD 400 million of donor funds, of which 40% still had to be committed to particular projects.[74] IFC is also receiving more client contributions related to its advisory work, as part of its policy to strengthen client commitment and to prevent unfair competition with commercial providers of technical advisory services (IFC, 2012a).[75]

These developments suggests that there is now less scarcity in funding for IFC Advisory Services than in the early 2000s when NIPP was set up. However, IFC's Advisory Services are projected to grow further in coming years while the Board has decided that IFC's own financial share in total AS funding should be somewhat reduced to 36% in FY15 (from 44% in FY12).

The relevance of NIPP can also be related to its use as a vehicle for intensified dialogue and collaboration between the Ministry and IFC. NIPP has clearly been a channel for dialogue, alongside the Netherlands' role as a shareholder and the corresponding Dutch seat on the board of IFC. Interviews indicate that officials working within the Ministry on PSD benefitted occasionally from cooperation with IFC, facilitated by NIPP. The bi-annual dialogue between MFA and IFC did not always reach the level of policy interaction hoped for. In the early years, the consultations tended to gravitate toward discussing individual facilities and projects (Van Gerwen & Van Manen, 2006). In recent years discussion focused more on developments in the Business Lines, including their strategy and vision going forward.

74 One of the reasons for the existence of this stock, is that IFC's prudent financial rules imply that it cannot commit any funding unless it has the financial means available; thus donors first have to provide the funds before IFC can commit it to Advisory Services. IFC further notes that the 40% uncommitted resources are not fungible, as most donor funds involve restrictions of some kind on eligible countries, activities or themes. Some of the current trust fund balance also reflects older funds with restrictions on the nationalities of the companies to be funded.

75 IFC's financial management system cannot at present track expenditures by source of funds at an aggregate level, which implies that aggregate figures on client contributions are not available. IFC's financial management system is currently being reformed to enable proper reporting on all funding sources. Client contributions are increasing: 'In the first half of FY12, 95% of newly approved projects included client contributions in some form, up from 87% in FY10. Clients were projected to contribute 40% of total costs of these projects, including 33% in cash fees to IFC (up from 26% in FY10). Client contributions realized by the time of project completion now exceed the projection, amounting to 46% of total project costs for projects closed in the first half of FY12.' (IFC, 2012a, p. 9).

Performance and results of NIPP funded AS
The 2006 review could not be specific and conclusive on the results of the first four years of NIPP. The review found that all AS facilities shared an (as such positive) emphasis on getting things done. M&E was found to be insufficiently embedded in the design of the AS activities. Consequently, it was difficult to establish what NIPP had achieved. This is not to say that no results had been produced, but that they were scattered and not sufficiently observable and measurable. According to the authors: 'Donors should not again accept to fund facilities without clear intervention logic and observable indicators of outcomes and impacts agreed upon from the outset' (Van Gerwen & Van Manen, 2006).

Since 2011, the NIPP annual report includes a separate volume with information on results achieved by AS projects on each business line. However, the reports do not indicate to what extent it was NIPP (or UK, or IFC, or other donor funding) that could be credited for the results in the business lines.[76]

As IFC was granted considerable discretionary responsibility over funding provided by the Ministry, it would be appropriate to *assess NIPP as a kind of core-funding to IFC's AS*. This would be in line with IFC reporting on overall AS results in its recent annual NIPP donor reports (IFC, 2009; IFC, 2010; IFC, 2011a). So: what does IEG find about the performance of IFC's AS in general?[77]

A first IEG evaluation of IFC's AS development results 2006-2008 concluded that IFC's delivery approach appeared to compare well with that of other development institutions, but was still far from optimal (IEG, 2009b).[78] IEG found that 70% of AS projects were rated high for development effectiveness (combining relevance, output, outcome, impact achievement, and efficiency). Projects in Sub-Saharan Africa performed around average (71%). Of the different elements, just over half (52%) of all projects were rated high on achieving development impact.

The latest IEG evaluation (IEG, 2012c) notes a modest downward trend for development effectiveness ratings for AS projects since systematic evaluation began in FY08: of closed projects in FY08-10 just 58% in IEG's sample were rated successful or better (65% in FY08, 51% in FY10). The Access to Finance business line performed strongest (69% success rate). Projects in IDA-countries performed on par with projects in non-IDA countries.

76 It should be noted that the situation is somewhat different for MDTFs financed through NIPP: they have specific reporting requirements.
77 IEG reviews and validates the performance of all AS activities for which IFC provides a Project Completion Report. IEG rates the overall development effectiveness, which is a synthesis of the strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the advisory service.
78 IEG reviewed 458 out of 707 PCRs completed by IFC between 2006 and June 2008, a coverage of 65 percent, and found representative across multiple dimensions.

Almost four-fifths (79%) of IFC's AS projects rated high for achieving their immediate outputs, whereas 59% were rated satisfactory or higher for their achievement of outcomes. Projects rated low (39% success rate) on the achievement of longer-term impacts (such as higher financial intermediation in a target group, or the effective implementation of a PPP-project). Over half of closed projects could not be rated on this dimension, mainly because it was too early to judge. IEG identified quality of design as the key factor to success as 72% of unsuccessful projects had poor design. Poor design was related to a lack of fundamental prerequisites, such as: proper indicators, baseline data, needs or market assessments, clear objectives with realistic outputs and impacts and adequate mix of activities to achieve intended objectives (IEG, 2012c). IFC responded that revised project management systems introduced in FY10 and corresponding improvements in project design and further reforms could be expected to have addressed these shortcomings in more recent years.[79]

IEG analysed separately the extent to which IFC's Advisory Services had a poverty focus on the project level (IEG, 2011d). The review of 98 randomly selected closed AS projects showed that 10% had identified benefits to the poor and 40% delivered benefits to society but did not provide evidence of enhanced opportunities to the poor.[80] The rest consisted mainly of company level support or explorative market studies that helped prepare the ground for further work with stakeholders. IEG noted that the limited evidence on identifiable benefits to the poor reflected general difficulties in capturing poverty outcomes from projects where the main deliverable is knowledge.[81]

An IOB review of 5 recent external evaluations of NIPP financed multi-donor trust funds (see Annex 7) largely confirmed the performance patterns that IEG found. The programs evaluated were the Sustainability Business Innovator SBI, the Private Enterprise Partnership Program for Africa PEP-Africa, Conflict Affected States in Africa CASA, Program for Eastern Indonesia Small and Medium Enterprise Assistance PENSA, and Foreign Investment Advisory Service FIAS. The Netherlands was the third largest donor to SBI (16% of FY07-FY09 contributions), the second largest donor (after IFC) to PEP-Africa and the largest donor to CASA (over 50% of core funding). Covering a total Dutch contribution of USD 67 million over 2002-2011, the external evaluations generally found substantial policy relevance, good achievements in terms of outputs, but mixed findings on outcomes and impact.
The findings are presented in more detail in Annex 7.

79 Written reaction from IFC to IOB dated 25 January 2013.

80 Similar to its response to the 2009 IEG evaluation, management noted that (IEG, 2011d): 'The report's review of advisory services demonstrates the rapid evolution in this business in recent years. In this context, caution needs to be exercised in drawing conclusions from a random sample of closed projects, which were often approved and launched several years ago.'

81 IFC did expand its operations in IDA countries and in Fragile and Conflict Affected States (FCS) significantly, which is also an important aspect of its poverty focus. Almost half of IFC investment projects and 65% of AS activities are now in IDA countries (see Figure 11.5). About 30% of program expenditure for AS is currently in Sub-Saharan Africa.

11.3 Dutch support to Global and Regional Multi-Donor Trust Funds

Over the period 2000-2011, the Netherlands provided funding to a range of World Bank multi-donor trust funds for Global and Regional Partnership Programs (GRPPs). What do evaluations indicate about the overall performance of the partnerships to which the Netherlands contributed?

Global and Regional Partnership Programs

The World Bank has been a leader in the development of GRPPs, which have become a vehicle for addressing global challenges and sharing knowledge about development (IEG, 2011b). Large FIF funded programs such as GEF (Global Environment Facility), GFATM (Global Fund Aids, TB and Malaria) and CGIAR (Agricultural Research) all belong to the GRPP category, together with close to 120 other, mostly smaller, programs. Smaller GRPRs (non-FIFs) are for instance CGAP (Consultative Group to Assist the Poor) that promotes access to finance for the poor, and ESMAP (Energy Sector Management Assistance Program) that provides technical assistance for government energy policies.

GRPPs can be described as programmatic partnerships in which the partners (governments, private entities) dedicate resources (financial, technical, staff, and reputational) toward achieving specific objectives. The activities are global, regional, or multi-country (not single country) in scope. The partners set up a new organization with shared governance and a management unit to deliver the activities (IEG, 2011b).

Bilateral donors and private foundations provide close to USD 7.0 billion annually to such GRPPs (IEG, 2011b). The Bank handles about 80% of these resources as trustee (its financial contribution is relatively small: 2.5%). The Bank has, however, no operational role in about four-fifth of the resources as the bulk of the funding (USD 6 billion) is related to FIFs: the Bank has no operational responsibility in these FIFs.

Three categories of GRPPs can be distinguished:

(i) Relatively small knowledge, advocacy and standard-setting networks that are generating and disseminating knowledge about developments in their sector;
(ii) Somewhat larger programs providing country-level technical assistance to support national policy and institutional reforms and/or to catalyse public or private investments in their sector;
(iii) Programs (mostly FIFs) financing global or country level investments to support the provision of global, regional, or national public goods (IEG, 2011b).

Performance of selected Global and Regional MDTFs

For the purpose of this evaluation, IOB reviewed a selection of evaluations of eleven programs covering about USD 700 million of Dutch contributions to global and regional MDTFs during the evaluation period 2000-2011 (see Table 11.1).[82] The Education-for-All Fast Track Initiative (FTI) and the demobilisation fund for the Great Lakes (MDRP) were reviewed separately as part of chapter 9 (and Annex 6).

The nine remaining (and smaller) GRPPs have secretariats inside the Bank and the Bank is the implementing agency of the partnership. CGAP is primarily a knowledge and standard-setting program; the others programs provide mainly country-level technical assistance.

The program evaluations of the 9 GRPPs were similar with respect to methodologies applied and were performed by independent consultants between 2009 and 2012 The IOB review of these evaluations (see Annex 8 for details) generally confirmed a number of findings of IEG's 2011 assessment of GRPPs. On M&E systems, IEG found that though individual GRPPs are developing a positive culture of evaluation, many continue to regard periodic evaluations as a substitute for putting adequate M&E systems in place to track program outputs and outcomes (IEG, 2011b). Most of the programs in the IOB evaluation review were indeed improving their M&E system, but only few (PPIAF and CGAP) had it fully implemented at the moment they were evaluated. Data quality was thus found to be mostly unsatisfactory.

The 9 evaluations provided assessments of the programs on standard evaluation criteria. In line with IEG's findings, the objectives of the 9 GRPPs were found to be relevant: they were generally addressing important global or regional issues. In the evaluations, most of the programs (7 out of 9) also received fully positive assessments for achieving their anticipated outputs. Moving from outputs (like: a report or action plan by a consultant, or a workshop) to outcomes or even impacts (like: the implementation of an action plan, or a change in a government policy) was, however, a more problematic step in most of the programs.

The FIRST evaluation noted for instance that only about one-quarter of the completed grants fully achieved their objectives and some 30% did not achieve expected outcomes at all; activities that fully achieved their intended outcomes often had modest objectives like 'raising awareness' or 'identifying weaknesses for further actions' (Effron, Elliott, & Fostvedt, 2011).

CGAP was noted by IOB for its most consistently positive score on the evaluation criteria, including on outcomes and impact. It reportedly functioned as the micro-credit sector's 'soft' standard setter and played an important role in the wider debate about inclusive financial markets; many financial service providers changed policies and practices in line with CGAP's advice (Ayani and Universalia, 2012).

82 The cases were purposefully selected from a sampling frame based on an analysis of Dutch MDTF World Bank contributions (2000-2011) captured in World Bank client connection. FIFs and debt relief trust funds like HIPC were excluded from the sample. Further selection criteria included financial size (larger than USD 2.5 million) and availability of a post-2008 external evaluation.

However, all programs can point to relevant and important achievements in terms of outputs and outcomes (see examples in Annex 8).

Table 11.1 Selected Global and Regional MDTFs

Trust Funded GRPP	NL MDTF contribution 2000-2011 (USD million)	NL as % of total donor	Evaluation	Period under review
FTI: Education for All Fast Track Initiative	449	23%	(Cambridge Education, Mokoro, Oxford Policy Management, 2010)	2002-2009
MDRP: Multi Country Demobilization and Reintegration Program	126	50%	(Scanteam, 2010)	2002-2009
ESMAP: Energy Sector Management Assistance Program	48	53%	(Baastel, 2012)	2007-2012
FIRST: Financial Sector Reform and Strengthening Initiative	19	22%	(Effron, Elliott, & Fostvedt, 2011)	2007-2012
FCPF: Forest Carbon Partnership Facility	13	9%	(Baastel and Nordeco, 2011)	2008-2010
WSP: Water and Sanitation Program	12	11%	(Universalia, 2009)	2005-2008
PPIAF: Public-Private Infrastructure Advisory Facility	9	7%	(CEPA, 2009)	2005-2009
GFDRR: Global Facility for Disaster Reduction and Recovery	9	4%	(Universalia, 2010)	2007-2009
TFSCB: Trust Fund for Statistical Capacity Building	6	17%	(Snorrason, Flatt, & Jensen, 2010)	2000-2010
CGAP: Consultative Group to Assist the Poor	6	8%	(Ayani and Universalia, 2012)	2008-2011
CA: Cities Alliance	4	5%	(COWI, 2012)	1999-2012

11.4 Concluding summary

- The BNPP Core-program (37% of total BNPP) produced hundreds of studies and technical assistance outputs. The effectiveness of such Bank-executed knowledge activities is hard to establish. Anecdotic evidence indicates that some effects were achieved in influencing and informing Bank strategies and operations. The introduction of a BNPP results framework in 2007 appears to have stimulated a more systematic focus on such effects.
- In the early 2000s, BNPP Core funding was more often accompanied by involvement of Ministry staff, to promote use on both sides of outputs produced with Dutch support. Over time, however, such trust fund activities financed through the BNPP Core program began to lack ownership and engagement within the Ministry (with some exceptions). By giving the Bank more and more a free hand in the choice of activities, the relation with Dutch priorities and interest weakened.
- Also, Bank and Dutch policies converged further, reducing the urgency of influencing and improving Bank policies and operations on particular aspects, one of the original Dutch purposes of the BNPP construction.
- The Dutch decision in 2011 to stop the BNPP Core program was primarily a financial decision; severe budget cuts needed to be made across the Dutch aid program (and IDA had just been granted a record Dutch contribution). However, the reduced relevance for and ownership of BNPP within the Ministry made BNPP an easy target.
- BNPP as a whole functioned as a sort of umbrella construction for a broad range of Dutch trust funded activities, which brought some efficiency gains on both sides. The ending of the BNPP vehicle increases the need for a small number of Bank-wide umbrella facilities (as proposed by IEG and agreed by Bank management) under which certain remaining Dutch trust fund contributions could be continued.

- Dutch funding via NIPP helped shape IFC's Advisory Services in the early 2000s, when funding for these activities was scarce and IFC had not yet developed AS into one of its key lines of business. Over the evaluation period, the Netherlands was an important partner and a top-3 donor to IFC. IFC has in recent years been able to put more funding itself into its Advisory Services, using part of its substantial net-income, and supported by significant donor funding and increasing client contributions.
- With NIPP, the Netherlands was the first donor to initiate an arrangement in which IFC could allocate donor funds over programs in AS's business lines. The hands-off approach reduced the administrative burden for the Ministry and IFC to some extent. IFC's annual reporting on NIPP results was general. The annual dialogue functioned as a means to take stock of developments in the different AS business lines and set the strategy and priority areas.
- What NIPP has achieved over the years in terms of results of IFC's AS activities, is difficult to establish. As with BNPP, this reflects general difficulties in capturing concrete outcomes and impacts from projects where the main deliverable is knowledge. Since 2008, IFC has developed a more systematic M&E system that allows for more effective evaluation of Advisory Service activities. Recent IEG evaluations of IFC's AS activities present a mixed picture on performance, with generally high relevance, good outputs,

but limited outcomes and impacts. This picture was confirmed in IOB's review of external evaluations of IFC multi-donor trust funds that were financed via NIPP.
- The only evaluation of NIPP covered the first 4 years, up to 2005. A comprehensive and forward-looking evaluation of NIPP is long overdue.

- IOB's review of 9 evaluations of Global and Regional Partnership Programs confirmed IEG's general findings on such GRPPs. They still lack adequate M&E systems, which reduces data quality. The programs are relevant, generally achieve their intended outputs, but results at the level of outcomes or even impact are often not indicated.

Annexes

Annex 1 About IOB

Objectives

The remit of the Policy and Operations Evaluation Department (IOB) is to increase insight into the implementation and effects of Dutch foreign policy. IOB meets the need for the independent evaluation of policy and operations in all the policy fields of the Homogenous Budget for International Cooperation (HGIS). IOB also advises on the planning and implementation of evaluations that are the responsibility of policy departments of the Ministry of Foreign Affairs and embassies of the Kingdom of the Netherlands.

Its evaluations enable the Minister of Foreign Affairs and the Minister for Development Cooperation to account to parliament for policy and the allocation of resources. In addition, the evaluations aim to derive lessons for the future. To this end, efforts are made to incorporate the findings of evaluations of the Ministry of Foreign Affairs' policy cycle. Evaluation reports are used to provide targeted feedback, with a view to improving the formulation and implementation of policy. Insight into the outcomes of implemented policies allows policymakers to devise measures that are more effective and focused.

Organisation and quality assurance

IOB has a staff of experienced evaluators and its own budget. When carrying out evaluations it calls on assistance from external experts with specialised knowledge of the topic under investigation. To monitor the quality of its evaluations IOB sets up a reference group for each evaluation, which includes not only external experts but also interested parties from within the Ministry and other stakeholders. In addition, an Advisory Panel of four independent experts provides feedback and advice on the usefulness and use made of evaluations. The panel's reports are made publicly available and also address topics requested by the Ministry or selected by the panel.

Programming of evaluations

IOB consults with the policy departments to draw up a Ministry-wide evaluation programme. This rolling multi-annual programme is adjusted annually and included in the Explanatory Memorandum to the Ministry's budget. IOB bears final responsibility for the programming of evaluations in development cooperation and advises on the programming of foreign policy evaluations. The themes for evaluation are arrived at in response to requests from parliament and from the Ministry, or are selected because they are issues of societal concern. IOB actively coordinates its evaluation programming with that of other donors and development organisations.

Approach and methodology

Initially IOB's activities took the form of separate project evaluations for the Minister for Development Cooperation. Since 1985, evaluations have become more comprehensive, covering sectors, themes and countries. Moreover, since then, IOB's reports have been submitted to parliament, thus entering the public domain. The review of foreign policy and a reorganisation of the Ministry of Foreign Affairs in 1996 resulted in IOB's remit being extended to cover the entire foreign policy of the Dutch government. In recent years it has extended its partnerships with similar departments in other countries, for instance through joint evaluations and evaluative activities undertaken under the auspices of the OECD-DAC Network on Development Evaluation.

IOB has continuously expanded its methodological repertoire. More emphasis is now given to robust impact evaluations implemented through an approach in which both quantitative and qualitative methods are applied. IOB also undertakes policy reviews as a type of evaluation. Finally, it conducts systematic reviews of available evaluative and research material relating to priority policy areas.

