IEG WORLD BANK | IFC | MIGA
Independent Evaluation Group

AN EVALUATION OF THE 2007 STRATEGY AND IMPLEMENTATION PLAN

World Bank Country-Level Engagement on Governance and Anticorruption

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An Evaluation of the 2007 Strategy and Implementation Plan

Report No. _____

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INDEPENDENT EVALUATION GROUP

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Abbreviations

AML/CFT	Anti-money laundering and combating the financing of terrorism
BB	Bank budget
BETF	Bank-executed trust fund
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASCR	Country Assistance Strategy Completion Report
CEM	Country Economic Memorandum (World Bank)
CFAA	Country Financial Accountability Assessment (World Bank)
CGAC	Country governance and anticorruption
CODE	Committee on Development Effectiveness
CPAR	Country Procurement Assessment Report
CPE	Country Program Evaluation
CPIA	Country Policy and Institutional Assessment (World Bank)
CSO	Civil society organization
CoST	Construction Sector Transparency Initiative
DANIDA	Danish International Development Agency
DEC	Development Economics Vice Presidency (World Bank)
DIR	Detailed Implementation Review
DFID	Department for International Development (UK)
DPL	Development policy loan
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
EITI	Extractive Industries Transparency Initiative
ESW	Economic and sector work
FY	Fiscal year
GAC	Governance and anticorruption
GFR	Grant Funding Request
GNI	Gross national income
GPF	Governance Partnership Facility
GTZ	German Agency for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit)
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IDA	International Development Association
IEG	Independent Evaluation Group
IP	Implementation plan
IPA	Independent Procurement Agency
ISR	Implementation Status and Results Report
MeTA	Medicines Transparency Alliance
NCB	National competitive bidding
NGO	Nongovernmental organization
OECD-DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
OPCS	Operations Policy and Country Services (World Bank)
ORAF	Operational Risk Assessment Framework
PEA	Political economy analysis
PECoP	Political Economy Community of Practice
PER	Public Expenditure Review

PFM	Public Financial Management
PPAR	Project Performance Assessment Report
PREM	Poverty Reduction and Economic Management (World Bank)
PRS	Poverty Reduction Strategy
PRSP	Poverty reduction strategy paper
PSIA	Poverty and Social Impact Assessment
QAG	Quality Assurance Group
RETF	Recipient-executed trust fund
SAR	South Asia
SIDA	Swedish International Development Cooperation Agency
StAR	Stolen Asset Recovery
SWAp	Sectorwide approach
TA	Technical assistance
UCS	Use of Country Systems
USAID	United States Agency for International Development
VPU	Vice presidential unit
WBI	World Bank Institute

Acknowledgments

This evaluation of the World Bank's work in governance and anticorruption (GAC) was prepared by an Independent Evaluation Group (IEG) team led by Navin Girishankar. The evaluation was conducted under the direct guidance of Cheryl Gray (former Director) and Ali Khadr (Senior Manager), and the overall guidance of Vinod Thomas (Director General).

Team members included Mary Breeding, Barun Chatterjee, Maria Mendez Cintron, David DeGroot, Raj Desai, William Hurlbut, Gathoni Macharia, Stefano Migliorisi, Aimée Niane, Anwesha Prabhu, Maria Gabriela Padrino, Bahar Salimova, Susan Stout, Antti Talvitie, Cheryl Toksoz, Utkir Umarov, and Clay Wescott. Peer reviewers were Homi Kharas, Mike Stevens, Jean Jacques Raoul, and Steven Webb.

The report also benefitted from the advice and review of an external panel composed of Ashraf Ghani (Chairman of the Institute of State Effectiveness), Monica Macovei (Member of the European Parliament and former Minister of Justice of Romania) and Andrew Natsios (Professor in the Practice of Diplomacy, Georgetown University, Walsh School of Foreign Service).

IEG is grateful to World Bank senior management and staff for providing valuable time, information, and feedback required to conduct this evaluation. In particular, IEG thanks the GAC Council as well as staff in the GAC and Governance Partnership Facility (GPF) Secretariats, the Poverty Reduction and Economic Management (PREM) Public Sector Governance Anchor, and Country Offices visited during field missions. The participation of donor officials (including those financing the GPF) and civil society representatives in consultations was invaluable. Finally, the team is grateful to the Norwegian Agency for Development Cooperation (NORAD) for providing additional resources to support field visits in the preparation of thematic and country studies.

Foreword

Diverse country experiences and the literature show how well-governed countries are better able to foster economic opportunities, deliver services to the poor, regulate markets, and fight corruption. Evaluation and research indicate that programs and projects perform more effectively where public sector management (as by the Country Policy and Institutional Assessment for instance) and adherence to rule of law are stronger. The appeal of good governance resonates across socio-economic groups, as seen in recent events in the Middle East and North Africa.

Yet the agenda to improve governance and the ability of external agencies to boost its effectiveness are complex, tough, and enormously challenging. Evaluations find greater effectiveness resulting from efforts in home-grown institutional building and raising risk-awareness—including through actions in the social and infrastructure areas—that go beyond some of the direct measures to fight corruption.

The World Bank has sought to support country efforts to develop accountable and effective states in several areas—for example, financial management, service delivery, investment climate, and accountability systems. In 2007, the Bank's governance and anticorruption (GAC) strategy reaffirmed the commitment to this agenda. Entering its fourth year of implementation, the strategy seeks to increase the number of programs and projects addressing GAC issues systematically. This effort links to a larger reform agenda, including the strengthening of the Integrity Vice Presidency, an institutionwide transparency initiative, and modernization of investment lending.

This evaluation is concerned with the relevance and effectiveness of the GAC strategy and its early implementation efforts with regard to country operations. Interestingly, it benchmarks the Bank's country level engagement on GAC issues before and after the 2007 strategy. It also reviews the change management aspects such as the inherent operational motivations to support the GAC agenda. By contributing to a Bank-wide learning process, this evaluation of an ongoing, multi-year effort seeks to inform a planned second phase of GAC implementation.

The evaluation indicates some of the improvements and suggests actions that are needed to get stronger results on the ground. It calls on the second phase to combine the internal orientation with greater stress on operational solutions to help build governance capacities in countries. This emphasis will require an updated approach to institutional strengthening—one that requires more innovative financial instruments; more systematic, harmonized, and consistent risk management across countries; and improved metrics for implementation and follow up.

Difficult as governance reforms are, they remain a crucial part of the development agenda. Drawing on the lessons of experience to strengthen effectiveness, the World Bank can help countries make progress in addressing deep-seated governance challenges.