Annex 2 Abbreviated Terms of Reference

Motivation and justification

The World Bank is an important channel for Dutch development aid: over the past five years, the Netherlands has spent more than EUR 2 billion via the World Bank. The Netherlands is a top-ten donor to IDA and the fourth largest funder of trust funds (TF) managed by the Bank.

The last IOB evaluation of Dutch World Bank policies was published in 1999 and covers co-financing over the period 1975-1996. World Bank policies have since evolved. Structural adjustment and debt management dominated development policy lending to developing countries in the 80s and 90s of the previous century. Today, the Bank is an active player in many areas of economic and human development, with a focus on poverty reduction and the achievement of MDGs. Activities range from education, infrastructure and food security to working in fragile states, on anticorruption and global public issues like climate change. World Bank managed trust funds have multiplied, a grant facility has been added to its concessional lending arm, results monitoring and reporting have been strengthened and the Bank has aimed to become the key knowledge centre on development.

Budget cuts in Dutch official development assistance require closer scrutiny of all aid spending. So far, evaluation-based policy information on multilateral aid channels has been limited. With this evaluation, IOB aims to report on the current quality and value of the World Bank as a partner in development and as a channel for Dutch development aid.

Dutch priorities and key policy issues

Supporting IDA and financing trust funds were clearly priorities in Dutch policies vis-á-vis the World Bank. In order to identify more systematically the 'policy issues' that the Netherlands highlighted in its relation with the World Bank, IOB looked at three tiers of interventions:

(i) Dutch priorities in IDA-13, IDA-14 and IDA-15 replenishment negotiation's.
(ii) Priority sectors/themes within the Dutch World Bank trust fund portfolio.
(iii) Thematic priorities within consecutive BNPP arrangements.

This exercise identified a list of key policy issues that were either sector priorities for NL when working with the Bank, or cross-cutting issues that in the Dutch view would require a higher priority in Bank policies, or a combination of the two (see table below).

The nine dominant policy issues selected are: Fragility & Post Conflict; Private Sector Development, Growth & Trade; Education; Water Management & Sanitation; Poverty Focus; Gender; Environment & Sustainability; Governance & Anticorruption; the Bank's role in Harmonization. These nine policy issues will be given specific attention in the evaluation (see evaluation question 4).

Table 0.1 Key Policy Issues in Dutch World Bank Group Relations

	IDA 13 [83]	IDA 14 [84]	IDA 15 [85]	Trust Fund Port-folio 2002-2011[86]	BNPP Pre-reform[87]	BNPP Reformed 2005[88]	BNPP Renewal 2009[89]
Fragility & Post Conflict	X	X	X	X			X
PSD	X	X		X	X		X
Governance & Anticorruption	X		X	X	X		X
Education				X	X	X	X
Water				X	X	X	X
Gender	X				X		X
Environment & Sustaina-bility	X				X	X	X
Harmonization/ Coordination	X	X	X				
Poverty Focus	X				X		
Energy						X	X
Health					X	X	
SRHR incl. AIDS							X
Decentralisation	X		X				
Climate change			X				X
Perform. Based Aid		X	X				
Rural Development					X		

83 Dutch priorities for IDA-13 replenishment as mentioned in report to Parliament 'Tussentijds verslag over IDA-13' (2001).

84 Dutch priorities for IDA-14 replenishment as mentioned in report to Parliament 'Verslag van de IDA-14 onderhandelingen' (2005).

85 Dutch priorities for IDA-15 replenishment as mentioned in report to Parliament 'Verslag van de IDA-15 onderhandelingen' (2008).

86 The 5 largest sectors in the active Dutch Trust Fund Portfolio at the World Bank in 2011. Portfolio consisted of 180 Trust Funds of which the oldest were founded in 2002 and all were active on or after 1 July 2005. Source: World Bank Client Connection accessed August 2011.

87 Based on priorities for BNPP as described in policy memorandum 'Samen werken voor effect' (2000) and in 'Review of BNPP Portfolio Performance and Reporting Framework, Volume II: Individual Network and Window Final Reports' (2007).

88 Based on BNPP Core and Non-Core Program as described in 'BNPP FY09 Annual Report on Portfolio Performance' (2010).

89 Based on priority areas of BNPP Renewal Program as described in 'BNPP FY10 Annual Report on Portfolio Performance' (2011).

Purpose, objectives and evaluation questions

Purpose: IOB evaluations are conducted for both learning and accountability purposes. The report will be presented to Dutch Parliament accompanied by a reaction of the responsible Minister.

Objective: The evaluation will review Dutch efforts to make effective use of the Bank in its development policy and assess to what extent the World Bank was an effective partner for the Dutch purposes. IOB will analyze the evolvement of Dutch policies vis-à-vis the Bank and the evolvement of World Bank policies, and assess the overall effectiveness of channelling support through the World Bank. The two main targets of Dutch financing of the World Bank will be given specific attention: IDA and trust funds.

Evaluation questions:

The central questions of the evaluation are:

A. To what extent did NL implement its World Bank policies effectively?
B. To what extent was the World Bank effective in the policy areas that were key to Dutch support for the Bank?

The following more detailed evaluation questions will guide the study:

1. What was the Dutch policy vis-à-vis the World Bank?
1.1. What was the Dutch motivation to work with the Bank?
1.2. What goals did the Dutch government pursue in working with the Bank?
1.3. What was the Dutch policy on IDA and trust fund support via the Bank?

2. How did World Bank policies and operations evolve?
2.1. What were the main changes in World Bank policies and operations?
2.2. What are the current characteristics?

3. To what extent did NL effectively implement its World Bank policies?
3.1. What funding and other instruments did NL use to pursue its goals (incl. working with likeminded donors)?
3.2. How effectively did NL use World Bank trust funds?
3.2.1. How were decisions taken to set up/contribute to single and multi-donor trust funds -- both single country and multi-country -- and how did NL manage this involvement?
3.2.2. What role did BNPP play in Dutch World Bank policies?
3.2.3. To what extent was the Dutch use of single donor trust funds effective?

4. To what extent was the World Bank effective in the policy areas that were key to Dutch support for the Bank?
4.1. IDA in general: How did overall performance and effectiveness of IDA evolve?
4.2. Trust funds in general: To what extent were WB trust funds an appropriate and effective development finance vehicle?
4.3. Specific policy areas and sectors: How effective were World Bank policies on:
4.3.1. Poverty Focus?
4.3.2. Gender?

4.3.3. Environmental sustainability?
4.3.4. Governance & anticorruption?
4.3.5. Harmonization?
4.3.6. Fragility & Post Conflict?
4.3.7. Education?
4.3.8. Private Sector Development & Growth?
4.3.9. Water Management & Sanitation?

Approach
The main method used in this evaluation will be document review/desk study combined with interviews in the Netherlands and Washington and with Dutch officials working in bilateral partner countries. Field studies in developing countries are not foreseen. The evaluation will make extensive use of IEG evaluations: IEG findings on World Bank effectiveness in general and related to Dutch policy priorities in particular will be synthesized. Also, case studies of the Dutch handling of trust funds will be set up.

Interviews with key informants in Washington and The Hague will include (former) officials of Dutch ministries (Foreign Affairs, Finance), the office of the Executive Director of the NL Constituency, World Bank and IFC (program managers BNPP, NIPP, etc.) and IEG. Similar interviews will be held with external informants, such as representatives of the NGO-community (the Bank Information Centre, etc.) and the scientific community.

Evaluation question 4 (effectiveness of World Bank on key policy areas) will be addressed primarily by using evidence from IEG-evaluations. This method of working implies that IOB will base its assessment of the effectiveness of Dutch contributions to the World Bank to a large extent on the IEG evaluation framework, including IEG's criteria and rating system for establishing relevance, efficacy and efficiency of World Bank interventions. This choice is justified in view of the fact that IEG is generally considered to be a professional independent evaluation organization, with a strong track record in producing a wide range of quality evaluations.

Interviews with (former) Dutch heads of development cooperation in the current (15) bilateral partner countries will be held to provide additional evidence for assessing the role of the World Bank at country level, in particular regarding harmonization and division of labour (evaluation question 4.3.5). Also information contained in recent IOB evaluations will be used to substantiate this assessment.
Findings will be checked with available evaluations/reviews from other sources (triangulation). Reference will in particular be made to findings in MOPAN 2012 (forthcoming) , MOPAN 2010, DFID's multilateral Aid Review 2011 (that included a specific report on IDA) and further reviews to be identified.

To review the Dutch approach towards trust funds (question 3, in particular 3.2), case studies will be done on a selection of 3-5 single donor trust funds. The cases will be purposefully selected from a sampling frame based on a detailed analysis of the Dutch World Bank portfolio 2000-2011. Selection criteria will include financial size, active period, involved

MFA-department and availability of information (incl. evaluations); country-specific trust funds will be excluded in this sample. IOB will study the Dutch motivation to set up these particular trust funds, how they were managed and what results were reported.
In addition, IOB will select two Dutch partner countries where NL channelled a significant part of its aid to World Bank led multi donor trust funds. Criteria will include financial size and the thematic range of trust funds to which NL contributed, as well as the availability of information, including relevant IEG evaluations.

Evaluation question 2 will be addressed primarily by studying recent (academic) literature and World Bank policy documents.

Scope and limitations
The review covers the development cooperation aspects of the Dutch policies vis-á-vis the World Bank Group. It does not analyse the wider policy intentions of the Netherlands in its relation with this multilateral institution. The main focus will be on World Bank Group policies towards low income countries, which implies an emphasis on IDA. IFC and IBRD will be covered where relevant. The review does not cover NL policies vis-à-vis MIGA nor ICSID, institutions that are also part of the World Bank Group.

The assessment will make extensive use of available IEG evaluations. Most of the Dutch priorities identified are covered by one or more substantive and fairly recent IEG evaluations. However, limitations are unavoidable. And not all IEG-evaluations may cover exactly the period under review 2000-2011.

The evaluation will not assess effectiveness of Dutch advocacy on World Bank policies as such. The main reason is that it will be impossible to single out the Dutch contribution to World Bank policies, which are the result of multiple internal and external factors (attribution). However, the study will describe to what extent policy issues that were important to the Netherlands have actually been incorporated in World Bank policies over the years and to what extent there is policy convergence between Dutch and World Bank policies and views.

The evaluation will not be covering contributions to World Bank or IFC from other ministries than Foreign Affairs, except for IDA, which is financed via the Ministry of Finance.

The evaluation will not cover FIFs (Financial Intermediary Funds like GAVI, GFATM, and GEF) as the World Bank does not have (full) supervision over these funds.

The review will cover efficiency of working via the World Bank only in as far as the study – in particular the IEG evaluations – will shed light on this subject. A judgment regarding the efficiency of channelling funding via the World Bank would in principle require a comparison of similar actions by different channels, which is beyond the scope of this assessment.

Annex 3 List of persons interviewed

Wiebe Anema*	Netherlands Ministry of Foreign Affairs (Indonesia)
Joost Baeten	Office of the Executive Director for the Netherlands
Geeta Batra	Independent Evaluation Group
Gina Barbieri	Office of the Compliance Advisor Ombudsman, IFC/MIGA
Marcel Beukeboom	Embassy of the Kingdom of the Netherlands, Washington
Michiel Bierkens*	Netherlands Ministry of Foreign Affairs (Ghana)
Hans-Martin Boehmer	Independent Evaluation Group
Marten de Boer*	Netherlands Ministry of Foreign Affairs (Afghanistan)
Koen Davidse	Netherlands Ministry of Foreign Affairs
Chad Dobson	Bank Information Centre
Hans Docter*	Netherlands Ministry of Foreign Affairs (Kenya)
Loes van Driel	Netherlands Ministry of Finance
Anouk Franck	Both Ends
Johannet Gaemers	Netherlands Ministry of Foreign Affairs
Marloes Geelen	Netherlands Ministry of Foreign Affairs
Marielle Geraedts*	Netherlands Ministry of Foreign Affairs (Uganda)
Gijs Gerlag	Office of the Executive Director for the Netherlands
Geert Geut*	Netherlands Ministry of Foreign Affairs (Ethiopia)
Jan-Willem Le Grand	Netherlands Ministry of Foreign Affairs
Maarten Gischler	Netherlands Ministry of Foreign Affairs
Daniela Gressani	Independent Evaluation Group
Catherine Gwinn	Independent consultant (former IEG)
Yoichiro Ishihara	World Bank
Alf Morton Jerve	Inspection Panel, World Bank
Emmanuel Y. Jimenez	Independent Evaluation Group
Warner ten Kate	Netherlands Ministry of Economic Affairs
Macha Kemperman	Embassy of the Kingdom of the Netherlands, Washington
Michael Koch	World Bank
Suzanne Koopmans	Embassy of the Kingdom of the Netherlands, Washington
Marjan Kroon	Netherlands Ministry of Foreign Affairs
David Kuijper	Netherlands Ministry of Foreign Affairs
Peter Lallas	Inspection Panel, World Bank
Barbara Lee	World Bank
Elly Leemhuis – de Regt	Netherlands Ministry of Foreign Affairs
Hagar Ligtvoet	Netherlands Ministry of Foreign Affairs
Henrik Linders	Office of the Compliance Advisor Ombudsman, IFC/MIGA
Paul Litjens*	Netherlands Ministry of Foreign Affairs (Mozambique)
Daan Marks	Netherlands Ministry of Finance
Fritz Meindert*	Netherlands Ministry of Foreign Affairs (Burundi)
Nadeem Mohammad	World Bank
Marisela Montoliu	World Bank
Edward Mountfield	World Bank

Helena Nkole	World Bank (BNPP)
Jolke Oppewal*	Netherlands Ministry of Foreign Affairs (Rwanda)
Aloysius Ordu	World Bank
Peter Le Poole	Netherlands Ministry of Foreign Affairs/IFC
Fardau Procee	Netherlands Ministry of Foreign Affairs
Ellen van Reesch*	Netherlands Ministry of Foreign Affairs (Yemen)
Helene Rekkers	Netherlands Ministry of Foreign Affairs
Omer van Renterghem	Netherlands Ministry of Foreign Affairs
Karin Roelofs	Netherlands Ministry of Foreign Affairs
Anton van Ruiten	International Finance Corporation (NIPP)
Fadia M. Saadah	World Bank
Marriet Schuurman*	Netherlands Ministry of Foreign Affairs (Sudan)
Ronald Siebes	Netherlands Ministry of Foreign Affairs
Annemarie Straathof	Netherlands Ministry of Foreign Affairs
Pieter Stek	Former Executive Director at the World Bank
Peter Stephens	Independent consultant (former World Bank)
Mark Sundberg	Independent Evaluation Group
Franke Toornstra	Independent consultant (former MFA and World Bank)
Nigel Twose	International Finance Corporation
Jan Vlaar*	Netherlands Ministry of Foreign Affairs (Benin)
Ard van der Vorst*	Netherlands Ministry of Foreign Affairs (Palestinian Authorities)
André Westerink	Netherlands Ministry of Foreign Affairs
Ruud Treffers	Executive Director for the Netherlands at the World Bank
Doris Voorbraak*	Netherlands Ministry of Foreign Affairs (Bangladesh)
Jacob Waslander*	Netherlands Ministry of Foreign Affairs (Mali)
Ronald Wormgoor	Netherlands Ministry of Foreign Affairs

* Interviewed concerning Dutch country program with the World Bank

Annex 4 Dutch financial contributions to World Bank (and IFC trust funds) 2000-2011, EUR million

Year	2000	2001	2002	2003	2004
Country specific Trust Funds	145	188	210	135	133
Bank-Netherlands Partnership Program (BNPP)	30	70	66	89	108
Education for All Fast Track Initiative (FTI)	-	-	-	-	-
Netherlands-IFC Partnership Program (NIPP)	-	-	11	6	16
Multi Country Demobilization and Reintegration Program (MDRP)	-	-	-	-	24
Other IBRD/IDA and IFC TFs	5	3	3	2	11
Subtotal IBRD/IDA and IFC TFs	180	262	290	232	292
IDA contributions	213	129	80	144	288
Debt Trust Funds	31	-	-	-	-
Financial Intermediary Funds (FIFs)	14	28	19	27	29
Total Dutch contributions incl. FIFs	438	419	389	403	609
Total Dutch contributions excl. FIFs	**424**	**391**	**371**	**376**	**581**

Dutch net Official Development Assistance (ODA)	3,350	3,518	3,597	3,587	3,387
Total Dutch contributions excl. FIFs as % of net ODA	13%	11%	10%	10%	17%

Three year moving averages:	2000	2001	2002	2003	2004
Dutch contributions excl. FIFs as % of net ODA	-	-	11%	11%	13%
Total Dutch contributions excl. FIFs	-	-	395	379	442
IDA contributions	-	-	141	118	171

Source: Ministry of Foreign Affairs, IOB database

2005	2006	2007	2008	2009	2010	2011	2000-2011	% of Total WB contributions excl. FIFs	% of Total TFs
186	194	214	197	142	117	86	1,948	37%	59%
41	46	34	33	17	18	20	575	11%	17%
45	153	123	5	1	35	30	390	7%	12%
11	11	11	17	18	9	19	129	2%	4%
29	24	8	9	-	-	-	95	2%	3%
4	5	11	28	53	11	29	165	3%	5%
317	433	402	289	231	190	184	3,302		100%
185	1	58	114	94	56	337	1,699	32%	
12	20	32	66	28	24	72	284	5%	
75	110	126	131	86	106	131	881	-	
589	563	617	599	439	374	725	6,166	-	
514	**454**	**492**	**469**	**353**	**269**	**594**	**5,285**	**100%**	

4,129	4,345	4,557	4,848	4,614	4,795	4,522	49,248	-	
12%	10%	11%	10%	8%	6%	13%	11%	-	

2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2000-2011*	% of Total WB contributions excl. FIFs	% of Total TFs
13%	13%	11%	10%	9%	8%	9%	-	-	
490	516	486	471	438	363	405	-	-	
206	158	81	58	89	88	162	-	-	

Annex 5 Overview of core World Bank Monitoring and Evaluation (situation 2012)

** = public and available at Bank website*

	MONITORING		EVALUATION		
Instrument/ Strategy	**Defining Development Outcomes & Indicators**	**Tracking & Reporting on Implementation**	**Self-evaluation**	**Independent Evaluation by IEG** **Activity level**	**Aggregate level**
Investment Lending	**Project Appraisal Document (PAD)*** Results Framework with specified project Development Objectives (DOs) and results indicators per DO. For each indicator: unit of measure, baseline, target values for first 5 years, data source, responsibility for data collection, etc.	**Implementation Status Report (ISR)*** Annual update. Rates progress towards achievement of Development Outcomes on the 6-point “(un) satisfactory” scale. Also rates overall Implementation Progress: financial and project management, counterpart funding, procurement, etc. Possibility to signal ‘project at risk’ (Operational Risk Assessment Framework).	**Implementation Completion and Results Report (ICR)*** Presented to Board within 6 months after completion. Uses the 6-point “(un)satisfactory” scale Ratings on 4 elements: - Development Outcome - Risk to Dev. Outcome - Bank performance (Quality at Entry and of Supervision). - Borrower performance	**ICR Review*** Desk-based review of all ICRs. Validation of ratings. **Project Performance Assessment Report (PPAR)*** Ex-post evaluation (incl. field visits and interviews of stakeholders) of a sample of 20-25% of closed projects each year. Rates outcome, sustainability and institutional impact.	**Annual Reviews*** (Annual Report on Results & Performance of the WBG)
Development Policy Lending	**Program Document*** Results framework in Policy Matrix, with program Development Objectives, expected results, actions, indicators with baselines and targets.				**Sector/ thematic evaluations***
Analytical & Advisory Serv	**Concept Paper** with development objectives and tracking indicators.	**Activity Update Summary**	**Activity Completion Summary (ACS)** with ratings.	-	
Country Programs	**Country Assistance Strategy (CAS)*** Includes Results Framework with indicators for generally 4 years.	**CAS Progress Report (CASPR)*** Generally ad mid-point, after 2 years. Reviews Relevance, Implementation, and Progress towards Objectives	**CAS Completion Reports (CASCR)** Rates Relevance, Implementation, Achievement of Objectives on the 6-point scale.	**CASCR Review*** Validation of all CASCR. **Country Assistance Evaluation (CAE)*** Ex-post evaluation covering 5 to 10 years.	**Corporate studies***
Trust-funded Activities	- For Recipient Executed TF Grants ≥ 5 USD million: same M&E as for Investment Lending - For other TF Grants: M&E is determined at the program level → variable M&E				**Other evaluations***

Annex 6 World Bank performance on specific policy themes and sectors

This annex provides the background to the text of Chapter 9. It analyses the Bank's performance on the policy themes and sectors that were key to the Dutch engagement with the World Bank over the evaluation period. What was the Bank's policy on these themes and sectors, and what does IEG evaluation indicate about Bank performance? Findings from evaluations of related trust funds to which the Netherlands contributed are added to complete the picture of Bank performance on these in areas.