Vinod Thomas
Director-General, Evaluation

Overview

World Bank Country-Level Engagement on Governance and Anticorruption: An Evaluation of the 2007 Strategy and Implementation Plan

Well-governed countries are better able to formulate growth-enhancing policies, deliver essential services to the poor, and regulate financial and product markets. The appeal of governance reform and the fight against corruption can resonate widely across diverse countries and social groups, as demonstrated by recent events in the Middle East and North Africa. Building on more than two decades of experience, the World Bank's 2007 governance and anticorruption (GAC) strategy reaffirmed its continuing commitment to the crucial and challenging agenda of helping countries develop accountable and effective states.

Focusing on the country operational aspects of the overall GAC agenda, the Independent Evaluation Group (IEG) assessed the relevance and effectiveness of the strategy and its first phase of implementation efforts over fiscal years 2008–10. A key feature of the evaluation is its benchmarking of the content and quality of the Bank's country-level engagement on GAC issues, before and after the 2007 strategy. It did not review the organizational restructuring of the Integrity Vice Presidency and related reforms to strengthen the Bank's corporate investigations and sanctions regimes, following the Volcker Panel report. It also did not cover the organizational renewal of the World Bank Institute or individual global partnership programs with GAC themes (such as the Stolen Assets Recovery Program).

The findings of this evaluation are, by design, intended to inform a planned second phase of the GAC implementation—a learning process that signals one of the Bank's strengths. They can be viewed in the context of an ongoing change management and internal reforms agenda, which includes the strengthening of the Integrity Vice Presidency, a new World Bank Institute strategy, an institutionwide transparency initiative, and efforts to modernize investment lending. Taken together, these reforms have sought to create an enabling environment for the Bank to pursue the GAC agenda on multiple fronts—including its operational engagement in partner countries, the subject of this review.

As it did in the years preceding the strategy, the World Bank has continued to support good governance objectives in virtually every country where it has operations. In many countries, it has sustained a medium-term GAC dialogue on issues such as public financial management, service delivery, and the investment climate. Borrowers, development partners, and civil society organizations continue to value the Bank's analytical capacity and its long-term experience in this area.

There have been signs of progress since the strategy was launched. Notably, the Bank made plans to support institutional strengthening in three times as many countries in the fiscal 2008–10 period as it did in the fiscal 2004–07 period. Its use of governance and political analysis in project design has increased significantly, as has its use of some country systems in projects in Africa and in countries with weaker institutions.

At the same time, important opportunities have yet to be seized. Project-level solutions to the challenge of institution-building need to keep pace with increased commitments in country strategies. The quality and coverage of political economy analysis in policy dialogue needs to show the systematic improvement evident in projects. There is still room for country programs and projects to improve measurement of governance results, to expand overall use of measures to foster the demand for good governance, and to deploy—more systematically—enhanced GAC measures to manage fiduciary and governance-related risks. Also, the Bank's operational response in countries experiencing governance downturns needs to be more consistent. Many stakeholders inside and outside the Bank hold the view that lending goals conflict with pursuing GAC objectives.

Key design elements of the 2007 strategy and the implementation plan are to be addressed if the Bank is to more effectively help countries overcome deep-seated governance challenges such as civil service dysfunction, capture of natural resource rents, and political-institutional barriers to market entry and improved service delivery. To date, GAC operational efforts have focused more on the Bank's own capacities, resources, and reputation as a development partner, than on strategic issues facing partner countries. Guidance to operational teams emphasized managing transaction-level fiduciary risks in investment projects rather than updating the Bank's approach to managing systems-level risks, including in policy-based lending. Implementation arrangements within the Bank were fragmented and needed to be more oriented to front-line concerns and results. And internal and donor resources needed to be more strategically deployed to meet assessed GAC needs.

Drawing on these lessons, the planned second phase of GAC can more fully deliver on its potential by focusing on *operational solutions* that help build *country governance capacities*. In particular, the Bank needs to update its approach to institutional strengthening in the core public sector, the social and infrastructure areas, the investment climate, and the demand side of governance. Such an approach would take advantage of innovations in financial instruments, improved analytics, and more systematic measurement of results. The Bank can also encourage innovation in these areas by clarifying its "zero tolerance" stance on corruption and, in particular, by focusing more on systems-level risks across all operations rather than only transaction-level risks in investment projects. In parallel, internal budget and trust fund resources can be more strategically deployed in ways that empower sector and field-based units.

Evaluation Background

The Bank is currently implementing its 2007 strategy *Strengthening World Bank Group Engagement on Governance and Anticorruption.* The strategy and its implementation plan sought to increase significantly the number of countries and projects in which the Bank helped systematically address GAC issues, although it did not indicate targets or a timeframe within which this objective would be achieved. Bank teams were provided guidance, toolkits, and operational support as part of initiatives to enhance country engagement (*GAC-in-countries*) and to strengthen incentive and risk management frameworks in sector dialogue and project management (*GAC-in-sectors* and *GAC-in-projects*). *Global GAC* efforts tried to increase Bank involvement in international peer learning networks and collaborative governance initiatives. This evaluation assessed the relevance and effectiveness of the strategy and FY08–10 or Phase 1 implementation efforts in enhancing the Bank's country-level response to GAC issues. Through this evaluation, IEG aims to help strengthen the Bank's overall support to countries in developing effective and accountable states, and to fulfill the institution's commitment to independent evaluation of large corporate strategies and initiatives.

The evaluation developed and applied a framework for assessing how Bank country programs and projects address GAC issues—their *GAC responsiveness*. The framework defined *GAC responsiveness* as the Bank's *selectivity* in identifying entry points and instruments; its support for institutional *strengthening*; its identification, *signaling,* and mitigation of risks; and its use of *smarter project design* (for example, improved "fit" to country contexts, demand-side and preventive measures against fraud and corruption, use of country systems, and results orientation). It did not seek to quantify the actual levels of fraud and corruption in projects. The evaluation also reviewed GAC-in-sectors issues in the *roads* and *primary education* sectors, as well as *accountability institutions.* The evaluation looked at support provided to country-level GAC efforts, for example, the preventive services work of the Integrity Vice Presidency, key multi-stakeholder engagements by the World Bank Institute, and some global efforts. It did not review the organizational restructuring of the Integrity Vice Presidency and related reforms to strengthen the Bank's corporate investigations and sanctions regimes, the organizational renewal of the World Bank Institute, or individual global partnership programs (such as the Stolen Asset Recovery Program).

Evaluation evidence comes from reviews of the *GAC responsiveness* of 50 country programs, 200 lending and trust-funded operations, and relevant economic and sector work over the FY04–07 or pre-GAC period and the FY08–10 or post-GAC period. Its findings are also based on econometric analysis, detailed case studies of six country programs, and reviews of relevant Bank budgets, trust funds, staffing, and institutional arrangements. In undertaking this empirical work, the evaluation recognized that new metrics and data on GAC issues are under continuous development. These methods were complemented by structured feedback from stakeholders inside the Bank and those outside such as government, donor, and civil society representatives.

Before finalizing the report, IEG presented the findings to the Bank's GAC Council, shared the full country- and project-level data set for review, and held meetings with Bank management to solicit written and verbal feedback. This engagement will be amplified by dissemination of the final report. Through this process, the evaluation aims to inform a planned second phase of GAC implementation.

Is the Bank More GAC Responsive?

Building on two decades of engagement on governance issues, the 2007 GAC strategy acknowledged that it "implied a change in the way the Bank does business." Strategic communications and engagement by Bank senior management externally and internally signaled this goal. The implementation plan and annual progress reports viewed successful implementation as systematic improvement in the GAC responsiveness of country operations, although they did not set targets or a timeframe for the achievement of this goal. Over the FY08–10 period, the Bank's response to GAC issues in its country programs and projects has demonstrated continuity without systematic improvement as yet.

GAC in Country Programs and Projects. The Bank has continued to support GAC-related objectives in its strategies in every country where it has operations. Pre- and post-GAC country assistance strategies (CASs) were similarly selective in identifying entry points for a GAC dialogue. In many countries, the Bank has sustained a medium-term dialogue on GAC issues and provided a program of support in areas such as public financial management, sector service delivery, and the investment climate. Sustained engagement on these issues, even in challenging settings, remains one of the Bank's strengths.

Since the launch of the strategy, there have been signs of progress. Figure A shows the percentage of country programs and projects that incorporated GAC elements "to a great extent." Notably, the Bank committed to support institutional strengthening in three times as many countries in FY08–10 as it did in FY04–07. The number of

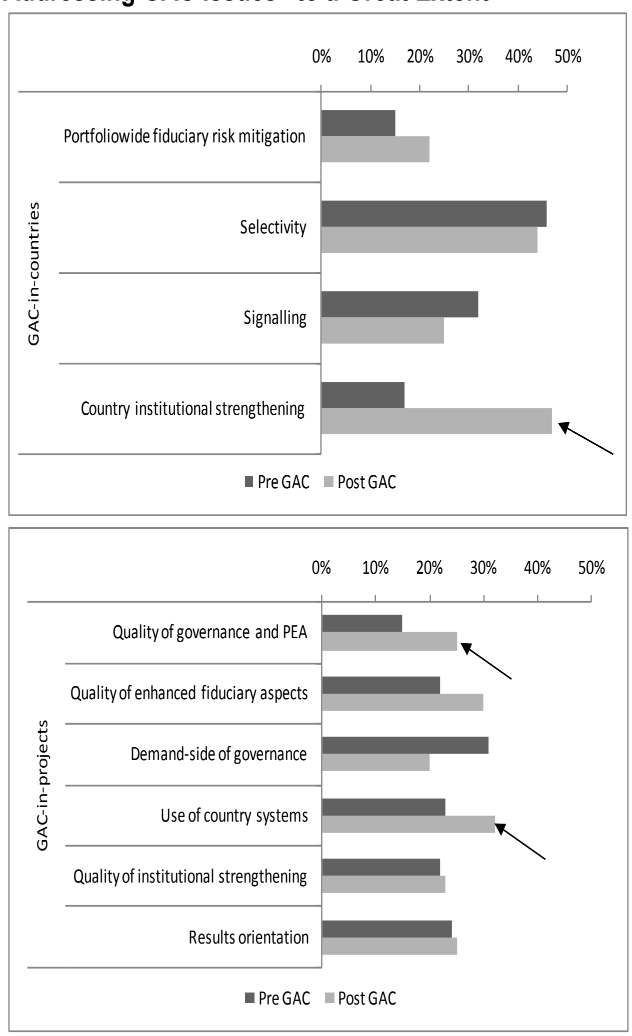
Bank projects that relied on governance and political economic analysis upstream of design increased significantly. In countries with weaker institutional capacities (as measured by Country Policy and Institutional Assessment governance scores lower than 3.5), 41 percent of post-GAC projects used at least some country systems—that is, public financial management, procurement, or personnel systems—compared to a quarter of pre-GAC projects. In Africa, projects using at least some country systems increased from 11 percent pre-GAC to 40 percent post-GAC. In principle, the Bank's increased use of these systems in weaker settings allowed countries to more efficiently deploy limited capacities on pressing domestic priorities rather than *sui generis* donor project management and reporting requirements.

At the same time, important opportunities have yet to be seized. CAS commitments to significantly scale up institutional strengthening efforts post-GAC have yet to be matched by an expansion in institutional strengthening components in projects. In both country programs and projects, there is still a need for systematic deployment of enhanced GAC measures to manage fiduciary and governance-related risks. Even with some improvements, less than a third of CASs and projects scored highly for quality of enhanced fiduciary aspects in either the pre- or post-GAC periods. A minority of pre- and post-GAC country programs aimed to use portfolio processes to identify, signal, and mitigate GAC-related risks. These measures could have been better tailored to the risk profile of projects and programs.

Additionally, the Bank's operations would have benefitted from a clearer definition and more consistent application of risk tolerances across countries. To date, operational responses varied considerably in countries experiencing governance downturns (for example, incidence of grand corruption, periods of political instability, outbreaks of civil conflict)—a finding that raises concerns about consistency of treatment, a key GAC principle. The modest performance of projects in the measurement of country GAC results continued post-GAC without statistically significant improvements. While some form of beneficiary involvement in Bank operations was prevalent, less than a third of pre- and post-GAC projects scored highly for the overall use of demand-side measures.

Political Economy Analysis. Efforts to strengthen the Bank's approach on political economy analysis have received greater attention and support post-GAC. But the quality and coverage of political economy issues in the Bank's economic sector work did not show the systematic improvements evident in projects. The operational benefits of free-standing political economy analysis reports were often limited by an overly academic orientation, uneven methodological rigor, and a lack of consistency between recommended actions and prevailing interpretations of the Bank's Articles of Agreement.

Figure A. Country Programs and Projects Addressing GAC Issues "to a Great Extent"



Source: IEG desk review. Arrows indicate statistically significant changes.