Poverty Focus

After the mid-1990s the World Bank was re-emphasizing poverty eradication as its main goal, reflected in its new mission statement 'To fight poverty with passion and professionalism for lasting results'. In the early 2000s, however, the Dutch government was still pushing the Bank to improve the actual poverty focus of its operations (see Chapter 3). What was the Bank's poverty policy over the past period and what does evaluation indicate about its implementation and effectiveness?

World Bank policy on poverty

'Poverty', the 1990 World Development Report (World Bank, 1990), marked an important step in the Bank's renewed attention to the poor. The report defined poverty not only in terms of income; it referred also to illiteracy, malnutrition, and health issues as aspects of poverty. Reduction of global poverty was to be achieved by a two-pronged strategy: broad-based growth (labour-intensive, creating income and jobs) and the provision of basic social services (like primary health care and education). Targeted transfers and safety nets would complement the strategy for the extreme vulnerable.

The 2000 World Development Report further expanded the definition of poverty and broadened the Bank's poverty reduction strategy. The report titled 'Attacking Poverty: Opportunity, Empowerment, and Security' (World Bank, 2000), was written after extensive consultations on the nature of and remedies for poverty.[90] The message was that poverty not only comprises limited opportunities and capabilities, but also a lack of voice and representation, and a vulnerability to shocks. The three pillars of poverty reduction identified in the WDR were: (i) promoting opportunity for poor people, including increased access to jobs, credits, roads, electricity, markets, schools, water, sanitation, and health services; (ii) facilitating empowerment by 'sound and responsive institutions'; and (iii) reducing vulnerability to economic shocks, natural disasters, ill health, disability and personal violence (World Bank, 2003c).

[90] The project 'Voices of the Poor' – supported by Dutch funding – was a series of surveys of over 40.000 poor people around the world that identified what poor people themselves saw as poverty and the escape route from poverty.

Sustainable poverty reduction thus became the Bank's central goal of the 2000s, alongside the commitment to helping developing countries achieve the Millennium Development Goals. The Bank's support was to be based on the broad definition of poverty: Operational Policy 1.0 on poverty reduction refers to actions to 'increase opportunity, enhance empowerment, and strengthen security'.[91] Within this spectrum, priority would be given to 'promoting broad-based growth', as this had a proven importance in reducing poverty. In order to work with its clients along these lines, the Bank supported borrowing countries in articulating their strategy for reducing poverty and attaining development results. IDA eligible countries had to set out their vision in results oriented Poverty Reduction Strategy Papers (PRSPs). These would form the foundation for the Bank's assistance, laid out in the Country Assistance Strategy (CAS) and would be supported by lending operations and economic & sector work.

Implementation and effectiveness
An IEG evaluation of the Bank's poverty reduction activities in the 1990s (IEG, 2000) found that by the end of that decade Bank activities had become more focused on poverty reduction and that lending for social sectors (education, health, social protection) had expanded. However, IEG also concluded that the Bank 'found it difficult to move from the policy generalities (…) toward CASs that address specific social and structural constraints to broad-based growth'. Progress in linking poverty diagnostics to relevant Bank assistance had been 'uneven', basic health projects performed below Bank average, while also the performance of education projects was problematic.

Over the 2000s the Bank further developed its focus on poverty reduction in many aspects. At the corporate level, IDA gradually became a more important part of Bank-lending compared to IBRD-lending (also as a result of stagnation in Bank lending to middle income countries). Lending to social sectors, including safety nets, and for poverty-related infrastructure reached high levels in the 2000s. Analytical work and knowledge activities related to poverty expanded.[92]

A comprehensive assessment of the *impact* of the Bank's activities on poverty eradication in developing countries would not be feasible. It would be impossible to single out the Bank's contribution to the decrease in extreme poverty and the spectacular improvement in human development indicators that developing countries have realized over the past decades in dozens of developing countries (see Box 0.1). The best available proxy is the performance of Bank supported activities that were explicitly meant to contribute to poverty reduction. The findings are described below.

The performance of the Bank in key policy areas and instruments for poverty reduction has varied. A 2010 IEG evaluation of the Bank's poverty reduction support credits (PRSCs) was positive about the instrument, but recommended a more explicit pro-poor results focus

[91] See: http://go.worldbank.org/ND6PIRQJ61
[92] See for instance the Bank's poverty website: http://go.worldbank.org/33CTPSVDC0.

(IEG, 2010a). PRSCs are budget support operations used mainly in African IDA countries to support reform and the implementation of country-owned poverty reduction strategies (PRSPs), related to the Millennium Development Goals. Over fiscal 2001-2009 the Bank approved close to one hundred PRSC operations totalling USD 8 billion. IEG found that country-ownership of PRSCs was strong, especially compared to previous adjustment lending. PRSCs focused on public sector management and key social service delivery. There were fewer legally binding conditions than in adjustment lending, but in cases of program slippage, loans were delayed, reduced or cancelled. Initially, PRSC results frameworks were weak, but there was improvement over time.

IEG is clear that PRSCs have helped to advance public financial management and procurement in most borrowing countries. IEG also found that PRSC countries had a good record on reducing income poverty as well as on the achievement of the MDGs – better than comparable high-performing IDA countries with broadly similar initial conditions. But establishing a clear link between the PRSC and country growth outcomes and improved pro-poor service delivery was difficult, according to IEG. In its response, Bank management highlighted that 84 percent of IEG validated Implementation Completion Reviews of PRSC had a satisfactory rating on development outcomes, suggesting a good record.

Box 0.1 *The historically unprecedented decline in world poverty and improvement in living standards*

Over the past decades, many countries in the developing world have made strong and sustained improvements in living standards. Steven Radelet, chief economist of USAID, has documented this progress (Radelet, 2012). Contrary to what is often suggested in public debate, he indicates that growth and improved living conditions were not limited to a few countries in Asia. Between 1960 and 1995, 31 developing countries – accounting for over half the world's population – achieved average growth rates of over 2.2% per person per year. In these countries, average real incomes more than tripled, life expectancy went up from 51 to 66 years, and infant mortality fell from 117 to 41 per 1000 births.

These achievements were followed by even more rapid and broad improvements: since 1995, no less than 73 developing countries have exceeded the 2.2% per capita growth rate. In just 15 years, they increased real incomes by 60%, reduced infant mortality by over a third, and realized a 13% improvement in primary school enrolment. At global level this implied that the number of people living on less than USD 1 per day fell from 1.5 billion in 1981 to 800 million in 2008, despite the increase of world population.

Many African countries have been part of the recent spectacular improvements. Not only did a large group of African countries achieve average annual growth rates over the past 15 years of at least 2% per capita, they also and in particular realized significant improvements in social indicators such as school enrolment (including education for girls), life expectancy and infant mortality (Radelet, 2010; Kenny, 2011).

A 2009 evaluation of health, nutrition and population (HNP) – totalling USD 17 billion over 1997-2006 – found that on average only 2/3 of the lending portfolio achieved its development objectives and that in Africa HNP-performance was worse (in particular in HIV/AIDS projects). In this way, overall performance was below most other sectors (IEG, 2009c). As reasons IEG mentions inadequate and overly complex design, a lack of intensive supervision, and limited capacity of the borrowing government to execute the project. IEG noted that while HNP projects were often targeted at geographic areas with a high incidence of poverty or geared at services that would be particularly relevant to the poor, few projects measured whether the poor had actually benefitted.

The Bank's projects in education have historically had better results than projects in most other sectors. A recent IEG review noted, however, that over the past decade there had been a decline in the performance of education projects, both absolutely and in relation to other sectors (IEG, 2011k). Satisfactory performance of completed activities dropped from 82% to 69%. From 2001 to 2010 the World Bank committed USD 23 billion to education, with India, Mexico, Indonesia, Pakistan and Bangladesh in the top five. Over the decade, the Bank's strategy had evolved from a focus on basic education to a combined priority for primary education and post-primary education. From improving access and gender equality (on which Bank projects performed well and on which substantial progress was realized in many developing countries), the objectives moved towards improving the actual learning outcomes and employment outcomes. These higher level ambitions and the expanding support to post-primary education in low-income countries increased the complexity of the portfolio, which could have contributed to reduced performance ratings. IEG noted also that the Bank's strategy implicitly includes the poor, but that few education projects explicitly targeted learning among the poor in particular.

A key vehicle for Dutch support to education in developing countries was the Education-for-All Fast Track Initiative (FTI). Building on commitments at the World Education Forum in Dakar in 2000, the Netherlands and the World Bank jointly worked on an initiative to ensure that low-income countries with a credible plan for extending primary education would receive support for implementation if needed. In April 2002 the Dutch Ministry organized a meeting in Amsterdam to merge this initiative with G8 discussions about a partnership in support of Education-for-All. The Education-for-All Fast Track Initiative was subsequently launched. The emphasis was on resource mobilization for national education sector plans and coordinated action at country level. The secretariat was based in the World Bank and the Bank managed the two FTI trust funds: the Catalytic Fund for Education (about USD 1.5 billion for 2003–2009, disbursed in around 37 countries) and the Education Programme Development Fund for related technical advisory (USD 114 million pledged for 2005–2009).

The Netherlands has been a very important donor to the FTI, contributing close to USD 450 million, nearly a quarter of the funding. Other large contributions came from the UK and Spain. Since 2003, the initiative would have helped to enrol 19 million more children, supported the construction of over 30,000 classrooms and trained over 337,000 teachers.[93]

93 Source: website Global Partnership for Education accessed October 2011.

In 2011 the FTI evolved into the Global Partnership for Education (GPE), an independent global partnership structure (a FIF).

A 2010 evaluation concluded that operations funded through the Catalytic Fund of FTI had made substantial contributions towards Education-for-All goals in the beneficiary countries (Cambridge Education, Mokoro, Oxford Policy Management, 2010). However, the evaluation also found that FTI's contributions had fallen short when it came to its broader aims, like catalysing an increase in donor resources for universal primary education and functioning as an in-country coordination point. Standard World Bank procedures (in particular those applied to all trust funds managed by the Bank after 2008) had complicated disbursement processes and had resulted in delays. Recommendations of the evaluation have reportedly been taken on board as part of the reform process of the FTI, which eventually led to the more independent structure of the Global Partnership for Education.

Social safety nets (SSN) focus on the poorest sections of the population, in both low-income and middle-income countries. A recent evaluation of the Bank's SSN support is overall positive: SSN operations worth USD 11.5 billion over 2000-2010 generally achieved satisfactory outcomes (IEG, 2011e). This was in particular the case in low-income countries, where no less than 88 percent of interventions recorded satisfactory outcomes. Moreover, evidence from a large number of impact evaluations (93 on 25 SSN programs supported by the Bank) showed positive short-term impacts on household consumption, school attendance and children's health (which could potentially turn into longer term impacts).

The Bank became increasingly engaged in SSN-operations in the late 2000s, in response to high food and fuel prices and the financial crisis. Bilateral grant contributions to trust funds have enabled an expansion of SSN operations in low-income countries. Conditional cash transfers were the best performing SSN instrument. According to Bank staff estimates, SSN programs supported by the World Bank reach about 191 million people in developing countries.

IEG also evaluated the Bank's poverty and social impact analysis (PSIA) approach (IEG, 2010b). This specific module of economic & sector work was set up – at the request of donors – to help governments analyse and address consequences of policy reforms on the poor and vulnerable. IEG looked at a sample of the over 150 PSIAs conducted in 2002-2007, and to which the Bank and a few bilateral donors contributed a total of USD 15 million. IEG found that, on average, the PSIAs only had a moderate effect on the client country's policies. Where influence was limited, this was often due to factors like limited relevance of the PSIA topic to country priorities, inadequate timing of the studies and lack of engagement of relevant stakeholders (ministries, NGOs). Also the effect on Bank operations was 'moderate', often related to limited engagement of operational Bank staff in the PSIAs. Via BNPP, the Netherlands and several other donors (Germany, Norway, DFID, and Switzerland) have contributed to an MDTF set up in 2010 to further improve the use of PSIAs.

A 2007 IEG review of the Bank's assistance to agriculture in Africa found that this sector had been neglected by both governments and the donor community, including the World Bank (IEG, 2007). The potential of investments in agriculture for addressing poverty and meeting the MDGs had therefore not been used. Bank investment lending to agriculture totalled just under USD 3 billion over fiscal 1991-2006 (not counting adjustment lending with agriculture components) and was 'sprinkled across an array of activities in rural space'. IEG found that this limited portfolio performed below par.

After the 2008 World Development Report on agriculture and a broader recognition among the donor community and developing country governments of the importance of this sector for food security and poverty reduction, the Bank developed an Agriculture Action Plan FY10-12. This outlined the scaled-up World Bank Group commitment to improve agriculture's role in providing food security and in raising incomes of the poor. Annual commitments to agriculture have increased to over USD 3 billion in FY12 (World Bank, 2012k).

Concluding summary

- The Bank intensified its focus on poverty reduction and achieving the MDGs over the 2000s, largely in line with Dutch and other likeminded donors' views.
- The performance and effectiveness of key policy instruments and sectors for poverty reduction was overall good, but variable. Performance in education fell over the decade as the complexity of the portfolio increased. The performance in social safety net programs was remarkably strong.

Gender

'Gender equality is not only a core development objective in its own right, but also smart economics; it can enhance productivity, improve prospects for future generations, and make institutions and societies more representative'. That is the key message in the World Development Report 2012 on Gender (World Bank, 2011e).

Improved consideration of the gender dimension in World Bank operations was over the years an important goal of the Netherlands' interactions with the Bank (see Chapter 3). What policies did the Bank put in place related to gender issues and how did this evolve over the past decade? What does evaluation tell about the actual implementation and effectiveness of the Bank's gender strategies?

World Bank gender policy

Consideration of the gender dimension in development started in the Bank in the late 1970s with the appointment of a Women-in-Development Adviser in 1977 (IEG, 2010c). In 1984, an operational directive on project appraisal (Operational Manual Statement 2.20) was agreed. This directive instructed Bank staff to consider issues related to women as part of the social analysis for investment projects where 'women are sometimes a particularly important group of project participants and beneficiaries'. Ten years later, in 1994, the Bank added a country-level approach to this project-level approach: the Operational Policy on Gender and Development (OP 4.20). This required the Bank to consider and address gender issues as part of its support for poverty reduction in each client country and in close collaboration with the government concerned. The two approaches were complementary and together constituted a 'gender mainstreaming' approach (IEG, 2010c).

In 2001 the Bank introduced its first substantive gender strategy: 'Integrating Gender into the World Bank's Work: A Strategy for Action'. This strategy emphasized 'gender equality' as a way to help reduce poverty, in line with the Millennium Development Goals. Key to implementation was that country teams had to prepare Country Gender Assessments (CGAs) for every client country. These CGAs were to inform the Country Assistance Strategy (CAS) by identifying themes and sectors where gender constraints needed to be addressed. Sector managers then had to make sure that Bank activities in these CAS areas were indeed gender responsive. And the regional vice-president had to report annually on implementation. Operational policy directive on gender (OP 4.20) was revised and updated accordingly. However, the provisions in OMS 2.20 on project appraisal were abrogated; this implied that consideration of gender issues in *all* gender relevant projects – whether the sector concerned was mentioned as gender-relevant in a CAS or not – was no longer required.

In 2007, the Bank published a Gender Action Plan (GAP) 'Gender Equality as Smart Economics' that focused specifically on empowering women in four economic areas: land, labour, agriculture and finance. The Gender Action Plan was a reaction to weak integration of gender considerations in specific sectors (IEG, 2010c). The plan was followed in 2010 by the Road Map for Gender Mainstreaming 2011-2013. This identified lessons from the (lack of) implementation of the Gender Action Plan and aimed to give a new boost to gender informed Bank activities. It included a results framework to make Bank work more gender-responsive.

In IDA16, agreed early 2011, one of the four special themes is accelerated progress on gender mainstreaming and the gender related MDGs. The Bank made commitments to intensify the implementation of the Reproductive Health Action Plan and the Education Sector Strategy, to better integrate gender issues in Country Assistance Strategies and to report progress on a range of indicators in an Annual Gender Monitoring Report.

Implementation and effectiveness of the Bank's gender policy

In its 2010 evaluation of Bank support for gender and development 2002-2008, IEG found 'measurable progress in gender integration between the early 1990s and the early 2000s across all major areas of Bank intervention' (IEG, 2010c). Gender integration into Bank support had increased both in quantity and in scope, and more than half of relevant projects integrated gender concerns. Whereas IEG's evaluation of the 1990s found weak integration into sectors other than those related to health and education, the 2010 evaluation found significant expansion in integrating gender into thematic areas such as microfinance, land management and justice reform. In addition to projects, also more development policy lending agreements addressed gender issues.

With regard to outcomes, the evaluation found that Bank support delivered substantial gender-related benefits in 42% of relevant projects in 12 country case studies. In 4 of the 12 countries studied, the Bank likely contributed to improved gender equality in key areas such as human capital (girls' education, access to water at household level), access to economic opportunities (microfinance, access to land) and increased voice of women in development. In the other selected countries the contribution of the Bank was 'modest'. Support was more successful in countries with greater demand for addressing gender concerns, such as Ghana and Bangladesh.

However, IEG also found that the implementation of the 2001 gender strategy weakened after a peak in 2003. The number of Country Gender Analyses undertaken diminished from 23 in FY02-03 to 3 in FY07-08. The M&E system that was foreseen to be put in place by 2002 was never fully implemented. Accountability of senior managers was not effectively put into practice. IEG further noted two important flaws in the 2001 strategy: the lack of an explicit results framework and the narrowing of the entry point for gender integration at appraisal to specific priority sectors identified in CASs. IEG recognized the 2007 Gender Action Plan as a partial attempt to address the second issue by providing incentives to staff to integrate gender into specific (economic) sectors.

In line with the IEG findings, the 2009 MOPAN survey records relatively low perception scores for 'the strategic focus on gender equality' of the Bank (MOPAN, 2010).

Recent developments

Bank gender policies have, however, been refined after the IEG evaluation. The IEG report probably functioned as a useful wake-up call. An important improvement was the inclusion in the 2010 Road Map of a concrete results framework for gender mainstreaming (World Bank, 2010h). This framework contains specific objectives on a broad range of priority areas, working with concrete indicators and targets, linked to responsible Bank units (and IFC, for access to finance for women). It is an attempt to 'give teeth' to efforts to strengthen management accountability. Also the focus on gender in IDA16 and the high profile debate that surrounded the 2012 World Development Review may have further focused attention on the importance of effectively integrating gender concerns in Bank activities. Both the IDA16 Results Measurement System and the Bank's Corporate Scorecard include concrete gender objectives.

Recent Bank reports also suggest a reversion of the weakening of gender integration efforts that IEG signalled before. The share of gender-informed IDA projects increased to 86% in FY12; two-thirds of these IDA-projects also contained specific actions and/or monitoring & evaluation on gender aspects. Gender-informed Country Assistance Strategies in IDA countries reached 100% (IDA, 2012b). Obviously, all this is no guarantee for proper treatment of gender issues in all relevant activities of the Bank, as critics have noted.[94]

[94] See for instance Bretton Woods Project 'World Bank's gender WDR: too little, too late?' (<http://brettonwoodsproject.org/art.shtml?x=569233>) and Kate Bedford on 'Gender WDR: Limits, gaps, and fudges' (<http://brettonwoodsproject.org/art.shtml?x=569646>).

In MOPAN 2012 respondents rated the Bank's gender mainstreaming as adequate, while the Bank scored 'strong' on this aspect in MOPAN's document review (MOPAN, 2012).

Concluding summary

- The level of mainstreaming of gender equality in Bank operations has fluctuated over the decade, despite sound policies on paper.
- The recent introduction of concrete results frameworks and tools for holding management to account appears to have reinforced gender-informed operations.

Environmental Sustainability

In the 1980s and 1990s the World Bank was criticized for its lack of consideration of environmental concerns, in particular in relation to large infrastructure projects. Today, the Bank is a major funder of environmental and natural resources management and it applies a range of safeguards and sustainability policies to prevent adverse effects of its projects on people and environment.

What exactly was the Bank's environmental sustainability policy over the past decade? How was it implemented and what does evaluation indicate about the extent to which this actually lead to improved environmental performance?

The Bank's environmental policy

Up to the 1980s, environmental considerations played a limited role in Bank policies and operations. Gradually, the growing international recognition of environmental issues also influenced the Bank. In the mid-1980s the Bank came under serious attack of non-governmental organizations regarding the environmental and social impacts of large lending operations, such as the Narmada Dam in India and the Western Amazonia development projects in Brazil (IEG, 2008b). The Bank established an Environmental Division in 1987. In 1989 an Operational Directive was issued that required an environmental assessment of all proposed investment operations, including public consultations, and disclosure of assessment reports. Meanwhile, the Bank became involved in the implementation of the 1990 Montreal Protocol on ozone layer depletion and the start-up of the Global Environment Facility (GEF) in 1991.

After the Earth Summit in Rio in 1992 and urged by the IDA deputies, the Bank adopted a fourfold agenda (IEG, 2001):

i) Assisting countries with environmental stewardship, that is advising on national environmental strategies and action plans, and lending for environmental management, or 'do good';
ii) Strengthened safeguards to avoid adverse impact of Bank lending, or 'do no harm';
iii) Integrating environmental concerns into macroeconomic and sectoral interventions, or 'mainstreaming';
iv) Addressing global environmental challenges, mainly through the GEF.

The first full environmental strategy of the Bank was issued in 2001: 'Making Sustainable Commitments'. This emphasized that environment was important from the perspective of both growth and poverty reduction. It placed environment within the poverty reduction mission, with three objectives:

i) Improving quality of life, in particular where environment interlinked with poverty (health risks, natural hazards, impacts of climate change, etc.);
ii) Enhancing the quality of growth (supporting policy and regulatory frameworks for sustainable management and private sector development);
iii) Protecting regional and global commons.

In 2012, an updated World Bank Group Environment Strategy was adopted (World Bank, 2012l). This strategy identified a 'Green Agenda' (nurturing greener, more-inclusive growth and poverty reduction while protecting biodiversity and ecosystems); a 'Clean Agenda' (helping countries to manage pollution and find low-emission paths to development); and a 'Resilience Agenda' (reducing vulnerability to climate risks). The strategy contains a results framework with 61 indicators: 20 indicators of environmental progress at global and country-level (not attributed to Bank efforts), 34 output and outcome indicators related to Bank support, and 7 input indicators related to the Bank's operational effectiveness.

Evaluation findings

In its evaluation of Bank support to the environment from 1990 to 2007, IEG found that the Bank had made progress in including environmental concerns in its own strategies, its lending and its analytical products since 1990, and increasingly so after 2001. Also it has since 2001 provided more support for environment through financial and nonfinancial services. However, the significance and impact of these efforts had varied across countries and themes.

Activities in which Environmental & Resource Management (ENRM) commitments made up more than 80% of total funding, amounted to about 4.5% (USD 18 billion) of Bank commitments over 1990-2007, including development policy loans and GEF grants (IEG, 2008b). Thus, the priority given to lending for Environmental and Resource Management was modest, according to IEG. Africa had a relatively large number of projects, but most projects were small. In particular China borrowed a lot from the Bank for environment-related projects.

Environmental safeguards are a key element of the Bank's policy.[95] Between 1990 and 2007 nearly 6800 Bank projects have been screened for potential environmental impacts. A recent IEG evaluation found that these safeguard policies have helped avoid or mitigate large-scale social and environmental risks (IEG, 2010). However, supervision of the implementation of the safeguards and monitoring of results should be done more thoroughly, according to IEG.[96] IEG found that there was a tendency of risk avoidance through over-categorization (putting a project in a higher risk category than strictly required), resulting in additional preparation costs to Bank and clients. IEG also noted that

[95] For the requirements of the Bank's Operational Policy on Environmental Assessment (OP 4.01) see http://go.worldbank.org/K7F3DCUDD0.

[96] The 2008 IEG evaluation noted that two thirds of the (then nearly 50) complaints that were brought to the Inspection Panel involved concerns about compliance with the Bank's environmental assessment policy.

the Bank should intensify work on building more client country ownership of the use of safeguard procedures (as the borrower is responsible for carrying out the assessment).

IEG further signals that the Bank's compliance-based approach is becoming less relevant as its portfolio moves beyond traditional investment projects; more than half of the Bank's portfolio consists of development policy lending, programmatic or sector wide lending and lending through financial intermediaries, for which the safeguards are more difficult to apply.[97] A comprehensive policy debate, also with stakeholders, on the World Bank Groups safeguard policies is foreseen in 2013.

Box 0.2 *The Bank's safeguard policies*

World Bank safeguard policies require that potentially adverse environmental or social impacts of Bank projects are identified, avoided or minimized, mitigated and monitored. The policies provide guidance for Bank and borrower staff in the identification, preparation and implementation of programs. They cover 10 separate policies: six environmental (OP/BP 4.01 Environmental Assessment; OP/BP 4.04 Natural Habitats; OP 4.09 Pest Management; OP/BP 4.36 Forests; OP/BP 4.11 Physical Cultural Resources), two social (OP/BP 4.10 Indigenous Peoples; OP/BP 4.12 Involuntary Resettlement) and two legal (OP/BP 7.50 Projects in International Waterways; OP/BP 7.60 Disputed Areas). IFC has a separate set of 8 Policy and Performance Standards.[98]

At the start of appraisal, Bank projects have to be classified according to the risk they potentially entail on the relevant safeguard policy areas; this determines the scope and depth of the environmental (resp. social) assessment to be undertaken by the client during further project preparation. Category-A projects, indicating potentially 'very high impact', require an Environmental Impact Assessment and an Environmental Impact Plan. Category-B projects require a more limited environmental assessment, while for Category-C ('low or no impact') an Environmental Management Framework is sufficient.

IEG found that the Bank had generally succeeded in helping countries set environmental priorities, by providing support for National Environmental Action Plans (NEAPs), Country Environmental Analyses (CEA), etc. However, the Bank had been far less able to integrate the

97 Before the introduction of the Bank's Program for Results (PforR) in early 2012, several NGOs warned that this new instrument for program lending (the third lending instrument, alongside policy and project lending) would allow countries to sidestep the social and environmental safeguards that recipients of regular Bank loans must normally meet. In response to such concerns, the Bank refers to the requirement in PforR of 'rigorous upfront assessments' that, according to the Bank, are guided in substance, purpose and goals by the standard environmental and social safeguard policies. Also transparent consultations would be part of the appraisal process.

98 Integration of the different safeguard systems within the World Bank Group is being considered and could be part of the comprehensive consolidation of safeguard policies in 2012/13.

identified environmental concerns into country programs and provide the lending to help countries address their environmental priorities – often because of lukewarm interest from client countries themselves (IEG, 2008b). The evaluation refers to the example of Russia, where declining interest in lending and policy advice for environmental problems was reflected in the Bank's country strategy. Similarly, the integration of environmental concerns in country-owned PRSPs and the related IDA-credits had been limited (IEG, 2008b). A 2002 evaluation of IDA already noted that: 'IDA's primary external constraint in pursuing its environmental commitments is the lack of interest and commitment among member governments. Many countries do not want to borrow from IDA to address environmental issues either because they do not view them as a priority or because they prefer to use grant funds' (IEG, 2002b). The question remains 'how possible it really is for the world's leading development agency to promote growth, satisfy its member governments and protect the planet all at the same time' (The Economist, 2009).

The effectiveness of environmental projects has varied across sectors and themes. IEG found satisfactory performance in land and watershed management, community-based forest management projects and grants for reduction of ozone-depletion substances. Also most biodiversity conservation projects, water resource management (at river basin level) and urban environment operations were largely satisfactory, based on their overall project outcome ratings. In contrast, projects on industrial pollution were only partly satisfactory. Weak results were often found in capacity-building (IEG, 2008b).

Up to the mid-2000s, the Bank's climate change funding was limited. During fiscal years 2003-08 the World Bank Group scaled up annual investments in renewable energy and energy efficiency from USD 200 million to USD 2 billion, with sizeable further increases since then. In 2008 the Bank adopted a policy framework on development and climate change, subsequently mobilizing an additional USD 5 billion in concessional funds for greenhouse gas reduction. The 2010 IEG report on climate change emphasized the need for the World Bank Group to actively assist clients to move away from coal, using energy-system-wide analyses to find cleaner, more cost-effective and financeable alternatives (IEG, 2010d).[99]

Concluding summary

- The Bank's environmental strategy and its safeguards policy have promoted serious consideration of environmental aspects in Bank activities, in particular after 2001. Also, the Bank has become a funder of (global) environmental and natural resources management, with satisfactory results in several areas of work. Its advisory work has in many developing countries contributed to the identification of environmental priorities.
- However, not many governments want to borrow for addressing environmental concerns. And lending for growth may at times conflict with sustainability targets. Recent debate about (potential) Bank lending for coal fired energy systems highlights the controversy, as the Bank is also committed to the climate change mitigation agenda.

[99] Recent (proposed) Bank support for coal fueled power plants in Kosovo and South Africa have triggered controversial reactions.

Governance & Anticorruption

Improving governance and fighting corruption have been on the Bank's agenda since the 1990s. Over the years, the Netherlands has been part of the constituency that called for a strong Bank approach on these two related issues.

What was the World Bank's policy on governance and anti-corruption over the past decade and what does evaluation indicate about the Bank's performance and achievements?

World Bank policy on governance & anticorruption

The Bank's involvement in the quality of government dates back to structural adjustment in the 1980s. The focus at that time was narrow and primarily aimed at reforming government institutions in order to limit unsustainable public sector wage bills. In the 1990s, the Bank's attention shifted towards the quality of public sector services in the fight against poverty and the role of corruption in hampering development. President Wolfensohn committed the Bank in 1997 to tackling 'the cancer of corruption' and to supporting country efforts to promote good governance.[100] The Bank launched a 'zero tolerance' policy on fraud and corruption in its own projects. The Bank's policy research stressed that capable and accountable states created opportunities for poor people, provided better services and improved the investment climate.

In 2000 the Bank published its strategy on 'Reforming Public Institutions and Strengthening Governance'. This aimed to strengthen core public institutions like civil service and public financial management systems, the judiciary system and local governments. By linking up with country-led Poverty Reduction Strategies (PRSs), the Bank was attempting to achieve country ownership, the lack of which had often undermined the effectiveness of public sector reform (IEG, 2011f).

Up to the mid-2000s, the Bank's governance work entailed the following elements: (IEG, 2006c):

- Mainstreaming of governance and anti-corruption in country assistance programs, with a focus on public finance management, tax reform, and civil service reform.
- Developing indicators of governance and business climate, such as Worldwide Governance Indicators and Doing Business.
- Making governance reforms a key component of IDA allocations, by using it as a central element in the Country Policy and Institutional Assessment (CPIA).
- Creating a special category of Low Income Countries under Stress (LICUS) for countries with severe governance problems.
- Introducing strict financial management plans and procurement oversight for every project.
- Establishing an Institutional Integrity Unit (INT) to help detect fraud and corruption in the Bank and in Bank-financed projects.

[100] The definition of governance used by IEG refers to 'the effectiveness of the state in acquiring and exercising the authority to provide and manage public services' (IEG, 2006c).

The arrival of Paul Wolfowitz as Bank president in 2005 gave a further push to governance and anti-corruption. In 2007 a new and more comprehensive GAC-strategy (Governance and Anticorruption) was agreed (World Bank, 2007a). The objective of the GAC strategy was to improve development outcomes for poor people by developing 'capable and accountable states' and to ensure that Bank funds were not misused. Country ownership and leadership were seen as key to this effect. The Bank would stay engaged in countries, also if conditions deteriorated, and would apply a consistent approach across countries. A broader set of stakeholders would be engaged, including civil society organizations and citizen groups. Transparency would be a key issue. The Bank would strengthen rather than bypass country systems, and harmonize with other donors.

To implement the 2007 GAC-strategy, a range of guidance materials, trainings, increased resources, strategic staffing, etc. were used. Implementation focused on deepening Bank engagement at four levels: in countries, in projects, at sector level and at global level (like the Extractive Industries Transparency Initiative and the Stolen Asset Recovery Initiative). The Bank provided USD 54 million from its (flat) budget to resource the strategy. Additional funding of USD 70 million was committed by the Netherlands, the UK and Norway for the Governance Partnership Facility (GPF), an MDTF set up in 2008 to support implementation of the GAC strategy (IEG, 2011f).

The Bank also implemented the recommendations of an independent review panel, led by former chairman of the US Federal Reserve Paul Volcker, to substantially strengthen the position and sanctions regime of the internal fraud and corruption watchdog INT (Volcker, 2007).

The 2007 GAC strategy was updated in 2012. Changes included the addition of a results framework to the strategy, an even stronger focus on openness and transparency, and guidance on how to deal with risks in a weak fiduciary environment (World Bank, 2012h).

Implementation and performance
In 2008, IEG found that the Bank had devoted an increasing share - about one-sixth - of its lending and advisory support to the reform of central governments (IEG, 2008c). Over 1999-2006 the Bank had provided analytical and advisory assistance (AAA) on public sector issues in practically all countries. Almost all IDA-countries also had substantive investment and/or development policy loans for public sector reform.

As in a previous review (IEG, 2006c), IEG noted that progress was slow and uneven. Nevertheless, three-quarters of countries getting Bank-lending for public sector reform showed at least some improvement in their CPIA governance score. Countries with lower initial ratings were found to be more likely to improve than those with higher ratings. IBRD countries improved more frequently than IDA countries.

Improvements in Public Financial Management (PFM) were most pronounced. Two-thirds of all countries that borrowed for PFM showed improvement in this area. In particular budget formulation and reporting improved, while spending cycle, procurement and auditing were more difficult aspects. The Bank's analytical tools on financial management had contributed to results in this area: Public Expenditure Reviews and Public Expenditure and Financial Accountability (PEFA) indicators became more widely accepted as a framework for budgeting and financial management.

Civil service and administrative reform proved to be an area of frequent failure of Bank lending. IEG pointed to weak diagnostic work and the inherent political difficulties when for instance salary reductions and retrenchment are part of the reform.

Projects for tax administration reforms generally succeeded, also and in particular in IDA countries. The reforms benefitted from strong government ownership (of the ministries of finance in particular) and good diagnosis and strategy (often led by the IMF).

Attention to anticorruption and transparency in country strategies and lending grew. Most borrowers increased transparency, but did not reduce perceptions of corruption. Lending for indirect measures against bureaucratic corruption – reducing opportunities by simplifying procedures, moving to e-government, rationalizing personnel management, etc. – had some success. However, direct measures to reduce corruption with anticorruption laws or commissions rarely succeeded. IEG found that they often lacked the necessary support of political elites and the judicial system.

IEG's 2011 evaluation of the Bank's 2007 GAC strategy found further 'signs of progress' since the strategy was launched, but also 'opportunities yet to be seized'. IEG noted continuity in Bank country actions and such sustained engagement remained one of the Bank's strength. The Bank continued to support GAC objectives in virtually every country where it had operations, and had expanded the number of countries with further plans. The Bank had also sustained in most countries a medium-term dialogue on issues such as public financial management, service delivery, and the investment climate. Borrowers, development partners, and CSOs valued the Bank's analytical capacity and experience in these areas.

However, IEG also noted that GAC 2007 efforts had so far been focused more on the Bank's own capacities, resources, and reputation, than on strategic issues facing partner countries. Much effort had been put on risk aversion in projects. IEG recommended that the next phase of the GAC strategy should focus more on operational solutions that help build country governance capacities. The Bank also needed to clarify and provide guidance to staff on how its 'zero tolerance' stance on corruption related to the use of different financial instruments (investment versus policy lending) and to risks involved in the use of country systems in weak fiduciary environments.

All in all, IEG's message in 2011 was that the GAC strategy could use another boost in order to become more effective in client countries.

There is no evaluation yet of the Governance Partnership Facility (GPF) to which the Netherlands committed EUR 9 million (about 20% of total donor commitments), initially through BNPP. Implementation continues up to 2014. The 2011 Annual Review suggests that GPF funding facilitated integration of governance priorities in various country strategies and lending agreements (Governance Partnership Facility, 2011). It funded over 40 additional staff to improve the Bank's capacity on governance.

Recent developments

The updated GAC strategy agreed in spring 2012 picked up several of IEG's recommendations. The Bank also took further action in several areas over the past two years, such as the announcement that it would no longer lend directly to finance budgets in countries that do not publish their budgets. INT has stepped up its actions on fraud and corruption related to Bank financed activities. Since 1999 INT has investigated several thousand cases of alleged fraud, corruption or misconduct. As a result, the Bank has effectively debarred over 500 firms, individuals and NGOs, preventing them from participating in future Bank-financed projects. In FY12 alone, 62 entities were debarred. Since May 2012, all Sanctions Board decisions are made public, adding to the openness and accountability of the Bank's actions on fraud and corruption.

Concluding summary

- The Bank has a substantive governance and anticorruption strategy in place, but implementation remains challenging. Its framework for internal fraud and corruption detection and sanctioning is very strong, with leadership in overall transparency and openness.
- The Bank has played an important role in improving public finance management in client countries, and in tax reform. Other elements of the strategy were less successful and often failed, in particular civil service reform and direct measures to combat corruption in client countries.

Fragility & Post-Conflict

While many low income countries achieved growth and reduced poverty over the past decades, a group of about 30-40 fragile and conflict affected countries will probably not meet any of the MDGs in 2015. Insecurity, violence, weak and often illegitimate institutions hinder progress in these countries, affecting over a billion inhabitants. Donors struggle on how they can be involved effectively in these situations and as a minimum prevent fragile states becoming failed states. Over the years, the Netherlands and several other members have stimulated the World Bank in taking up a bigger role in these complex situations, in particular through IDA and support for country-specific trust funds. The Netherlands was the third biggest contributor to fragility and conflict trust funds over the past years.

What was the policy of the World Bank on fragility and conflict and what does evaluation indicate about the Bank's performance and results in this area?