The Bank's Standing on GAC Issues. The implementation plan's goal of *improving the Bank's reputation* on GAC issues was achieved partially. Government and donor officials consulted during the evaluation were appreciative of the Bank's capacity to advise on governance issues and to provide operational support for institutional development. Some felt that the wider development community would benefit from the Bank's efforts to develop political economy analytics. Others recognized the Bank's high fiduciary standards relative to other development agencies.

At the same time, stakeholders inside and outside the Bank observed a potential conflict between its lending goals and its pursuit of GAC objectives, particularly in poorly governed settings. Opinion leaders polled in a 2008 Gallup Survey recommended that the Bank not lend to countries unless they took serious actions to fight corruption. Civil society organizations consulted for this evaluation agreed that, in such settings, the Bank should reduce lending, impose stricter GAC-related loan conditions, and channel funds outside of government. Nearly half of Bank operational staff surveyed also believed that "the Bank's lending imperative conflicts with its ability to implement the GAC strategy."

Early Outcomes and Lessons

In many countries, the Bank has supported efforts to address deep-seated governance challenges such as civil service dysfunction, capture of natural resource rents, and political-institutional barriers to market entry and improved service delivery. As part of this evaluation, detailed case studies were conducted in six countries (Azerbaijan, Bangladesh, Cambodia, Guatemala, Liberia, and Moldova) where the Bank sustained a medium-term dialogue on these GAC issues over the FY04–10 period.

The evaluation's desk reviews and case studies showed that the Bank's record in helping to achieve countrywide governance improvements was limited. Where its support was effective, the Bank was usually focused on specific GAC entry points and realistic in its aims. Further, it balanced commitments to support long-term institutional development with accountability for interim results. Also

Box A. Combining the Demand Side and Supply Side in Local Governance Initiatives

Efforts to strengthen the demand and supply side of governance, particularly at the local level, can be mutually reinforcing. Building on lessons from earlier community-driven development and decentralization efforts, local governance initiatives in several countries have combined fiscal and capacity-building support for local executives and their constituents with financial transparency measures. These were intended to develop local institutions that can effectively and accountably meet local service delivery needs.

- **Bangladesh's Local Government Support Program** has sought to empower its lowest tier of government through a nationwide program of district-based support. The program provides discretionary transfers and capacity-building support to 4,500 *Union Parishads*. It employs an accountability framework based on district-level progress reporting and monitoring, transparency measures, and audits. To date, it has helped complete over 12,000 annual audits, train nearly 50,000 personnel, and support 500 local-level peer learning sessions.
- **Cambodia's Rural Infrastructure and Local Governance Project** supported decentralized and participatory processes, as well as financing of priority public goods at the commune or *sangkat* level. The project uses an arm's length arrangement to reimburse the costs of commune-level investments, and thereby allows the Bank to channel funds through Cambodia's basic intergovernmental system while shielding it from fiduciary risks. To date, it has contributed to the development of 1,800 irrigation schemes, a few rural roads and bridges, and some social services.
- As part of **Guatemala's public financial management reforms**, a new framework for municipal financial management (SIAFMUNI) was implemented in more than 200 municipalities to improve both efficiency and transparency. In parallel, a citizen-oriented portal, *Consulta Ciudadana*, was established to offer user-friendly applications to facilitate access and interpretation of complex financial reports. Taken together, these measures have enabled citizens to access information about local government financial and procurement processes. Additional demand-side training efforts have been launched to empower citizens, some of whom expressed discomfort with the quality, accessibility, comprehensiveness, accuracy, and consistency of fiscal information.

Source: IEG desk review and country case studies.

important was the choice of financial instruments (for instance, development policy loans or investment loans), which was associated with the achievement of certain GAC objectives. These operational design issues were not new and often pre-dated—although did not adequately inform—the 2007 GAC strategy and implementation plan.

Public Sector Reform. Progress in supporting public financial management reforms was uneven. Standardization of assessments and operational support for public financial management systems improved, but front-line service delivery concerns were not adequately prioritized. Greater engagement with citizens and better coordination with sector initiatives enhanced the credibility of reforms in some cases (Azerbaijan and Moldova). Low civil service pay was a pervasive problem and imposed major constraints on development efforts. Given the complex political economy of civil service reform, the Bank adopted opportunistic and selective approaches that produced modest results (Cambodia and Liberia). The achievement of public sector reform objectives was positively associated with the use of development policy loans.

Accountability and the Demand Side. Bank support focused primarily on supreme audit institutions and anticorruption bodies (Azerbaijan). Achievement of objectives was heavily dependent on the independence and political composition of legislatures. The Bank primarily supported the demand side through community-driven and local governance initiatives in a number of countries (Bangladesh, Cambodia, and Guatemala among them, see Box A). Direct financing of non-state actors—as opposed to contracting nongovernmental organizations on Bank projects—was rare and, in some cases, stretched the limits of the Bank's role as a multilateral development agency. Importantly, the use of development policy lending was positively associated with the achievement of accountability and rules-based governance objectives, but it was negatively associated with the achievement of demand-side objectives—a finding confirmed by the Bank's own reviews.

GAC in Sectors. A central concern in the social and infrastructure sectors was the alleviation of public management constraints on service delivery. More could be done by the Bank and countries to ensure that efforts to strengthen cross-cutting systems (for example, public financial management and personnel systems) are better coordinated with sector initiatives to improve service delivery (for example, the development of sector workforces). Regression analysis showed that projects that included public sector capacity building and public disclosure measures were more likely to achieve sector objectives. Yet, the emphasis of GAC efforts in FY08–10 was on mitigating project fiduciary risks rather than on promoting service performance more broadly.

Investment Climate. The investment climate in several case study countries was constrained by public sector bottlenecks, which the Bank sought to help remove. Support to improve the operations and management of these public agencies included customs modernization in Cambodia, and streamlining of licensing and registration procedures and strengthening supreme audit agencies in Moldova. Given the importance of transparency for market entrants, the Bank's advocacy of greater information disclosure proved important to the private sector. However, support for consultative mechanisms between the private sector and the government needed to be better calibrated to risks of capture.

Project Fiduciary Measures. During GAC implementation, the ring-fencing of fiduciary controls on Bank projects was given particular attention. These methods sought to limit exposure to fraud and corruption risks and also manage reputational risks to the Bank and borrower governments. The focus on ring-fencing methods in some countries (such as the use of an independent procurement agent in Cambodia) but not in others reflected the Bank's lack of consistency in setting risk tolerances. Generally, initiatives designed to manage the Bank's reputational risks relating to GAC were not necessarily the same as those that would help countries take on calculated development risks.