World Bank policy on fragility and conflict

Starting with Bosnia-Herzegovina in 1995 and East-Timor in 1999, the Bank re-entered post-conflict reconstruction. In 1997 the Bank issued a special framework for its involvement in such situations. A post-conflict unit was set up, broadening the Bank's outreach into new areas like de-mobilization and reintegration of soldiers, landmine clearance and rehabilitation of state institutions. In 2001 an operational policy for Development Cooperation and Conflict was agreed, extending aid to conflict-affected and conflict-prone areas, beyond post-conflict reconstruction.

In 2002, the Bank introduced the LICUS Initiative, a special approach for Low Income Countries Under Stress. Until 2006 'LICUS' would be the term used for what the Bank now calls Fragile and Conflict Affected States (FCS). The Bank's LICUS report argued that in these countries general aid recipes did not work because governments lacked the capacity or inclination to use finance effectively for poverty reduction. However, neglect would perpetuate poverty and could contribute to the collapse of the state, with often adverse regional and even global consequences.[101] The Bank needed to have a more consistent engagement in LICUS. The focus needed to be on state-building and peace-building, with high quality staff delivering strong socio-political analyses, policy advice and dialogue. Innovative mechanisms for social service delivery needed to be explored, in close collaboration with other donors (IEG, 2006b).

In 2007, Fragility and Conflict was identified as one of the six central pieces of the World Bank Group's strategy (see Chapter 5). Intensive engagement in Afghanistan, (South) Sudan, Iraq and several other fragile situations made this area more and more part of the Bank's core business.

In IDA replenishment negotiations, fragile and conflict-affected situations had become an important theme. Most countries identified as fragile are IDA eligible and currently about 29 of the 81 IDA recipients are considered to be fragile (see Box 0.3). IDA is also important for Bank work in fragile situations because it can provide grants in an environment where loans to a government may not be feasible. In fact most of Bank interventions in FCS are funded either by IDA grants or by grants contributed through trust funds. Donors like the Netherlands and the UK called on the Bank to intensify work in fragile states, and not only in the high profile ones. In IDA15, the Bank agreed to a range of actions to strengthen IDA support for FCS: adapt country assistance strategies better to fragile environments, get more and better support staff in the field offices, work closer with UN and other actors, etc. (World Bank, 2009c).

Box 0.3 *Defining fragile and conflict affected countries*

The World Bank uses two criteria to define countries affected by conflict or fragile situations: a harmonized CPIA score of 3.2 or less (for IDA countries), or the presence of a UN or other peace-keeping or peace-building mission during the past three years. The list of fragile situations for FY13 contains 29 IDA eligible countries (Afghanistan, Angola, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Congo, Cote d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Haiti, Kiribati, Kosovo, Liberia, Marshall Islands, Micronesia, Myanmar, Nepal, Sierra Leone, Solomon Islands, Somalia, South-Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Yemen), two blend countries (Bosnia & Herzegovina, Zimbabwe), two territories (West Bank & Gaza, Western Sahara), and three middle income countries (Iraq, Libya, Syria). Source: http://go.worldbank.org/BNFOS8V3S0

[101] The terrorist attacks of September 11, 2001, prompted the Bank to revisit its mission and mandate, in particular in relation to failed states.

The 2011 World Development Report on Conflict, Security and Development, gave a further push to the Bank's profile. Building on the reports' findings, the Bank agreed in 2011 a new strategy paper (World Bank, 2011i). Commitments included making the country strategies more fragility focused, increase attention to jobs and private sector development, adapt results and risk management to specific FCS conditions, make financing less volatile and strive for global excellence in FCS work. One of the concrete follow-up actions was the opening of a Global Centre on Conflict, Security and Development in Nairobi. This centre is to support and lead the Bank's work on FCS.

Bank funding for FCS has increased over the decade, but grants from multi-donor trust funds have become the primary source for Bank-managed programs in FCS: USD 1.8 billion in commitments in FY09 compared with USD 1.4 billion in IDA commitments (IEG, 2011a). For instance the Afghan Reconstruction Trust Fund finances over two thirds of the Bank's country program in Afghanistan. The Netherlands was the third biggest contributor to fragility and conflict trust funds over FY07-11 (after UK and USA), providing close to USD 600 million (World Bank, 2012i).

The expansion of the MDTFs in IDA-countries contrasts with relatively limited contributions from IDA funds: FCS that make up about a third of the IDA-eligible countries receive less than 10% of available resources. While this reflects the principle of performance based allocation in IDA, 'exceptional allocations' have been made possible since IDA-15 for post-conflict and re-engaging states. The debate on how IDA can improve engagement in FCS is likely to continue in IDA17 negotiations (Folz & Leonhardt, 2012).

Implementation and performance

IEG's 2006 review of the LICUS initiative found a mixed picture. The initiative had improved the Bank's operational readiness in fragile situations, but the first years of implementation mostly indicated underachievement of objectives. By taking state building as a central objective of the initiative, the Bank focused its activities on an area of traditional weakness in Bank performance: capacity development and governance. Little progress had been made in the first three years on the crucial human resource reforms: getting more and better qualified Bank staff in operational field offices in fragile countries and providing incentives to undertake LICUS work, also at senior management level.

The Bank's record of understanding and addressing the specific political dynamics that shaped the conflict had been mixed. On the positive side, IEG noted that the Bank had increased engagement in a number of countries from the early days of peace and political transition, where before it would not have been active at that stage. The Bank's actions contributed to macroeconomic stability and delivered important infrastructure in several post-conflict countries. Also the progress in donor coordination at international level had been good.

More recent evaluations of the Bank's approach to fragility and (post-) conflict – Timor-Leste, Liberia, Afghanistan, South Sudan, Aceh – also suggest a mixed record, but also important achievements.

In its evaluation of the Timor-Leste country program 2000-2010, IEG found a relatively strong Bank performance in the early reconstruction period (IEG, 2011g).[102] Access to basic health and education services improved and severe human deprivation was addressed. However, after that initial period, the achievement of the Bank's development objectives became more uneven. The program lacked focus, and overemphasized institutional objectives (building state capacity, financial stability and public financial management, legislative framework, laws to facilitate private sector development, etc.), with too little emphasis on interventions that would be of immediate benefit to the poor and dissatisfied population. Key constraints like poor infrastructure (roads, electricity) and lack of access to credit were not addressed. Progress in critical areas such as agriculture, private sector development and employment creation was very limited. Measured against the objectives that the Bank had set for itself, IEG rated the overall Bank performance over the evaluation period as moderately unsatisfactory.

IEG's Liberia country program evaluation 2004-2011 (World Bank, 2012m) finds that the country has since 2003 moved from a state of total disarray to one with a solid foundation for further development. While the government (led since 2006 by former World Bank economist Ellen Johnson Sirleaf) deserves most of the credit, this success would not have been possible without external partners, including the World Bank Group. IEG finds that the Bank did well in concentrating its support on two areas: restoring the state and rebuilding infrastructure. IEG found substantial achievements in restoring public finance and reforming civil service. This included restructuring of 9 key ministries, reduction of 11.000 employees (including ghost workers), introduction of biometric identification and management information systems, and progress in anti-corruption measures, leading to a better ranking in Transparency International's index. Outcomes in infrastructure were also considerable, with rehabilitation of major roads, privatization of port operations, upgrading the airport, waste management, and restoration of power supply. One of the main critical issues that IEG found was the Bank's limited organisational capacity in Monrovia, which had become more urgent due to frequent staff changes in recent years. The country team lacked experienced staff, budget, adequate guidance from headquarters, and decision making competence.

IEG's recent evaluation of the Afghanistan program 2002-2011 presents a generally positive picture of the World Bank Group's achievements in this conflict-ridden country (IEG, 2012d). Measured against stated objectives, outcome was rated moderately satisfactory. IEG finds that the Bank's strategy was 'highly relevant' and assistance achieved 'substantial progress toward most of its major objectives'. Financial assistance was augmented by effective analytical and advisory work, according to IEG. However, risks to development outcomes remain (very) high, in particular in view of the unsafe and insecure situation and the

102 In 1999, UN forces started to restore peace and security in Timor-Leste after decades of armed conflict against Indonesian occupation and violence following a referendum for independence. After elections established a representative government, the country became independent in 2002. In 2006-07 a period of civil and political unrest was again restored with international presence, followed by elections and a new coalition government.

expected reduction of international presence in 2014. IEG found that 'impressive results' had been achieved in public financial management, public health, telecommunications, and community development. 'Substantial outputs' were also found in primary education, rural roads, irrigation, and micro-finance. However, progress had been limited in civil service reform, agriculture, urban development and private sector development. IEG also notes that the government's ability to control corruption and enforce anti-corruption measures remains weak.

In all this, the multi-donor Afghan Reconstruction Trust Fund (ARTF) was the main financial source, providing about two-thirds of the finance for the program administered by the Bank (IDA credits account for 35%, IFC operations 2%). Over the period, the Netherlands was the fourth donor to ARTF (after the US, the UK and Canada, and before 30 others), providing about 8.5% (or USD 388 million) of total paid-in contributions of USD 4,555 million (World Bank, 2011j).

The ARTF's main function since 2002 has been the financing of essential running costs of the Afghan government (including teacher salaries). An external ARTF Monitoring Agent (up to recent: Price Waterhouse Coopers Netherlands) was hired to ensure that such expenditure was in compliance with the agreed PFM framework. In view of increased government revenue and reluctance of donors to continue direct support to the government's budget, the priority gradually shifted towards development financing. The share of ARTF resources used for investments in education, health, infrastructure, local governance, women's empowerment, etc. increased from 4.5 % in 2002 to over 50% in 2009-11. ARTF financed projects are now completely integrated into the Bank's engagement with Afghanistan and are prepared, implemented and supervised in the same manner as any IDA project.

A recent external review of ARTF confirmed the 'very good' overall structure and functioning of the ARTF (Scanteam, 2012). The review refers to low overhead/transaction costs, excellent transparency and high accountability, making it the mechanism of choice for on-budget funding. ARTF also provides a well-functioning arena for policy debate and consensus building. Close links with IDA provide economies of scale and free access to high quality knowledge products from the Bank (AAA), but have also raised questions about ARTF funding decisions being too much driven by IDA/World Bank choices. PFM, health, education have produced strong outputs, but tracking of outcomes was still 'surprisingly poor'. On-going impact evaluations may provide more comprehensive results data. The review sees a difficult future lying ahead in which 'defending the gains' in successful strategic sectors (PFM, social sectors, rural development) and scaling back other ambitions would probably be best.

The experience with the MDTF for South Sudan has been less positive. This MDTF was intended to become the main framework for donor alignment with the government of South Sudan and deliver early results after the 2005 peace agreement. Some 14 bilateral donors participated, with the Netherlands being one of the largest contributors. However, in the first crucial years the fund performed poorly in terms of implementation. By the end of 2009, just over USD 200 million had been spent from the more than USD 500 million that donors had contributed. A multi-donor evaluation found that also in terms of delivery of results on the ground the MDTF-supported programs had generally performed less well than – for instance – NGO-executed bilateral programs in South Sudan (Bennet, Pantuliano, Fenton, Vaux, Barnett, & Brusset, 2010). The evaluation blamed the Bank's 'lack of effective administrative leadership' (staff numbers and quality, procurement procedures, etc.), worsened by the lack of capacity within the South Sudanese administration.

An internal Bank mission suggested that the main reason for inadequate implementation had been unrealistic expectations of what was feasible in South Sudan, given institutional weakness, limited absorptive capacity, poor logistics (no roads, internet), lack of contracting possibilities (near absence of local service markets, private sector, capable consultants), etc. (World Bank, 2010f). Bad design had thus led to lagging outputs. The Bank had also underestimated what it would take in South Sudan to mobilize sufficient operational staff and facilities and monitor all levels of implementation.

By 2010 there was a marked uptake in disbursement and by the time the MDTF closed at the end of 2012 almost 99% of donor funds committed had been disbursed. This was related to a number of mid-course corrections: projects were approved faster, funds were being disbursed faster, procurement processes were simplified, and engagement with local state and non-state actors increased.

Box 0.4 *Delayed achievements in South Sudan*

Despite huge delays, the MDTF for South Sudan allegedly contributed to some notable achievements: more than 562,000 people across almost 100,000 households in rural South Sudan have now access to clean and safe water owing to the construction of 500 water distribution systems; essential drugs are available in more than 70 percent of supervised health care facilities; Juba Teaching hospital was rehabilitated to serve approximately 100,000 patients a year; 35 primary schools and 14 county education centers built; more than 1,200 new teachers and more than 300 education managers trained and more than 3.6 million textbooks and teachers' guides printed and distributed throughout the 10 states; over 1,000 kilometers of all-weather roads were rehabilitated (World Bank, 2012).

Other reviews of the experience with MDTFs in post-crisis situations also suggest the importance of realistic expectations and national government capacity for proper MDTF implementation by the World Bank, alongside adequate staffing and tailor-made MDTF procedures (Scanteam/Norway, 2007; Barakat, 2012).

The generally positive experience with the multi-donor trust fund for Aceh & Nias has been reviewed in Chapter 10 as part of the Dutch Indonesia trust fund program.

In addition to country-specific MDTFs, conflict and fragility has also been addressed through specific regional and global trust funds like the Multi-country Demobilization and Reintegration Program (MDRP) and the State and Peace-Building Fund (SPF).

The Multi-country Demobilization and Reintegration Program MDRP was set up in 2002 to support the transition to peace and stability in the Great Lakes region by demobilizing and reintegrating ex-combatants in seven countries. The Netherlands was one of the founding fathers and the biggest bilateral donor, providing almost half of donor contributions and 28% (EUR 103 million) of the total budget. IDA contributed 42% of the budget. External evaluation found that the MDRP succeeded in demobilization of over 300.000 armed combatants and supported the reintegration of 230.000 of them. This was a major contribution to regional stability. The sustainability of these achievements was, however, found to be fragile in several of the seven countries (notably in Democratic Republic of the Congo). The review found that Bank procedures had at some points slowed down implementation, while also lack of adequate staffing and concerns about commitment of senior Bank management were signalled. If the World Bank wished to continue playing a lead role in such complex activities, it should use the lessons from the MDRP experience, according to the evaluation (Scanteam, 2010).

The State and Peace-Building Fund SPF was established in 2008 as a successor of the Post-Conflict Fund and the LICUS Implementation Trust Fund. The World Bank, the Netherlands and Norway are the biggest contributors (contributions totalling USD 82 million in 2010, of which 14 million from the Netherlands). However, implementation has been slow, which has caused the Netherlands to delay further cash contributions.

Concluding summary

- The Bank has a mixed record in this highly difficult area of work, with successful experiences in several countries alongside some failures.
- Early and consistent deployment of high quality staff with decision making competence at country level, sufficient flexibility in procedures, and a focussed realistic program based on a good understanding of local economic and political realities, appear to be important factors for success. Under such conditions, multi-donor trust funds led by the Bank can have a very useful function as a vehicle for fully coordinated and aligned donor support.

Private sector development

Over the past decades, the World Bank shifted from supporting state enterprises to promoting private sector development as a key recipe for growth and poverty reduction. What was the World Bank's policy on private sector development (PSD) over the past decade? How was it implemented and what evidence does evaluation provide about performance, in particular in IDA-countries?

World Bank Group PSD policy

Private sector development became a 'program of special emphasis' for the World Bank in 1987 (World Bank, 2002). In the decades before, the Bank had been involved in enterprise development by funding state-owned entities and funding private firms via on-lending through intermediaries backed by government guarantees. Over the 1980s and 1990s, adjustment lending was the dominant vehicle for IBRD/IDA involvement in PSD. PSD conditionalities in adjustment lending promoted privatization of public enterprises, private participation in infrastructure, improvement of the business environment by passing laws on deregulation and competition, property rights, corporate governance, etc. Within the broader World Bank Group, IFC emerged as the main instrument for direct assistance to private firms. By 2000, IFC accounted for over half of total World Bank Group lending and guarantees for PSD, with MIGA accounting for another quarter.

In 2002, the World Bank Group agreed a full-fledged private sector development strategy that still guides its policies (World Bank, 2002). The strategy argued that private initiative is key to promoting growth and poverty reduction, in parallel with public sector efforts. It stated that PSD is about 'a good balance between the complementary functions of the state and the private sector'. The PSD strategy identified two main goals for the WBG: extending the reach of markets, and improving access to basic services.

PSD was to be included in every country strategy. Implementation of the strategy was to be based on country-driven consultative processes like PRSP. Improving the investment climate by reducing 'unjustified obstacles to private business' was a key element of the strategy. IBRD/IDA would focus on strengthening competition policies, promoting regulatory reform, reforming financial sector policies and secure property rights. Progress would be tracked by Investment Climate Assessments and an annual Doing Business report. Via IFC, the WBG would continue to provide public support to entrepreneurs, including rural credit and micro-finance, with a focus on small and medium firms and farms. Financial sector support would be provided more via intermediaries, instead of directly. MIGA would provide political risk guarantees and advice on attracting foreign investment.

In infrastructure, the PSD-strategy confirmed continued WBG support for private participation in sectors such as telecommunications, energy, transport, water and sanitation. Private participation in social services would also be promoted, such as IFC's investments in private health and education projects. Further options for private provision in basic social services would be explored, including participation by not-for-profit organizations. However, the PSD-strategy recognized 'the fundamental responsibility of governments' to ensure affordable and universal access to basic social services. This implied that the WBG would also continue to provide 'unabated support to public services'. The PSD strategy further announced the piloting of output-based aid: service delivery contracted out to a private service provider, who receives the public funding only after the intended outputs (electricity, drinking water, etc.) have been delivered to the target group. In this way, the risk of failure rests with the private party and not the government/taxpayer.

In IDA negotiations, this approach to PSD was welcomed and confirmed (World Bank, 2004) (IDA, 2005). IDA-deputies called for emphasis on investment climate instead of privatization, close collaboration in IDA-countries between IFC and the Bank and for a focus on Micro, Small and Medium Enterprises (MSMEs). The extension of output-based aid was welcomed.

The Financial and Private Sector Development vice Presidency was set up in 2002 as a joint World Bank and IFC entity. Its task is to ensure effective coordination in the implementation of the PSD strategy between IFC and the Bank and with multi-donor facilities.

Technical advisory elements of the PSD-strategy have been supported via several World Bank Group trust funds, to which the Netherlands was often a main contributor (see Box 0.4). This is in particular the case for IFC, which the Netherlands supported via the Netherlands-IFC Partnership Program NIPP (see Chapter 11).

Box 0.5 *Trust funded programs in support of the PSD strategy*

Specific trust funded programs that support aspects of the PSD strategy include:
- The Foreign Investment Advisory Services (FIAS) finances diagnostic studies of the legal framework for investment and technical assistance for reform. The Netherlands channelled USD 9 million over the period 2002-2011 to this joint World Bank/IFC trust fund.
- The Public Private Infrastructure Advisory Facility (PPIAF) is a multi-donor technical assistance facility, set up in 1999, aimed at facilitating private sector involvement in infrastructure. The Netherlands has contributed USD 9 million, 7% of total donor contributions to this World Bank trust fund over 2000-2011.
- FIRST, the Financial Sector Reform and Strengthening Initiative, was set up in 2002. This Bank trust fund received USD 19 million in Dutch support, about 22% of total.
- The Consultative Group to Assist the Poorest (CGAP) is a consortium of bilateral and multilateral donor agencies set up in 1995. Its mission is to improve the capacity of microfinance institutions to deliver high-quality financial services to the very poor. The Dutch contribution was USD 6 million over the evaluation period, 8% of total donor contributions.
- The Global Partnership on Output-Based Aid (GPOBA) has undertaken pilots and scaling up of output-based aid in rural electrification, water and sanitation and health in IDA countries. It is a multi-donor Global Program supported by DFID, the Netherlands, Australia, Sweden, and IFC.