What Difference is Phase 1 Making and Why?

GAC implementation has involved considerable efforts by Bank operational staff, who reported almost universal commitment to the strategy's objectives. While some projects and country programs benefitted directly from Phase 1 support (for example, through country governance and anticorruption or CGAC processes and *Governance*

Partnership Facility financing), many did not. Bank teams continue to face operational hurdles in helping countries systematically address the types of deep-seated governance challenges noted above. To help overcome these hurdles, the Bank needs to revisit key elements of the 2007 strategy and implementation plan.

Relevance and Appropriateness of Design

The 2007 GAC strategy represented an important step in reaffirming the Bank's longstanding commitment to helping develop effective and accountable states. The strategy's objectives were highly relevant to the needs and goals of countries, and it benefitted from sustained support from the Bank's top management. Even so, the strategy could have addressed the mixed record of the Bank's public sector reform and related business lines, which needed strengthening. Also, while it promoted GAC as "everybody's business," the strategy defined the agenda too loosely to allow for priority-setting.

The Phase 1 implementation plan was focused on the Bank's own capacities and resources, its reputation as a development partner, and its fiduciary risks (in investment projects). It was based on the premise that a lack of commitment and capacity of Bank staff posed binding constraints on the achievement of GAC objectives. The plan lacked a results chain and clearly communicated implementation targets. As a result, by the end of its third year, its original goal of making *systematic* and *time-bound* improvements in the GAC responsiveness of operations was no longer widely recognized by key staff.

Phase 1 efforts needed to more concretely focus on pressing strategic and substantive issues facing GAC reformers in countries. For instance, what lessons could countries draw from the 2008–09 global financial crisis for corporate governance and the integrity of their financial systems? How could public sector reforms be tailored to meet the particular needs of conflict-affected states? How could development partners help reforms address deep-seated problems of systemic corruption? The GAC One-Year and Second-Year Progress Reports acknowledged that the Bank had intended to focus on such issues.

Implementation

GAC implementation involved the provision of guidance and the delivery of support to Bank teams as well as the implementation of risk management measures and controls.

GAC Guidance. Guidance materials issued over the FY08–10 period concentrated on GAC-in-projects issues. More emphasis was given to managing fiduciary risks on transactions on investment projects than to proposing practical solutions for deepening the use of country systems. GAC guidance in the roads sector focused on managing procurement risks rather than strengthening sector institutions overall. GAC-in-education efforts appropriately highlighted the importance of measuring sector incentives, but were less concerned with operational solutions. Considerable attention was given to multistakeholder engagement, although more clarity was needed on the trade-offs for the Bank between helping to "create space" for non-state actors (for example, through transparency measures) and actively motivating demand-side pressures. The Bank's framework for political economy analysis appropriately emphasized formal and informal institutions. Yet, the guidance in this area would have been more relevant had it more clearly defined what constitutes "good institutional fit" to country realities, addressed the political economy of aid, and recommended rules for disclosure of sensitive analyses.

Delivery of Support. Emphasis on internal communications and training workshops paid off: 63 percent of respondents to IEG's staff survey were familiar with the 2007 GAC strategy. While learning activities focused on GAC-in-projects and country accountability institutions, GAC-in-sectors was not given adequate attention. The generally low staff ratings on the relevance of specific guidance materials and tools were also reflected in low utilization rates. The GAC implementation plan could have been better exploited as an opportunity to prioritize and coordinate learning activities.

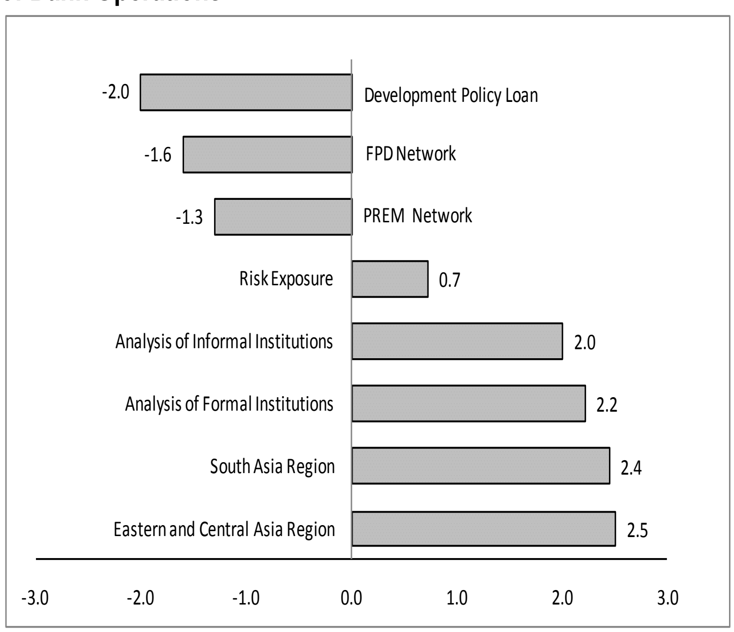
Beyond access to guidance information, relatively few staff reported receiving tangible support. For those that did, Phase 1 support varied in terms of its value added to GAC responsiveness of operations. Staff felt that Bank management could have done more to help them address implementation challenges, and sought more clarity on risk tolerances for Bank engagement in different settings as well as streamlining of risk reviews on investment projects. For example, the perceived risk of complaints to the Integrity Vice Presidency and ensuing investigations discouraged the use of country systems—a key GAC principle—and encouraged the ring-fencing of investment projects.

Bank Controls on Aid Allocation and Operational Risks. The Bank's aid allocation procedures represented a critical element of its controls framework. Since the launch of the GAC strategy, the Bank has continued to use governance performance as a key criterion for allocating concessional resources across countries, and it has remained the most selective development agency. Over the entire period of review, improvements in governance scores on the Country Policy and Institutional Assessment were associated with increases in International Development Association (IDA) commitments and disbursements. Yet, Bank flows to International Bank for Reconstruction and Development (IBRD) countries were relatively less selective in terms of country governance performance. Also, the relationship between governance performance and IDA disbursements was affected—sometimes negatively—by the mix of financial instruments in country portfolios, including the use of development policy lending. This finding—taken together with the above-mentioned strengths of development policy lending—points to the need for clear guidance on instrument choice.

This point is further amplified by the evaluation's finding that the risk management intensity of Bank operations was associated more with the choice of instrument than the risk profile of an individual operation. Relevant risk management measures used in a given project included links to economic and sector work, governance and anticorruption plans, supplemental supervision, grievance mechanisms, and disclosure measures. Regression analysis found that risk management intensity—defined as the total number of relevant risk management measures used in a single project—differed significantly by the type of lending instrument used (Figure B). When controlling for other factors, the level of financial management and procurement risk was not significantly associated with risk management intensity.

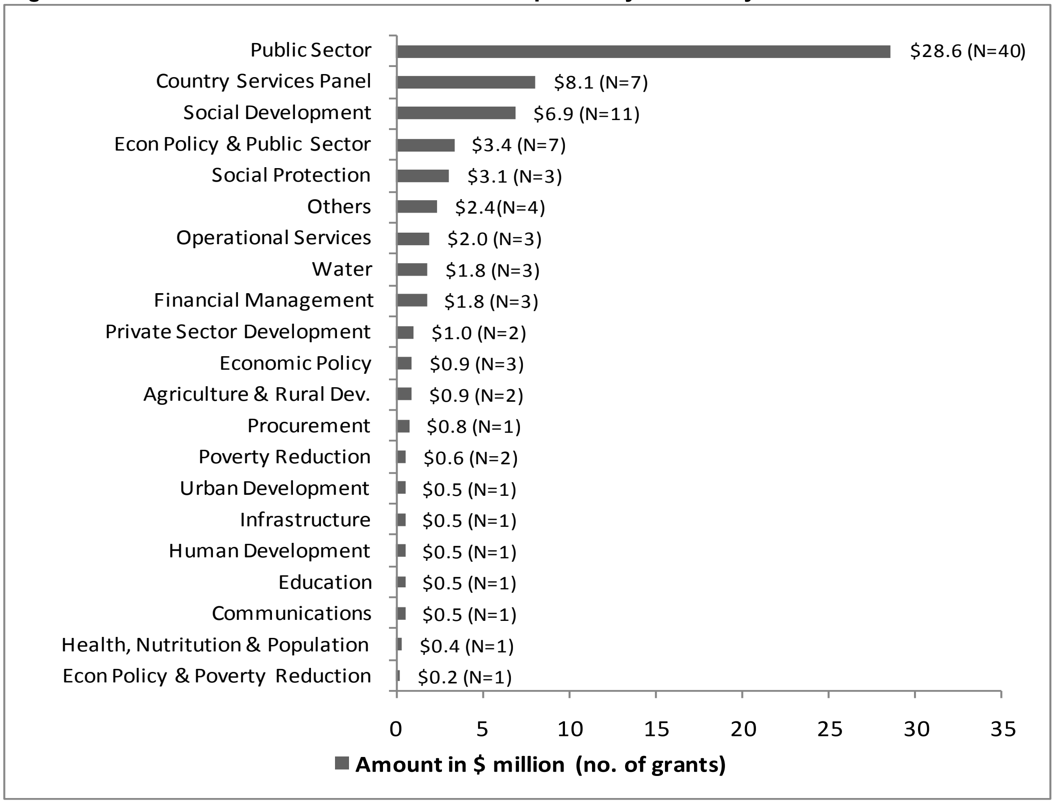
The result was in part explained by the distinct operational controls used for investment loans and development policy loans, even though distinctions between the two instruments have become less pronounced. Reinforced by the *transaction-level* emphasis of GAC-in-projects guidance, the layers and complexity of risk reviews for investment lending continued to differ markedly from those for development policy lending. These efforts strengthened controls on fraud and corruption risks in Bank investment projects, but did not emphasize *systems-level* risks that affect all instruments (including development policy loans). The recently introduced *Operational Risk Assessment Framework* (ORAF) does not address this issue. Looking forward, an updated methodology for review of *systems-level* risks could be usefully applied across financial instruments (including the anticipated Program for Results instrument) and would ensure a more consistent risk management approach.

Figure B. Factors Associated with Risk Management Intensity of Bank Operations



Source: IEG desk review. Figure shows marginal effects (Appendix E, Table E.16b).

Figure C. Allocation of Governance Partnership Facility Grants by World Bank Sector Units



Sources: Operations Portal; Governance Partnership Facility Secretariat, as of December 2010.

Incentives

An important aspect of GAC implementation was its incentive framework for change management. Three factors that affected incentives during Phase 1 warrant continued attention:

Financing of GAC Implementation. The 2007 strategy did not specify what it was adding to the Bank's considerable body of work on governance. Instead, the Phase 1 implementation plan identified a set of GAC change initiatives for which it sought additional funding. It did not seek to first align the Bank's existing and already growing base budget funding for governance work with new GAC priorities. Rather, from fiscal 2008 onward, the GAC strategy was resourced *at the margin* through incremental Bank budget and donor funds.

The Phase 1 plan earmarked a total of $119 million for GAC implementation, consisting of $54 million in Bank budget increments allocated for the FY08–11 period and $65 million in donor funds allocated for the FY09–12 period under the largely Bank-executed *Governance Partnership Facility* trust fund. Incremental budget allocations gave priority to the Integrity Vice Presidency and Regional vice presidential units (VPUs), in particular Africa. Designed to jump-start innovation within the Bank and promote GAC as "everybody's business," the Governance Partnership Facility had approved 94 grants, totaling $65 million as of December 2010. The overwhelming majority of these grants was administered through public sector management units in the Bank's Poverty Reduction and Economic Management Network, and largely supported country-level efforts, mostly in Africa (Figure C).

At a time when Bank spending on governance work was already large and growing (increasing 21 percent from $140 million in FY04 to $169 million in FY10), these parallel arrangements did not achieve their incentive objectives. First, the intended effect of Bank budget increments—to increase Regional VPU spending on governance work—was muted. Due to the fungibility of resources, Regional VPU spending on governance work over FY08–10 increased by $9.6 million less than anticipated. The remainder of these increments was deployed away from the governance priorities identified in the implementation plan. Second, the distinct Governance Partnership Facility allocation procedures—competitive selection by a Bank-donor committee—were outside the Bank's budget process and did not systematically identify innovative efforts. This caused frustration for some operational units due to the perceived failure to clearly justifiy Governance Partnership Facility decisions and to consider the priorities of the country and theVPU. Third, incremental financing was not systematically linked to incremental GAC activities. Even though Governance Partnership Facility reporting on the use of funds was systematic, overall reporting on GAC results lacked information on activities financed through incremental Bank budget resources. Generally, corporate reporting on GAC implementation focused more on Bank inputs than on the quality of operations and country governance performance.

Dedicated GAC Staffing. Phase 1 financing enabled the recruitment of about 64 new and redeployed positions, including several dedicated GAC personnel. Efforts to formally establish competencies for this GAC stream risk creating overlaps with well-established competencies for public sector specialists and, in some cases, fiduciary and social development staff. A separate GAC cadre is not likely to be sustainable without a realignment of some network and central units.