Several of these trust funds are reviewed in Chapter 11.

Implementation and performance

PSD was clearly at the heart of the World Bank Group's activities over the past decade and a key issue in IDA. IDA annual commitments for financial and private sector development projects increased from USD 2.5 billion in FY02 to USD 3.4 billion in FY08. Improving the business environment became a main target, particularly by means of analytical work and technical advisory. Comprehensive investment climate assessments were done in over half of IDA countries, advising governments on priorities for reform. Over a hundred reform projects contributed to changes in business environment indicators that were recorded in the annual Doing Business reports. Support for MSMEs was set up, but remained a relatively small endeavour in IDA-countries, in particular in Africa. Output-based aid, involving private and not-for-profit entities, became an established instrument for improving service delivery in IDA countries, providing energy, water, mobile phone connections, health services and well maintained roads to millions of people in Africa and South-Asia.

Also in the financial sectors, a broad range of analytical and advisory activities (AAA), often backed up by finance from trust funds like FIRST and CGAP, were conducted to stimulate and support financial reform in IDA countries. These involved areas such as banking and banking supervision, microfinance regulation, accounting, auditing, corporate governance, insolvency, creditor rights, anti-money laundering and combating the financing of terrorism. In addition, substantive IDA credits financed financial sector capacity building, regional lending programs, trade credit, etc.[103]

To what extent these activities actually delivered on the promise to contribute to sustained growth (and poverty reduction) is difficult to establish. In general the PSD-activities of the Bank performed around the Bank average (IEG, 2012e). And most IDA countries achieved better growth rates and attracted more foreign direct investment (and reduced poverty), compared to the previous decades. A causal relation can, of course, not be implied. IEG has over the years reviewed certain aspects of the implementation of the PSD 2002 strategy (and IFC performance in particular), but a comprehensive evaluation of the strategy – let alone its impact – is not available.[104] The most relevant IEG evaluations are described below.

IEG evaluations of privatization and financial reform in the late 1990s were not very positive about the results of Bank efforts in these areas. In 2005, IEG concluded that 'The record of privatizing poorly run government corporations has been very mixed (...). Rushing to privatize without adequate regulatory, prudential, and incentive systems is a recipe for failure and for serious political and social consequences'. IEG continued that 'In social sectors such as education and health, the required reforms are not privatization, so much as better service delivery' (IEG, 2005).

A comprehensive IEG review of World Bank lending for financial sector reform between 1993 and 2003 found generally positive outcomes, but limited impact (IEG, 2006a). Over these 10 years, 96 developing countries borrowed USD 56 billion for financial reform, almost a quarter of total Bank lending commitments over the period.[105] The intended outputs of the reforms – reduced government ownership of banks and other financial intermediaries; prudential financial regulations; strengthened banking supervision – were generally achieved. However, these changes did not translate into substantive impacts. In countries that borrowed from the Bank for financial sector reforms, credit to the private sector (as a percentage of GDP) grew at an annual rate of only 0.4% per year, less than it did in countries that did not borrow from the Bank. And IEG found no pattern of improved stability of

[103] See: http://siteresources.worldbank.org/IDA/Resources/FPD_SectorBrief.pdf.

[104] IEG is currently undertaking an evaluation of WBG support for infrastructure services, focusing on transport, water, and energy.

[105] This includes components under multi-sector loans like adjustment lending. Half of total was for short-term lending to countries in crisis, like Mexico in 1994, Thailand, Korea, and Indonesia in 1997, etc.

financial systems in borrowing countries relative to those that did not borrow. IEG concluded that the reforms had led to improvements, but had as such been insufficient to bring about well-developed financial systems. Bank management responded by arguing that such reforms take longer to carry through and that limited credit provision was due to justified prudence in lending.

The extent to which IFC's vastly expanding activities with private sector clients were actually a contribution to a pro-poor growth pattern was recently reviewed by IEG (IEG, 2011d). Over the 2000s, IFC's investment commitments increased 5-fold to almost USD 13 billion in FY10. IEG found that at the strategic level IFC's priorities were largely consistent with a poverty focus. IFC had increased commitments in IDA countries from 19% in 2001 to 31% in 2010, with India, Nigeria, Pakistan, and Vietnam taking the major share. The main expansion was in financial markets, while IFC also increased its activities in infrastructure, agribusiness, health and education. Activities in such sectors could in principle enhance opportunities for the poor. However, the poverty focus was not reflected at the project level. In a sample IEG found that less than 13% of projects had an explicit focus on poor people. The majority of investment projects studied 'generated satisfactory economic returns, but did not provide evidence of opportunities for the poor to participate, contribute to, or benefit from the economic activities that the projects supported'. Management responded by pointing to the fact that the majority of IFC's private sector clients do not have a poverty reduction objective. IFC has in recent years also put more emphasis on achieving broad-based growth and inclusiveness in its projects.

IEG's evaluation of the Bank group's activities in ICT found that the World Bank Group had played a catalytic role in spreading ICT in developing markets (IEG, 2011h). Over 2003–2010, the Bank Group had provided USD 4.2 billion in support of the ICT sector, of which 70% was to the poorest countries. In Africa it was the largest multilateral financier in telecommunications. IEG found that countries with Bank Group support for policy reform or for catalysing private investment increased competition and access to ICT faster than countries without such support. IFC telecommunications projects achieved strong results in IDA and conflict-affected countries, promoting broad access by backing often unknown entrepreneurs, some of whom subsequently became major mobile telephone operators. IEG noted that IFC's additionality was not so much its financial contribution, but in particular its perceived capacity to mitigate political and regulatory risks in the national telecom markets. Efforts to increase support beyond what was commercially viable (to particular underserved target groups) were largely unsuccessful and such programs were often superseded by the accelerating roll-out of private phone services.

IEG's 2008 evaluation of Doing Business presented a somewhat mixed picture of this annual World Bank-IFC report, which has become a flagship knowledge product. Doing Business (DB) ranks over 180 countries on the burden of business regulations, covering 11 dimensions. It measures indicators like procedures, time and cost to starting a business, licensing procedures, ease of hiring and firing employees, documents needed for imports and exports, property registration, tax rate on profits, construction permits, etc.

IEG found that the DB indicators have been highly effective in drawing attention to the burdens of business regulation (which was part of the investment climate improvement goal in the PSD-strategy). Many countries have reformed business regulations in line with these indicators. However, IEG noted that the indicators and the connected reforms may not capture the actual binding constraints in the investment climate. Important variables like cost of finance, quality of infrastructure, labour skills and corruption are not measured. IEG questioned the implication that less regulation (like in employing workers) is always desirable; this might be depending on the specific country situation. IEG also highlighted limitations in the methodology, which they argued should be more prominently and transparently presented.[106] In response to this criticism, the Doing Business website now provides more information about the limitations of the indicators.

Concluding summary

- The World Bank Group has a substantive strategy for supporting private sector development. It is, however, not possible to capture overall effectiveness (let alone impact) of lending for PSD based on available IEG evaluations.
- IFC's poverty focus has been strengthened at strategic level (like country focus and themes), but at project level this was not (yet) reflected, according to IEG.
- Evidence from specific evaluations presents a mixed record.
  - Privatization of poorly run government organisations showed very mixed results.
  - Massive lending for financial sector reform generally delivered the intended outputs, but positive impacts in terms of more stable and well-developed financial systems at country level were not yet found by IEG.
  - The World Bank Group played a catalytic role in expanding ICT in poorer countries.
  - The World Bank influenced a range of government conditions related to the investment climate, an area were also IFC is active, supported by several trust funds. Such activities led to overall improvements in investment climate indicators measured in the Doing Business reports.

Water

When the alarming Wapenhans report came out in 1992 (see Chapter 6), water was among the worst performing sectors within the Bank. How has the Bank's approach to the water sector changed over time? What does evaluation indicate about the more recent performance of the Bank in the water sector? And what is known about the water trust funds in which the Netherlands played an important role as funder?

World Bank policy

In 1993, the World Bank presented its first comprehensive strategy for the water sector (World Bank, 1993a). The strategy was prepared amidst NGO protests against the environmental and social impacts of large Bank funded dams and just after the 1992 Rio

[106] The Doing Business website now provides more information about the limitations of the indicators. See: http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB12-Chapters/About-Doing-Business.pdf

Summit that had raised awareness of growing water scarcity. The Bank's water supply and sanitation activities were not performing well. According to IEG, there was a division in the Bank between those who wanted to rely on privatization and market forces to improve service delivery in the water sector and those who preferred a broader approach. The strategy eventually accommodated both perspectives (IEG, 2002a). Promotion of private sector participation remained one of the objectives in the water policy of the Bank.

After the MDGs were agreed in 2000, achieving the water-related MDG targets became a key objective in the Bank's water activities.[107] A specific Bank strategy for water supply and sanitation was produced (World Bank, 2003a). The Bank would focus on four priorities in this sub-sector: reaching poor urban households; scaling up rural access, building on community-based approaches; improving the performance of operators ('transforming monolithic state-owned water companies into more responsive service delivery agencies'); managing water resources more effectively by tackling quality, pollution, waste management, etc.

Building on the previous comprehensive water strategy, the updated 2003 World Bank Group strategy for water resource management (World Bank, 2003b) stressed the importance of an integrated and multi-sector approach: all actions affecting drinking water, irrigation, hydropower, environmental water flows, habitats, groundwater supplies, etc. should preferably be managed in connection. Water-related activities were thus defined in a broad manner and covered a wide range of actions. New analytic instruments, such as Country Water Resources Assistance Strategies were developed to support a holistic engagement with client countries on water issues.

As part of the 2003 strategy, the Bank also aimed to reengage in hydropower projects.[108] In view of climate change, hydropower was expected to play a key role in a low carbon future, as a renewable energy source.

The strategic directions for the World Bank Group in FY10–13 (World Bank, 2010g) reconfirmed the broad vision and multiple themes of the previous water strategies. Specific focus areas include adaptation and mitigation in response to climate change (flood control, water and coastal zone management, hydropower, etc.) and agricultural water management in support of food security. Commitments of the WBG on water, led by IDA and IBRD, were projected to be between USD 21 and USD 25 billion over FY10-13.

107 Three of 18 targets under the Millennium Development Goals (MDGs) depend on expanded and improved water and sanitation services: Reducing by two-thirds, between 1990 and 2015, under-five mortality rates (Target 5); Halving by 2015 the proportion of people without sustainable access to an improved water source (Target 9); and Halving by 2015 the proportion of people without access to improved sanitation (Target 10 as amended in the Johannesburg Summit in August 2002). Under target 7B – 'Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss' – one of the indicators is: 'Proportion of total water resources used'.

108 Under pressure from environmental and social nongovernmental organizations, the Bank had in the mid-1990s backed away from major investments in dams for hydropower/water storage.

Implementation and performance
IEG's evaluation of the Bank's support in the water sector 1997-2007 was overall positive (IEG, 2010e). Performance of activities related to water had improved remarkably. The program was large, growing and integrated.

Almost a third (1864 in total) of all Bank projects approved or completed over the 1997-2007 period included at least one water-related activity. Water was found to be integrated in many other sectors. Financing directed to water activities totaled USD 54 billion over the period. Funding covered a broad range of activities, with a large number of projects (each over 200) in wastewater treatment, irrigation, urban water supply, rural water supply, groundwater, hydropower or dams, and watershed management. Over 140 countries engaged in water lending at some point during the evaluation period. The biggest number of projects was in Africa, but these mostly covered smaller amounts of lending. Just over 60% was borrowed by IBRD countries, the remainder by countries eligible for IDA. China was the largest borrower, accounting for 16 percent of water-related lending (more than double China's 7% share of total Bank lending over the period). India, Brazil, Indonesia and Vietnam completed the top-5. African countries in the top-10 borrowers for water were Tanzania and Uganda.

After 2002, IEG performance ratings in the water sector showed steady and substantial improvement over the full range of activities. By 2007, ratings for water activities were above the Bank-wide average of ¾ satisfactory. The highest scoring areas over 2002-07 were rural sanitation and sewerage, rural water supply, flood management and groundwater activities (all over 80%). The share of satisfactory outcome ratings for water projects in Africa increased from 57% in 1997-02 to 80% in 2003-07. However, recent development outcome ratings for water activities show a significant decline (IEG, 2012c). While 89% of 38 water projects completed over FY06-08 scored a satisfactory rating, only 65% of 31 water projects concluded in FY09-11 received a satisfactory score.

IEG found that Bank financing made a 'modest yet important' contribution to improving rural household's access to safe water, looking at completed rural water supply projects in 27 countries. Between 1 and 15 percent of the national rural population of these countries gained safe access to drinking water as a result of Bank financed activities (IEG, 2010e).

Sanitation proved to be a difficult area for the Bank. IEG found that many governments were reluctant to borrow for onsite sanitation. And despite partial subsidies, poor rural families were often not reached in projects for improved sanitation facilities. The construction of urban sewerage and wastewater treatment facilities was an area of expansion in Bank lending. Collection of urban wastewater became a critical issue in most developing countries. Most of these projects (2/3) were successful, but the willingness of households to pay for a house sewerage connection was sometimes overestimated.

IEG noted that the Bank had recently increased its financing of dam construction and rehabilitation. In many cases this was for multipurpose projects, combining hydropower, irrigation, and industrial use. Over three quarters of closed projects achieved satisfactory outcome ratings. Bank decisions were guided by the internationally accepted criteria developed in the late 1990s by the World Commission on Dams.

Public provision of water services remained the norm, despite Bank efforts to increase private sector involvement and investment in water. Where they did get involved, IEG found generally successful investments in infrastructure and better fee collection. International firms focused on larger cities and were practically absent in rural areas. Local small-scale private providers continued to play a large role in water supply to the poor in the cities of many developing countries.

Box 0.6 *Private sector in water services*

Already in 2003, IEG concluded 'that private sector participation has been effective in raising service coverage and quality. However, it had not been a panacea to the sector's problems. Bank assistance to the sector should consider solutions within the continuum between fully public and fully private provision, which are most suited to individual country circumstances, as both private and public approaches have been shown to produce good results if properly designed and supervised' (IEG, 2003b).

Over the whole evaluation period, Dutch trust funding facilitated a broad range of analytical activities within the Bank in support of ongoing and future water lending.[109] The Bank-Netherlands Water Partnership Program (BNWPP) was set up in 2000 to sponsor innovative approaches in integrated water resource management. The Netherlands provided funding via BNPP. In 2001 an additional trust fund window for water supply and sanitation was set up: the Bank-Netherlands Water Program in Supply and Sanitation (BNWP). In 2009 the two single-donor trust funds merged into a multi-donor trust fund called the Water Partnership Program (WPP). The UK and Denmark also became donors to this trust fund; the Netherlands continued to provide the major part of the USD 24 million budget for 2009-2012. In FY12, the WPP was supporting more than 40 percent of all Bank analytical work in water, allegedly influencing USD 11.5 billion in World Bank lending across 62 countries.

Initially, the Netherlands had no ambition to be closely involved in the supported analytical activities (Stek, Schulpen, & Jaspers, 2004; Fanceys & Iliyas, 2005). Dutch water specialists of the Ministry occasionally exchanged information with counterparts at the World Bank and sometimes involved water specialists at the Dutch embassies in water seminars at the Bank. As the 2004 evaluation puts it: 'the philosophy (...) was to provide major funding to the World Bank and to economize on activities carried out by the Ministry; the mood was one of strong reliance on the quality of the Bank.' The evaluators argued, however, that 'without close interaction with the Bank the benefits from each other's experience will not be enjoyed'.

[109] In addition to WPP (and its predecessors BNWPP and BNWP), the Netherlands provided substantial water-related trust fund support to the Nile Basin initiative and (via the general Bank Netherlands Partnership Program) to the Water and Sanitation Program (WSP). WSP is briefly analyzed in Annex 8.

This largely hands-off approach is less prominent now. The Ministry sees WPP as a possibility for brokering between World Bank water assistance and investments and Dutch private sector expertise (such as on remote sensing techniques and flood protection). Public-private collaboration is an important element of the next phase of WPP (2012-2016), for which the Netherlands has committed USD 25 million.

Box 0.7 *Providing access to water with output-based aid*

The Netherlands was one of the supporters of the Global Program on Output-Based Aid (GPOBA), contributing USD 28 million (10% of donor contributions FY04-12). GPOBA provides expertise on output-based aid (OBA) and funds OBA-activities. OBA ties the disbursement of public funds to the achievement by a private party of clearly specified results in access to basic services. OBA has often been used to promote access to basic water services to low-income populations. Generally, a portion of the output based payment is withheld until several months of service delivery to ensure the sustainability of the scheme. In Vietnam's Rural Water project for instance, 80% of the subsidy is disbursed upon realization of the connection and the remaining 20% after proof of six months of satisfactory service provision. GPOBA is currently being evaluated.

Concluding summary
- There were strong improvements in the performance of the Bank's water sector lending compared to the 1990s. However, water was also a prominent sector in the recent deterioration in projects outcome ratings of the Bank.
- Private sector involvement (and investment) in water services remained limited, despite Bank efforts. Sanitation proved to be a difficult area for Bank lending.
- Facilitating involvement of Dutch water expertise has recently become a more prominent goal of Dutch support to the Bank's water trust funds.

Harmonization & Alignment
The Netherlands has for many years called on the Bank to foster harmonization and alignment of donor activities at country level, by adapting its procedures and policies and by using its convening power. Harmonization (of donor actions) and alignment (of donor support to developing countries' strategies, institutions and procedures) are two of the five key principles that the international aid community agreed in the 2005 Paris Declaration on Aid Effectiveness. The purpose was to address aid fragmentation and reduce transaction costs of donor support to recipient governments.

What was the Bank's approach to donor coordination? Did the Bank play a pro-active and constructive role in harmonization and alignment at country level? What progress has the Bank made on these principles?

Bank policies
The Bank's involvement in donor coordination dates back to the 1980s and 1990s when it was chairing many Consultative Groups at partner country level. At the end of the 1990s, the Bank

launched the Comprehensive Development Framework that emphasized country-owned development strategies (based on PRSPs) to which all donors should jointly contribute. In the early 2000s, the Bank became fully involved in the international debates that called for more harmonization of donor practices and closer coordination as key elements for aid effectiveness.[110] At the same time, the MDGs started to function as a crystallization point for intensified donor coordination. New aid modalities, like budget support and sector wide approaches, became vehicles for increased collaboration at country level.

The role of the Bank in harmonization became a key issue in IDA-replenishment negotiations in the 2000s.[111] Donors like the Netherlands, called on the Bank to play a pro-active role in harmonization of donor practices and adapt its procedures and operations accordingly. Initially the focus was on harmonization among the multilateral development banks and the UN, but this was soon extended to donor activities at country level. The IDA13 agreement in 2002 called for progress in harmonization, highlighting aspects like procurement, financial management and environmental assessments. By 2004, the Bank's IDA documents referred to harmonization and alignment as a 'priority', describing the Bank as 'participant, facilitator and leader in these efforts' (IDA, 2004c).

IDA14 was agreed just days after the signing of the 2005 Paris Declaration on Aid Effectiveness and reflected the donor focus on harmonization and alignment of that period. The Bank took on to monitor key performance indicators on harmonization, including the percentage of IDA analytical work undertaken jointly with other donors and the percentage of IDA-financed activities using a joint policy framework. The CAS was to function as a key document for analysing and harmonizing donor activities. Also the Bank started monitoring its own implementation of the (12) internationally agreed Paris Declaration indicators (World Bank, 2006; IDA, 2007e).

The IDA15 replenishment in 2008 reconfirmed IDA's role in promoting harmonization and alignment 'not only for its own activities but for the development community as a whole' (World Bank, 2008d). It also referred, as in previous IDA-agreements, to decentralization of staff and decision-making authority to country offices as 'critical to IDA's platform role (...) and to advancing progress on harmonization and alignment'. The donors requested the Bank to provide specific indicators for further progress in decentralization, in particular regarding Africa.

The IDA16 replenishment agreement of 2011 pays much less attention to the issue, which may indicate previous achievements as well as some measure of 'harmonization fatigue'.

[110] The 2002 Monterrey conference on financing for development, the 2003 Rome high-level forum and the 2005 Paris high level meeting all emphasized the importance of harmonization and alignment for improved aid effectiveness.

[111] The debate about donor harmonization has logically focused on the poorest developing countries (and therefore IDA-eligible countries), where official development assistance is more significant in relation to national budgets and where generally more donors are active.

Progress of Bank efforts in Harmonization and Alignment
A 2011 IEG evaluation concludes that the World Bank made good progress in harmonization but uneven progress in alignment in low income countries (IEG, 2011i). In some areas there were valid reasons for weaker progress, according to IEG.

IEG found that the Bank has in particular made progress in coordinating its lending with other donors. Coordinating mechanisms between donors that evolved around joint budget support turned out to be the most important ones. Field presence, in particular in sectors where the Bank was leading coordination efforts, was confirmed in the IEG-survey as a key factor for effective coordination.

IEG identified that most IDA credits (in their selection of 3 sectors and 9 low-income countries) were coordinated with other donors in some form or another: over 90% in Health, Nutrition and Population (HNP) and Transport, and two thirds of Education credits. In about half of the credits for HNP and Education over the period FY05-09 this was in support of a Sector Wide Approach (SWAp). By contrast, only 20% of credits in the transport sector supported a SWAp (IEG, 2011i). Where Bank funding did not feed into a SWAp, most lending was coordinated with other donors through some kind of joint or parallel financing.
Also in the Bank's analytical work and technical assistance the share of joint products increased dramatically: from zero in the early 2000s to over half in the second part of the decade.

Alignment gave a mixed picture, according to IEG. Alignment of CASs with national poverty reduction strategies was found to be good. Progress was also made in using country structures for implementation of projects and avoiding parallel implementation structures. However, little progress was made in using country financial management or procurement systems: IEG found no sustained increase in such use over the evaluation period. IEG refers to three factors: the Bank's stringent fiduciary obligations, weak country systems and low country capacity. Bank support for building country capacity did not result in sustained improvements, according to IEG (one factor being low civil service salaries that made skilled staff move to private sector and development agencies).

IEG refers to several constraints regarding progress in harmonization and alignment. IEG found that the transaction costs of establishing fully *joint country strategies* were high (for all involved), with limited benefits. Different programming cycles and priorities made the pursued of such overall strategies difficult, while also weak government leadership contributed to limited results. IEG concludes that coordinated (but not joint) country strategies are preferable.

IEG notes that there are also external limits to coordination: some recipient governments do not want to have partners coordinating their provision of aid, in order to maintain different options and avoid the risk of donors 'ganging up', for instance on conditions for aid. IEG finds similar mechanisms related to the Bank's record on selectivity. 'Selectivity' refers to the extent to which the Bank worked towards a better division of labour and to complementarity with other donors in terms of sectors and activities. IEG found that the Bank made little progress on selectivity. And it made less progress than other donors; in particular EU-donors limited their areas of involvement, according to IEG. However, IEG also found that the views of the need for the Bank to be more selective were mixed: in particular client governments were not particularly keen to see the Bank be more selective. And also other donors did not always want the Bank to be more selective because of the expertise and fiduciary oversight the Bank's involvement would bring.

Perceptions among donors and recipient governments recorded in IEG's survey varied on how positive and constructive the overall role of the Bank was in harmonization and alignment. By virtue of its technical expertise and sizeable resources, the Bank has in many instances assumed the leadership role of coordinating donors, in particular in countries with joint budget support or SWAps.[112] Generally, this role was seen as important and it was appreciated, according to IEG.

However, IEG also found criticism, in particular from the donor side, captured in responses like 'The Bank sees harmonization as agreeing with them' and 'The Bank does not listen to or consult with other development partners, is inflexible, and is not willing to accommodate the needs of the government and donors'. Similar criticism is voiced in a recent UK assessment of IDA, which describes partnership behaviour as 'the weakest aspect of Bank performance' (DFID, 2011b).

In interviews with IOB, Dutch officials working with the Bank at country level also frequently noted a one-sided approach on the Bank's part to collaboration and coordination: joining up with the Bank was warmly welcomed, while harmonizing Bank work towards other donors' approaches was generally not considered an option for the Bank. The strict working methods of the Bank may be part of the explanation.

Perception research on the Bank's performance for MOPAN 2009 identified 'inadequate' use of country systems and limited adjustment of procedures as an area of concern for both clients and donors at the country level (MOPAN, 2010). The MOPAN 2012 report is more positive on the Bank's record in these areas, which suggests recent progress (MOPAN, 2012).

Concluding summary

- The Bank made progress on alignment to country poverty reduction strategies, on improved (sector) coordination with other donors, and extended use of local implementation structures.
- However, the use of client country financial and procurement systems appears to run against the limits of the Bank's strict fiduciary requirements.
- Selectivity (related to a more optimal division of labour among donors) is apparently not considered a priority, not by the Bank nor by its clients.
- Harmonizing towards other donors' approaches is often not seen as a possibility for the Bank at country level.

[112] IDA is in low-income countries typically one of the top-3 donors (proving around 15-20% of total aid), while total aid (ODA) is about 8-10% of GDP (IEG, 2011i, p. 15).

Annex 7 Review of NIPP financed programs

Dutch NIPP funding has been allocated to various multi-donor facilities within the Advisory Services (AS) business lines. Between FY06-FY11 five of such programs, receiving 53% of NIPP funding, featured recent evaluations that were selected by IOB for further analysis (see Table 0.2).[113]

Objectives of the programs

The studied programs are structured around AS business lines which offer technical assistance 'products' that largely maintain the same design over countries and differ primarily on the subject of engagement, e.g. business regulation, trade logistics, addressing climate change, or leveraging labour and social assets. PEP Africa, CASA and PENSA are multi-donor regional AS facilities that execute activities across multiple business lines, whereas SBI and FIAS are multi-donor global facilities. SBI (Environmental and Social Sustainability) serves as a testing ground within IFC and aims to develop and demonstrate the viability of new products, business models and instruments that engage the private sector in the delivery of environmental and social benefits. FIAS offers advisory services on a range of investment climate issues intended to reduce barriers for private investment, with an emphasis on regulatory simplifications and investment generation. CASA was initiated by PEP Africa in response to the growing focus on private sector development in conflict-affected countries. Unlike the other programs, CASA serves as a facilitation mechanism and does not directly implement advisory programs.

113 IOB received a list of programs from IFC that had received more than USD 5 million in Dutch funding during the evaluation period (2002-2011). Programs with post-2008 external evaluations were included for further study.

Table 0.2 Overview of selected IFC AS programs

Program	Mission	Total NIPP contribution (2002-11)[114]	Evaluation	Period under review
Sustainability Business Innovator (SBI)	To improve people's lives through innovative solutions to global and local environmental and social problems.	USD 23 million	(Nexus, 2011a)	2006-2009
Private Enterprise Partnership Program for Africa (PEP Africa)	Enhancing private sector development in Sub-Saharan Africa.	USD 16 million	(Ernst & Young, 2011)	2005-2010
Conflict Affected States in Africa (CASA)	To support economic recovery in conflict affected countries.	USD 10 million	(Dalberg, 2012)	2008-2011
Program for Eastern Indonesia Small and Medium Enterprise Assistance (PENSA)	To promote the growth of a viable small and medium enterprise (SME) sector that will generate sustainable employment and economic growth in Eastern Indonesia, thereby contributing to poverty alleviation and social stability.	USD 9 million	(Nexus, 2008)	2003-2008
Foreign Investment Advisory Service (FIAS)	To help countries improve their business environments, thereby increasing private sector activity and investments with positive development impact.	USD 9 million	(Nexus, 2011b) (Nexus, 2012)	2007-2011

Sources: IFC Partnerships and Advisory Services Operations and (Nexus, 2008; Nexus, 2011a; Ernst & Young, 2011; Nexus, 2011b; Nexus, 2012; Dalberg, 2012)

Characteristics of the evaluations

The evaluations were largely similar with respect to the methodologies applied. All selected evaluations were performed by independent consultants between 2008 and 2012. They consist of mid-term reviews (2/5) or end of cycle evaluations (3/5) and applied a mixed methods methodology (5/5). Qualitative methods included interviews with various stakeholders (5/5), desk reviews of project documents (5/5) and in-depth country case

[114] As total donor contributions were not provided by IFC the Dutch share of total contributions could not be calculated. The figures also include allocations to preceding programs such as CES for SBI, Africa Project Development Facility (APDF) for PEP Africa and PENSA I, II, and III plus NIPP funded standalone projects in Indonesia. NIPP funding was intensified in 2008 to accommodate amongst others additional funding for CASA. This was not included in the NIPP funding overview provided to IOB by IFC's Partnerships and Advisory Services Operations and could not be included in the percentages mentioned. However, it was added to the selection as it constituted a considerable share of the Dutch IFC contributions and a 2012 evaluation was available.

studies (3/5). Quantitative methods consisted of financial portfolio analyses (5/5), the review of project level data captured by the M&E system (5/5), and online questionnaires with stakeholders (2/5) including program employees, donors, experts and in some cases beneficiaries. None of the evaluations featured an experimental research design (i.e. no counterfactual analysis) and they did not establish cost-effectiveness or measure net-effects. Where IFC's AS M&E system had been implemented and validated by M&E staff (SBI, PEP-Africa, and FIAS), insightful results data were captured. These results should be treated with caution, as instances of unsatisfactory data quality were reported and it was not clear to what extent PCRs data used had been validated by IEG.

Table 0.3 Characteristics of the evaluations of selected IFC AS programs

Name	Evaluation date	Independence	Qualitative	Interviews	Desk review	Country visits	Quantitative	Portfolio analysis	Internal M&E data	Survey (stakeholders)	Survey (beneficiaries	Baseline	Experimental (counterfactual)
SBI	2011	External - Mid-term review	X	X	X		X	X	X	X			
PEP Africa	2011	External - End of cycle	X	X	X		X	X	X				
CASA	2012	External - Mid-term review	X	X	X	X	X	X	X	X			
PENSA	2008	External - End of cycle	X	X	X	X	X	X	X				
FIAS	2011, 2012	External - End of cycle	X	X	X	X	X	X	X				

Assessment of program performance

All evaluations assessed programs against standard evaluation criteria. When studying these assessments, program relevance (5/5) and output achievement (4/5) were found to be positive, efficacy (3/5), outcomes/impact (3/4) and efficiency (4/5) featured mixed findings, while program sustainability (2/5) received the most negative assessments (Table 0.4). There are evident shortcomings to this depiction of the assessments as evaluations applied differing definitions for the evaluation criteria and IOB followed the definitions used by the evaluators. In addition, in view of the absence of rigorous evaluation designs, the validity of these scores is dependent on the subjective assessments of the evaluators and the interpretation of those assessments by IOB and might be flawed. Even where scores were triangulated by comparing them with ratings contained in IFC's M&E system (SBI, FIAS, and CASA), these findings should be regarded as illustrative only.

Table 0.4 Assessment of program performance presented in evaluations[115]						
Program	**Outputs**	**Outcomes / Impacts**	**Relevance**	**Efficacy**	**Efficiency**	**Sustainability**
SBI	+	-/+	+	-/+	-/+	+
PEP Africa	+	+	+	+	-/+	-
CASA	+	N/A	+	-/+	-/+	-
PENSA	+/-	-/+	+	-/+	-/+	-/+
FIAS	+	-/+	+	+	-	-/+

Evaluated programs were found to be largely relevant, though differing definitions of relevance were applied. SBI, for instance, was reported to have scored high on strategic relevance in the sense that projects were consistent with the goals of the SBI Division and aligned with ESS core issues and the interests of donors. The strategy for PEP Africa was deemed valid and aligned to IFC regional and global strategies, the wider donor community, beneficiaries as well as in view of the aim of integrating investment and AS activities. CASA was depicted as highly relevant, based on industry best practices and aligned with client needs with clear additionality in terms of the flexibility of funding which was crucial in enabling projects that would not have launched otherwise. PENSA was deemed to be fully consistent with its mandate, the government of Indonesia's development strategy and major policy issues/sectors. Finally, FIAS's product mix was aligned with the offering of its business line, allocated largely (70%) to IDA, post-conflict and frontier countries (23% SSA), projects included as case studies were relevant and the literature review performed indicated that the types of reforms supported generally had a positive impact on investment, employment and economic growth.

Findings on efficiency were more mixed and could not be conclusive as the evaluations excluded cost-effectiveness analyses. SBI was noted to have had reasonable expenditures considering the scope of the work, though project planning and execution could benefit from greater attention as a considerable number of projects had problems in keeping to initial schedules and approved budgets. The evaluators found PEP Africa's general costs to be consistent with IFC benchmarks, while the project hierarchy and matrix reporting structure appeared to limit accountability for project delivery. CASA reportedly operated efficiently as is achieved or surpassed most of its targets well within their timeframe using 60% of its budget, while support functions such as finance and M&E had been weak. The

115 Legend: + = evaluators provide a positive assessment, -/+ = evaluators provide a mixed assessment, - = evaluations provide a negative assessment. These scores have been derived by IOB from the evaluations and are therefore somewhat subjective. In assigning a score IOB followed the judgment of the various external evaluator's. Scores thus do not reflect an assessment by IOB but are based upon the findings as presented and defined in the evaluations studied. As counterfactual, attribution and cost-effectiveness analyses were absent from the evaluations, these findings should be regarded as indicative only. Nonetheless, IFC's AS M&E system does collect valuable information on results based on self-assessments that are validated by the M&E unit and includes clear (mandatory standardized) indicators and often baselines. The mid-term reviews and older evaluation (PENSA) are less specific about the results obtained than the end of cycle evaluations.

evaluators estimated that while some of PENSA's projects yielded a good return, others had not generated benefits commensurate with the costs and overall administrative costs needed to be reduced. Finally, efficiency of FIAS was rated as satisfactory or higher by the M&E department in just over half of projects.

Least detailed assessments were provided of sustainability, but it featured some of the most critical findings. SBI was deemed successful in transferring products, such as sustainable energy financing, community investment and sustainability strategies to other parts of IFC. Sustainability of PEP-Africa's activities was mentioned a key risk as projects did not have exit strategies in place and only a few provided consideration of a handover period. CASA was found helpful on a case by case basis but not translating its lessons learned into the institutional transformations needed to ensure long term impact. And while some of PENSA's interventions were found to have had a lasting impact, others ended with nothing left behind. FIAS country cases identified projects that were weak in securing upfront commitment of government clients to reforms, sequencing activities and establishing plans for replication.

As indicated, the evaluations largely presented mixed findings for efficacy, output, outcomes/impacts, or overall results achieved. As all programs studied had been financed by multiple donors (including IFC) results reported have been only partially financed by NIPP. Even though Dutch contributions to IFC AS became less prominent when IFC and other donors expanded their support for IFC AS, the Netherlands remained a relatively large donor to some programs. The Netherlands was for instance the third largest donor to SBI (16% of FY07-FY09 contributions), the second largest donor (after IFC) to PEP-Africa and the largest donor to CASA (over 50% of core funding).

Achievements of the programs

Identified results achieved through programs supported by NIPP include:

SBI: The SBI division undertook roughly 200 projects in six practice areas; biodiversity, cleaner technology, social responsibility, sustainable energy, sustainable investing and women in business, the success of which was mixed. A range of impacts was derived from IFC's M&E system on SBI financed activities, which included contributing to an estimated: 30 thousand jobs, 6 million hectares of sustainably managed land, 40 million MWh energy use avoided, facilitating USD 1.2 billion of financing and generating USD 290 million in sales revenue. An assessment of selected projects concluded that some generated environmental and social benefits. In cases with less success this stemmed from inadequate planning, unrealistic expectations and/or inadequate follow-up. It was stated that while some failure is to be expected given the nature of SBI projects, more could have been done to increase the likelihood of success.

PEP-Africa: The evaluation reported concrete results achieved by NIPP financed activities derived from IFC's M&E system, including the generation of 78 thousand jobs, USD 301 million in sales revenue generated and an aggregated 80 million in private sector savings as a result of recommended changes. As most activities were still active at the time of the evaluation, it was not yet possible to determine whether PEP Africa would meet all its targets, though the evaluators believed that the program was on track.

CASA: Project support helped generate more AS projects in fragile and conflict affected states while sustaining the quality of existing projects. Funding flexibility allowed disbursements to be made quickly to accommodate small windows of opportunity. As a facilitation mechanism, CASA is indirectly responsible for project performance and intentionally excludes results achieved to avoid duplicate reporting. There subsequently is no systematic way of synthesizing performance of CASA-funded projects and timely, comprehensive reporting is challenging.

PENSA: At the time the program was evaluated the AS M&E system had not been implemented and limited quantitative data was available. Yet, the evaluators managed to provide insights into results obtained through some case studies. Based on this they conclude that there was clear evidence that the income of some farmers and small business increased as a result of projects undertaken by PENSA, though impacts tended to be concentrated among a relatively small number of beneficiaries. However, there were also projects that showed no discernible impact and those that ended with nothing left behind.

FIAS: Data provided by FIAS shows that 215 higher-level reforms were achieved in FY08-FY11, which included effective changes to primary and secondary legislation; changes to administrative procedures or institutional changes that resulted in a reduction of at least 10% in the time, cost, or number of procedures; and institutional or administrative improvements to investment promotion agencies that resulted in an increase in foreign direct investment in the industries targeted by the projects. As such, FIAS has yielded results in line with its objectives of contributing to 400 results with almost 200 captured by Doing Business.

Annex 8 Review of Global and Regional Partnership Programs

IOB reviewed recent evaluations of a selection of global and regional MDTFs to which the Netherlands contributed. The cases were purposefully selected from a sampling frame based on an analysis of Dutch MDTF World Bank contributions (2000-2011) captured in World Bank Client Connection (accessed May 2012). FIFs were excluded from the sample (as well as country-specific trust funds). Further selection criteria included financial size of the Dutch contribution (more than USD 2.5 million) and availability of a post-2008 independent evaluation. This led to the selection of 11 GRPPs with recent evaluations.

The two largest – FTI and MDRP – were analysed separately (see chapter 9).The other nine GRPPs were further analysed on a number of criteria.

Objectives of the programs
The evaluations described the following program activities and objectives:

Energy Sector Management Assistance Program (ESMAP): Global expertise centre with three core functions: think tank, knowledge clearinghouse, and operational leveraging, all aimed at helping client countries make better informed choices, enhance capacity, and adopt cutting-edge solutions with regard to the three global challenges ESMAP aims to address: (i) energy security; (ii) energy poverty, and; (iii) clean energy. Activities include producing high-quality, independent studies, tools, and assessments, while engaging clients in targeted training and knowledge exchange.

Financial Sector Reform and Strengthening Initiative (FIRST): Technical assistance facility that provides grants to client countries, multi-country initiatives, regional institutions, and international standard setting bodies. It finances short- and medium term TA, training, conferences, and study tours that can help strengthen financial systems in client countries. The initiative helps fund follow up to joint Bank IMF financial sector assessments. Crisis related grants intend to help financial sector supervisors and regulators recognize early warning signs and to manage systemic financial crises – whether from exogenous shocks or internal reasons – in their countries.