Coordination and Accountability. The GAC Council served more as an information-sharing forum than a decision-making body. Council meetings, which were regularly attended by a large number of nonmembers, usually involved presentations by Bank units showcasing their efforts. These presentations would have benefited from critical review of what was working and what was not. Other specialized GAC arrangements, such as program secretariats housed in the Poverty Reduction Economic Management Network (PREM) Anchor and GAC focal points in Regions and networks, also ensured that GAC received continuous management attention. However, operational staff reported that these arrangements could have been more relevant to their work.

Recommendations

The planned second phase of GAC can more fully deliver on its potential by focusing on developing *operational solutions* to meet the challenge of helping build *country governance capacities.* The findings of this evaluation point to five sets of actions:

Focus on helping countries make tangible and time-bound governance improvements, while acknowledging and seeking to resolve trade-offs between:

- Committing Bank support for institution building over the long term *and* ensuring accountability for results (for example, in service delivery) in the short term.
- Supporting system-wide public sector reforms *and* supporting selective public management improvements in priority service delivery sectors.
- Helping governments respond to demand-side pressures *and* directly engaging non-state actors in order to motivate demand-side pressures.
- Upgrading of country systems through their deliberate use *and* safeguarding Bank funds from abuse.

Update the Bank's approach to institutional strengthening by:

- Leveraging innovations in financial instruments and building on lessons learned to strengthen business lines that warrant more immediate attention—civil service pay reform (particularly in fragile states); public management support for basic service delivery and the investment climate; public financial management of natural resource rents; and civil society capacity building.
- Strengthening Bank-country dialogue, primarily through better integration of political economy analysis into standard Bank economic and sector work (and less through the creation of confidential, free-standing political economy analysis products).

- Adapting actionable governance indicators more systematically to project results frameworks.

Clarify the Bank's "zero tolerance" stance on corruption and improve operational controls by:

- Developing a *harmonized* approach to reviewing and managing systems-level fiduciary and GAC risks across instruments—and not simply transaction-level risks in investment projects. The approach should provide for additional due diligence on operations with *specialized* risks.
- Providing guidance to operational teams on the appropriate use of different Bank financial instruments in different governance settings, consistent with the institution's overall risk appetite.
- Consistently defining risk tolerances for the levels and composition of lending as well as the use of country systems in different settings (for example, through lending scenarios) so that expectations of governance performance are clearly understood by country stakeholders and the Bank's shareholders.

Clarify roles and accountabilities for setting GAC strategic priorities:

- At the country level, Bank country strategies should continue to serve as the primary mechanisms for reflecting the priorities and needs of clients on GAC issues. Donor-funded initiatives need to be appropriately aligned.
- At the VPU level, GAC work plans should be informed by demand in partner countries and should set priorities for overall resources use—both Bank budgets and trust funds. In keeping with Bank policies on the integration of trust fund allocations with the budget process, decisions on allocations of trust funds to GAC activities should involve line management in VPUs.
- At the corporate level, the GAC Council should focus on institutionwide issues and risks, and on benchmarking the *GAC responsiveness* of Bank operations.

Align GAC implementation arrangements with Bank administrative and operational processes by:

- Consolidating current fragmented financing arrangements (that is, separate Bank budget and trust fund allocations) while improving monitoring of GAC activities.
- Rather than creating a separate cadre of GAC specialists, applying GAC competencies across existing Bank networks and career streams, and allow transferability of GAC-competent staff across networks.
- Streamlining specialized GAC institutional arrangements with a view to empowering line managers in VPUs to achieve GAC objectives.
- Supporting increased applied research on what works in various GAC areas.
- Developing a results framework that includes baseline indicators of Bank and country-level performance, sets targets, and integrates monitoring of *GAC responsiveness* into standard portfolio monitoring.

Management Response

1. ***Putting the Report in Context.*** Helping countries in their efforts to make governance improvements and strengthen institutions is an important element of the Bank's governance and anticorruption (GAC) strategy, and Management welcomes the opportunity to comment on the Independent Evaluation Group (IEG) evaluation of this work. The report's endorsement of the high, and continuing, strategic relevance of GAC goals and objectives, and its recognition of strong top-level management support, resonate, as do early findings such as that the Bank is supporting country systems strengthening in three times as many countries in FY 08–10 as it did in FY 04–07. Management also agrees with the evaluation that while the World Bank continues to support good governance objectives in virtually every country where it has operations, there are still important opportunities that can be seized.

2. However it is also important to underscore that these country actions are only part of a broader GAC strategy that the IEG report does not cover. This broader GAC work includes key institutionwide and partnership initiatives, such as strengthening the Bank's corporate investigations and sanctions regimes, revitalizing the World Bank Institute (WBI), supporting global programs such as that on Stolen Assets Recovery (StAR), and undertaking path breaking reforms to make the World Bank's operations and research more open, transparent, and accountable. In reading the IEG report on country work it is important not to lose sight of this larger governance and anticorruption work program, or to sell short the very real progress the World Bank has made on this broader agenda. It is particularly important, as the IEG Report acknowledges, to emphasize that the World Bank has taken great strides, including implementing all recommendations of the Volcker Report, reforming sanctions and debarment proceedings, strengthening prevention work, and scaling up the activities of the Integrity Vice Presidency, to secure its own investment funding from fraud and corruption.

3. ***The Focus of the Report: The Country Component of GAC.*** The focused topic of the IEG evaluation—how the Bank engages with countries to assist them in addressing their own governance issues—is perhaps the most complex and challenging sphere of development and one with which bilateral agencies and international institutions are all coming to grips. There are few quick fixes in this work and many competing pressures. As the 2011 *World Development Report* (WDR) points out, institution building requires a 20 year time horizon, but citizens have needs for government services now. This evaluation covers the first three years of GAC implementation (the average operation or country strategy examined in the evaluation is less than two years in), and there is much still to do in GAC and much to build on from the evaluation. There are also obvious limits to what can be achieved in such a short time in what amounts to a major institutional culture change. That said, Management agrees with many of the IEG findings. While it does have areas of disagreement, set out below, it will use the IEG evaluation, along with other lessons of experience, to help update the GAC strategy. In particular, Management will implement IEG's recommendations in three areas: stronger support for country institutional strengthening; an improved risk framework; and a stronger results framework, where IEG's work provides valuable baseline data.