Forest Carbon Partnership Facility (FCPF): Assists capacity building for REDD (Reducing Emissions from Deforestation and Forest Degradation) in developing countries. Partnership consists of REDD countries, financial contributors and observers. There are two funds: (i) the Readiness Fund which is meant for supporting capacity building efforts of developing countries to prepare for REDD-plus, and; (ii) the Carbon Fund through which in some of the REDD participant countries the FCPF will help reduce the rate of deforestation and forest degradation.[116] Activities include establishing monitoring reporting and verification systems,

[116] By providing an incentive per ton of carbon dioxide of emissions reduced through specific Emission Reductions Programs targeting the drivers of deforestation and forest degradation.

reference levels, adopting a REDD strategy and setting up implementation framework for REDD and coordination at the national level.

Table 0.5 Overview of selected Dutch funded World Bank MDTFs.[117]

Name	Full name	Mission
FTI	Education for All Fast Track Initiative	To accelerate progress towards quality universal primary education.
MDRP	Multi Country Demobilization and Reintegration Program	Support the transition to peace and stability throughout the Great Lakes Region.
ESMAP	Energy Sector Management Assistance Program	To reduce poverty and promote environmentally sustainable development by enhancing client capacity on the design and execution of energy policies and programs.
FIRST	Financial Sector Reform and Strengthening Initiative	Support growth and poverty reduction in low- and middle-income countries by promoting stable, deep and diverse financial sectors.
FCPF	Forest Carbon Partnership Facility	Testing and piloting activities for the reduction of emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries (known as REDD-plus) to reduce emissions from deforestation in developing countries.
WSP	Water and Sanitation Program	To support poverty reduction by helping countries and their people achieve sustained access to water, sanitation and safe hygiene services.
PPIAF	Public-Private Infrastructure Advisory Facility	To help eliminate poverty and achieve sustainable development in developing countries by facilitating private sector involvement in infrastructure.
GFDRR	Global Facility for Disaster Reduction and Recovery	To mainstream disaster reduction and climate change adaptation in country development strategies to reduce vulnerabilities to natural hazards.
TFSCB	Trust Fund for Statistical Capacity Building	To build up and strengthen the capacity of statistical systems of developing countries.
CGAP	Consultative Group to Assist the Poor	To advance financial access for the poor.
CA	Cities Alliance	Cities without slums.

Sources: World Bank Client Connection (accessed May 2012) and (CEPA, 2009) (Universalia, 2009) (Scanteam, 2010) (Universalia, 2010) (Cambridge Education, Mokoro, Oxford Policy Management, 2010) (Snorrason, Flatt, & Jensen, 2010) (Baastel and Nordeco, 2011) (Effron, Elliott, & Fostvedt, 2011) (COWI, 2012) (Ayani and Universalia, 2012) (Baastel, 2012).

117 Legend: * N/A indicates that the program was still in operation in 2012. ** The table does not include BNPP pass-through account or previous SDTF contributions, e.g. to WSP.

Table 0.5 Overview of selected Dutch funded World Bank MDTFs. (vervolg)				
Start	**End***	**NL MDTF contribution** 2000-2011**	**NL % of total**	**Period under review**
2002	N/A	USD 449 million	23%	2002-09
2002	2009	USD 126 million	50%	2002-09
1983	N/A	USD 48 million	53%	2007-12
2002	N/A	USD 19 million	22%	2007-12
2008	N/A	USD 13 million	9%	2008-10
1979	N/A	USD 12 million	11%	2005-08
1999	N/A	USD 9 million	7%	2005-09
2006	N/A	USD 9 million	4%	2007-09
2000	N/A	USD 6 million	17%	2000-10
1995	N/A	USD 6 million	8%	2008-11
1999	N/A	USD 4 million	5%	1999-12

Water and Sanitation Program (WSP): The program delivers programming through field-based staff providing technical advice and services to clients. Objectives are to: (i) help countries improve policies and strategies and undertake institutional reform; (ii) strengthen investment programs and projects of its clients and partners; and; (iii) generate, validate and communicate innovative water supply and sanitation solutions. By 2009 water, sanitation, and hygiene each represented about one-third of the portfolio of projects.

Public-Private Infrastructure Advisory Facility (PPIAF): Multi-donor grant based facility provides (a) technical assistance to developing country governments (at national, regional or sub-national level) to promote private sector participation in infrastructure; and (b) dissemination and promotion of relevant best practice. In its early years, PPIAF focused almost exclusively on promoting the private sector's role in infrastructure development, mainly through improving different aspects of the enabling environment. In 2007, the Sub-National Technical Assistance (SNTA) facility was established as a non-core fund of PPIAF to cover sub-sovereign infrastructure and commercially oriented state owned enterprises. It softens the PPIAF stance to a focus on sustainable rather than private infrastructure.

Global Facility for Disaster Reduction and Recovery (GFDRR): Supports efforts of vulnerable developing countries to include reducing and preventing disaster risks as an integral dimension of their national poverty reduction and sustainable development strategies. The GFDRR provides technical and financial assistance to foster and strengthen global and regional cooperation to leverage country systems and programs in disaster reduction and recovery. Operations aim for both ex-ante support to vulnerable developing countries and ex-post assistance for sustainable recovery and risk reduction in post-disaster situations.

Trust Fund for Statistical Capacity Building (TFSCB): Provides grants for projects aimed at capacity building in official statistics. It aims to lay the groundwork for statistical capacity building in developing countries by designing a national strategy for the development of statistics.

Consultative Group to Assist the Poor (CGAP): CGAP is an independent policy and research centre that provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors and investors. CGAP's roles and comparative advantages have evolved over time.[118]

Cities Alliance (CA): Partnership focusing on the growth of slums and the management of cities where slum growth is taking place. CA is changing from being a demand-led project granting mechanism for (typically) stand-alone projects in the area of City Development

118 In earlier periods, it was an active funder, a developer of technical tools, a trainer and a technical assistance provider. Over time, other roles have become more dominant; serving as an objective convening platform, a knowledge resource center and disseminator, a body relied on to develop standards and guidelines and advocate for change as well as an entity that experiments in new technologies and methodologies that help reach poorer and remote clients.

Strategies and slum upgrading activities, towards being a partner in a longer term perspective in specific countries and for global knowledge and advocacy.

Characteristics of the evaluations

Program evaluations were relatively similar with respect to methodologies applied. Selected evaluations were performed by independent consultants between 2009 and 2012. They consist of mid-term reviews (3/9) and end of cycle evaluations (6/9) and applied a mixed methods methodology (9/9). Qualitative methods included interviews with various stakeholders (9/9), desk reviews of project documents (9/9) and country case studies (8/9). Quantitative methods consisted of financial portfolio analyses (9/9), the review of project level data captured by the M&E system (4/9), and online questionnaires with stakeholders (6/9). None of the evaluations featured an experimental research design (i.e. no counterfactual analysis), established cost-effectiveness or measured net-effects.

Table 0.6 Characteristics of selected GRPP evaluations

Program	Evaluation date	Independence	Qualitative	Interviews	Desk review	Country visits	Quantitative	Portfolio analysis	Internal M&E data	Survey (stakeholders)	Impact survey	Baseline	Experimental (counterfactual)	Cost-effectiveness
ESMAP	2012	External - End of cycle	X	X	X	X	X	X	X	X				
FIRST	2011	External - End of cycle	X	X	X	X	X	X	X	X				
FCPF	2011	External - Mid-term review	X	X	X	X	X	X		X				
WSP	2009	External - End of cycle	X	X	X	X	X	X						
PPIAF	2009	External - End of cycle	X	X	X	X	X	X	X	X				
GFDRR	2010	External - Mid-term review	X	X	X	X	X	X						
TFSCB	2010	External - End of cycle	X	X	X	X	X	X		X				
CGAP	2012	External - Mid-term review	X	X	X	X	X	X	X	X				
CA	2012	External - End of cycle	X	X	X		X	X						

M&E systems of the programs

Though individual GRPPs are developing a positive culture of evaluation, many were found by IEG to continue to regard period evaluations as a substitute for putting adequate M&E systems in place to track program outputs and outcomes (IEG, 2011). Indeed, the selected programs had devised their own M&E systems, most often characterized as largely being work in progress with variable data quality.

Table 0.7 Quality of M&E systems presented in evaluations of selected GRPPs

Program	M&E system	Data quality	Direction
ESMAP	Work in progress	Unsatisfactory	Improving
FIRST	Work in progress	Unsatisfactory	Improving
FCPF	Not fully implemented	N/A	There is a draft M&E framework
WSP	Work in progress	Unsatisfactory	Improving
PPIAF	Implemented	Satisfactory	Good, capture of outcomes needs strengthening
GFDRR	Not fully implemented	Unsatisfactory	Evolving
TFSCB	Grant Reporting and Monitoring	Not externally validated, unsatisfactory	unknown
CGAP	Implemented	Satisfactory	Needs to aggregate results
CA	Work in progress	Unsatisfactory	Improving (but still key area of concern)

Assessment of program performance

The evaluations provided assessments of the programs against standard evaluation criteria. In line with IEG's findings (IEG, 2011b), objectives of the studied GRPPs were mostly found to be relevant, in terms of addressing important global or regional issues. Most programs also received positive assessments for outputs attained (7/9), leading some evaluations to provided positive indications for efficacy (6/9). Though outcome or impact attainment and cost-effectiveness were not measured in any of the evaluations, evaluators provided positive or mixed assessments for perceived outcome/impact attainment (5/6) and efficiency (8/9). Half of the programs received negative assessments for the sustainability of the program (4/8).

Please note that there can be flaws with this depiction of program performance as the validity of the scores is dependent on the subjective assessments of the evaluators and the interpretation of those assessments by IOB.

Table 0.8 Assessment of program performance presented in evaluations						
Program	Outputs	Outcomes / Impacts	Relevance	Efficacy	Efficiency	Sustainability
ESMAP	+	-/+	+	+	-/+	-
FIRST	-/+	-	-/+	-/+	-/+	-
FCPF	+	N/A	-/+	+	-/+	N/A
WSP	+	-/+	+	+	+	-/+
PPIAF	-/+	-/+	+	-/+	+	-/+
GFDRR	+	N/A	+	+	-	-/+
TFSCB	+	-/+	+	-/+	+	-
CGAP	+	+	+	+	-/+	-/+
CA	+	N/A	+	+	-/+	-

Source: (CEPA, 2009) (Universalia, 2009) (Scanteam, 2010) (Universalia, 2010) (Cambridge Education, Mokoro, Oxford Policy Management, 2010) (Snorrason, Flatt, & Jensen, 2010) (Baastel and Nordeco, 2011) (Effron, Elliott, & Fostvedt, 2011) (COWI, 2012) (Ayani and Universalia, 2012) (Baastel, 2012).

Achievements of the programs

In the absence of robust M&E frameworks, systematic evidence relating to the achievement of the programs' objectives at the outcome level is scarce. However, almost all evaluations point to some achievements of the programs:

ESMAP: The program is generally valued as a source of best practice and seen as a solid clearinghouse for research/analytical work in the energy sector. ESMAP has been successful in cultivating its think tank role by supporting high-quality research and publications that have been timely and relevant, especially to developing country governments, though there is more work to be done in terms of visibility, outreach, dissemination, and knowledge exchange. ESMAP has largely exhibited flexibility to design, executed activities effectively and has achieved relatively strong success in terms of meeting objectives for its three main high-level objectives for client countries: (i) better informed policy making (72%); (ii) enhanced client capacity (59%), and; (iii) adoption of cutting edge solutions (64%). Although it was found difficult to measure the specific impacts and the actual contribution of ESMAP activities to those impacts, the level of effort is seen as appropriate and good value, with most significant development impact noted for increased energy security. ESMAP's perceived main comparative advantages were its: (i) link with the World Bank facilitating access to loans and expertise, with ESMAP products often preceding Bank investments; (ii) capacity as a global program to conduct sector studies and benchmarks, building on its technical expertise; and (iii) timely and quality response capacity.

119 Legend: + = evaluators provide a positive assessment, -/+ = evaluators provide a mixed assessment, - = evaluations provide a negative assessment. Scores have been derived by IOB from the evaluations and should be regarded as illustrative. In assigning a score IOB followed the judgment of the external evaluator's. Scores thus do not reflect an assessment by IOB but are based upon the findings as presented and defined in the evaluations studied.

FIRST: As FIRST primarily financed consultants, it can ultimately be only as good as the quality of consultants, which was identified as one of the strongest dimension of its grants. A consequence of this model of funding short-term TA in response to client demand is that FIRST grants reportedly did not form a coherent program. In client surveys 80% of respondents reported that projects produced all of the expected deliverables. In Colombia, for example, a crisis preparedness grant produced a detailed and practical report that included alternatives for bank resolution, deposit insurance and dealing with financial conglomerates, cost estimates of different bank resolution approaches and staff training on a financial projection model. In Liberia, deliverables exceeded what had been planned (a roadmap for the development of a financial sector strategy), with the on-demand memorandum on the establishment of a Credit Reference Bureau and a Draft Credit Reporting Bill, delivered to the Central Bank of Liberia. Progressing from outputs to outcomes was less successful. Only about one quarter of the completed grants fully achieved their objectives and some 30% did not achieve expected outcomes at all. Grants in Morocco and Guatemala funded crisis simulation exercises identifying weaknesses that were addressed with subsequent FIRST funding. Grant specific outcomes, even when fully achieved, were not quantified in terms of financial sector indicators. A key finding of the evaluation was the almost universal need for follow-up ad additional support, while there was considerable uncertainty in many situations whether that would occur. The evaluation does provide the example of an innovative FIRST grant to Peru that led to the development of an investment scheme enabling improved access to financing for micro and small enterprises, which was implemented with private funding from a Peruvian development bank and won an award and financial backing from the G20.

FCPF: In the first two years of operations FCPF focused on assisting countries in planning the steps towards REDD-plus readiness, and demonstrated an ability to raise in-country awareness, understanding, capacity and skills around REDD-plus issues. Outcomes and impacts could not be assessed due to the early stage of the program, though overall program quality was reportedly evolving rapidly, moving from an initial planning phase into more substantive technical discussions. As of March 2011, 19 countries had prepared Readiness Preparation proposals and subsequent Readiness Preparation grants for the Democratic Republic of Congo and Nepal were signed. This was to a large extent a result of the leadership provided by FCPF in the development of common guidance notes and templates for national readiness planning. There has been an effort to increase complementarity and reduce overlap of FCPF with similar REDD-pus initiatives, such as UN-REDD, with varying levels of success.

WSP: It is meeting its objectives in the areas of policy influence, knowledge generation/ management, improved investments, and enhanced sector coordination. Examples illustrate the support and leveraging function that WSP plays in relation to large donors, such as the World Bank, in terms of infrastructure investments. Other results include increasing coverage/extending services to underserved or vulnerable populations, adopting innovative approaches, and improving policy implementation at the levels of sub-national government. WSP also played the role of convener and facilitator in support of sector coordination in water and sanitation in most of the countries reviewed. The Program's partnerships with selected donors, NGOs, and other organizations in the sector have been effective and have enhanced its overall performance. WSP's three global projects – Hand washing with Soap (HWWS), Total Sanitation and Sanitation Marketing (TSSM), and the Domestic Private Sector Participation (DPSP) Initiative – provided new mechanisms for supporting country results and expanding WSP's global reach and were a positive addition to the WSP product mix. In some cases results were limited by insufficient support for capacity development, lack of follow-up to support use of knowledge products.

PPIAF: The program has performed relatively well in the context of its mandate to develop the enabling environment for private participation in infrastructure in developing countries. PPIAF activities generally produced defined outputs, such as reports or training materials used in workshops. An internal review concluded that of the 379 activities examined 243 activities (representing 84% of funding) at least one outcome in terms of laws passed, strategies adopted, institutions established or transactions facilitated. In Vietnam PPIAF was found to have made a substantial contribution to the reform and restructuring of infrastructure sectors like electricity, transport and water supply. While the advice provided appeared to be valued and acted upon, translating this to infrastructure on the ground was found to be essentially work-in-progress with quite a difference in the speed and capacity to implement reforms. In Kenya and Uganda, for instance, evidence of impacts was limited and the extent of infrastructure delivery on the ground largely disappointing.

GFDRR: In its short lifespan GFDRR established both a presence in itself and promoted the mainstreaming of disaster risk reduction within the World Bank.[120] It was deemed to have a highly responsive and flexible suite of activities which recipients appeared to highly value. Its services are delivered through three tracks to mainstream disaster risk reduction in developing countries. These include Track I to enhance Global and Regional Cooperation; Track II to mainstream Disaster Risk Reduction into country development strategies, includes South-South Cooperation, and the Economics of Disaster Risk Reduction initiative, and Track III, also known as the Stand-by Recovery Financing Facility to provide sustainable disaster recovery assistance. Pilot projects have generated, validated, and communicated innovative solutions to disaster risk reduction management challenges through regional knowledge products, but also by facilitating South-South learning activities. Avenues of operation were found to be generally effective, though outcome attainment had yet to occur.

TFSCB: From the beginning of its operation in November 2000 until June 2009 the TFSCB gave grants to 149 projects. Of these, 101 went to national authorities in 73 countries, 29 were for funding regional projects, and the remaining 19 financed global projects. Countries have been largely successful in planning and designing a national strategy for the development of statistics. Although small, the grants were considered useful and stakeholders expressed satisfaction with the TFSCB scheme. Implementation of the

[120] IEG's 2012 review of the GFDRR provides a more complete picture of how the fund developed, building on the 2010 Universalia evaluation (IEG, 2012f).

strategies and action plans gave the largest cause for concern, as in the absence of proper implementation a strategy is in danger of being short-lived. Subsequently, a reorientation of the TFSCB was called for to provide a better bridge between the development of national strategies and their implementation.

CGAP: Stakeholders indicated that CGAP is very effective in creating and sharing knowledge to advance access to financial services for the poor. CGAP developed a number of viable models for financial services for the poor, six of which were ready to be adopted by mainstream financial institutions. It has also met or exceeded most of its targets related to impact on its members/funders and operated as the industry's 'soft' standard setter. Many financial service providers reportedly changed policies and practices in line with CGAP's advice. CGAP was highly valued for its contributions to global level policy setting discussions on financial inclusion, including a white paper for the G20 Global Partnership for Financial Inclusion and a guidance paper for the Basel Committee. On-going challenges related to clarifying focus and communicating its added value.

CA: The CA was described as a unique platform for international urban development cooperation. The evaluators found that the reform process strengthened both the CAs work and the organization considerably. There was no aggregated data on output/outcomes but there was a lot of anecdotal evidence and individual examples, which pointed to successes in implementing the projects. Examples of achievements in Uganda include the development of strategies for urban development, increased political awareness at national/local level about urban problems and the needs of the urban poor, and the creation of saving schemes in five municipalities.

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P.O. Box 20061| 2500 EB The Hague| The Netherlands
www.government.nl/foreign-policy-evaluations
www.oecd.org/derec/

Layout: VijfKeerBlauw | Rijswijk

ISBN: 978-90-5328-435-3

This report presents the findings of an assessment of the Dutch engagement with the World Bank over the period 2000 – 2011. The evaluation has been conducted by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs. The focus of the study is on the two main targets of Dutch financing for the World Bank Group: the International Development Association (IDA) and the trust funds at the Bank and IFC that were supported by the Netherlands.
The main message of the report is that changes and improvements in World Bank policies and operations have made it a more relevant and effective partner for Dutch development cooperation, and that most of the Dutch funding via the Bank was well spent. However, specific weaknesses in World Bank policies and operations persist and need to be taken into account in future work with and funding for the World Bank. In order to make more effective use of the Bank's capacity and expertise, Dutch World Bank policies and trust fund support would benefit from a sharper focus and a clearer strategy for overall engagement.

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