4. ***Structure of the Management Response.*** The Management Response first reviews significant progress in GAC strategy areas not covered in the IEG evaluation. Next it sets out the outlines of where we want to go with the next phase of the GAC strategy, taking on board the learning to date, including from IEG. It then sets out some important areas of agreement with the evaluation before discussing areas for clarification and issues on which Management does not agree. It ends with comments on IEG's recommendations, the overall thrust of which Management supports. The full draft Management Action Record is attached as an annex.

The Bank's Broader Strategic Engagement on Governance and Anticorruption

5. In addition to the Bank's country level engagement—the subject of this evaluation, Management would like to highlight notable achievements in the Bank's broader strategic engagement on GAC that the evaluation does not address and that are highly relevant not only to the role the Bank has played on the global stage to drive initiatives on governance and anticorruption, but to its own fiduciary due diligence. It is ironic that the Report finds fault with the Bank for spending too much time focusing on ring-fencing and protecting its own projects from corruption. This is not something we should apologize for.

6. Broader GAC efforts not covered by the IEG Report have ranged from a strengthening of the Bank's corporate investigations and sanctions regimes, following the Volcker panel report; renewal of the WBI; support to global programs such as that on StAR; to groundbreaking work to make the World Bank's operations and research more open, transparent and accountable. These efforts have brought real achievements such as:

- **Mobilizing collective action on global governance issues**—including supporting the Extractive Industries Transparency Initiative (EITI), the Medicines Transparency Alliance (MeTA), the Construction Sector Transparency Initiative (CoST), the Program on Forests and the Forest Law Enforcement and Governance partnership (PROFOR-FLEG), the Global Program on Fisheries (PROFISH), and the Global Roads Integrity Initiative.

- **Bringing together new partners to tackle global threats to good governance and influencing the global policy agenda**—including launching the International Corruption Hunters Alliance (ICHA); partnering with INTERPOL, the United Nations Office on Drugs and Crime (UNODC), the World Customs Organization, and the Secretariat of the Convention on International Trade in Endangered Species (CITES), to establish the International Consortium for Combating Wildlife Crime (ICCWC); and launching the Stolen Assets Recovery (StAR) initiative, endorsed by the G-20 and the United States Senate Permanent Subcommittee on Investigations in its report, Keeping Foreign Corruption Out of the United States.

- **Developing and implementing policies to apply the transparency principle to its own activities and make the World Bank Group a global transparency leader**—including through a new Access to Information policy; an Open Data initiative enabling free access to development data for researchers, students, development practitioners and others across the globe; and the publication of Implementation Status and Results (ISR) reports, a key tool for reporting on the implementation performance and results in all Bank-supported operations.

- **Enabling concerted anticorruption efforts across international institutions—** including signing with other leading multilateral development banks (MDBs) an agreement to cross-debar firms and individuals found to have engaged in wrongdoing in MDB-financed development projects.

- **Expanding investigations and sanctions activity**—concluding 553 external and internal investigations since 2008; generating close to 200 combined sanctions applications and debarments, and making over 150 referrals to national authorities.

- **Implementing the Volcker recommendations and scaling up the Integrity Vice Presidency's preventative work—**including building precautions into 75 high-risk operations at the design and implementation phases during FY10–11 through direct work with task teams; inputting Integrity Vice Presidency information on country-level risks into Country Assistance Strategy (CAS) discussions; undertaking thematic assessments of risks and lessons learned on preventive measures at the country, instrument, or sector level such as the Global Roads Review; and building country capacity on the ground by providing hands-on practical application training to over 2,700 officials representing PIUs, national audit institutions, anticorruption authorities, and Bank staff. By largely excluding Integrity Vice Presidency's preventive work from its evaluation, IEG has missed an important aspect of GAC implementation.

Moving Forward on GAC Support—Updating the GAC Strategy

7. The GAC strategy and implementation plan (IP) were designed to be refined over time on the basis of experience. Indeed given the disappointing trends in governance over the decade leading up to the strategy and the need for new approaches, the IP was deliberately set out as a change management strategy, requiring continuous adaptation and learning by doing. The IEG evaluation is useful in that regard and in the next phase of the Bank's GAC efforts, Management will place particular emphasis on several areas highlighted by IEG. These include: refining how the Bank engages with countries to strengthen institutions, while simultaneously ensuring that International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) resources are adequately protected, including through strong fiduciary support; further developing a framework for assessing risks and rewards to help guide operational decisions; and setting out an overall results framework so that over the next five years, Management and the Board will have a clear idea of what has and has not been achieved.

8. Management will remain ambitious in its support to countries. It must also, however, be realistic about its capability to influence in this challenging reform arena, given the long-term nature of institutional change in the GAC context and the centrality of country ownership.

Areas of Agreement

9. The evaluation's endorsement of the high (and continuing) strategic relevance of GAC goals and objectives, and its recognition of strong top level management support, is encouraging. Experience has shown that strong and continuing senior management support is essential to any change management effort. Management is pleased that the evaluation finds that the Bank is supporting country systems strengthening in three times as many countries in FY 08–10 as it did in FY 04–07. This finding is important, as the GAC strategy and IP stress that stronger country systems are central to helping countries develop into fully accountable states. Management also welcomes the finding that country teams have sustained country dialogue on governance and anticorruption issues. It is this combination of sustained dialogue and support for country systems that is likely to result in long-term gains in governance and anticorruption. Management also notes that important improvements were recorded, too, in countries with weaker institutional capacities: the proportion using country systems (financial management, procurement, personnel) increased from 27 percent "pre-GAC" to 41 percent "post-GAC."

10. Management agrees with IEG that GAC progress has fallen short in sectors, relative to overall GAC in projects or in country strategies. Management also agrees that, rather than promoting a significant separate cadre of GAC specialists, there is a need for more general GAC competency across sectors and is now working in that direction. Management also agrees that more work is needed on demand-side measures, but would have appreciated more analysis by IEG on what works, where, and why. As noted above, Management agrees on the need to introduce a stronger results framework for GAC and to work more comprehensively on risk issues.

Some Areas of Management Concern

11. While there are some broad areas of agreement, Management notes its concerns about the methodological approach and the quality of some of the analysis. Three of these areas of concern include: (i) the framing of the goals Management set out in the GAC IP; (ii) empirical methods; and (iii) and the possible interpretation of findings related to Development Policy Lending (DPLs).

12. ***Management's Intentions.*** IEG evaluates the IP against an objective of systematic improvement in the way the Bank engaged on governance in all countries and all projects over a three-year period. But this premise is faulty. Management's goals were much more modest. IP implementation was designed as a change management strategy that sought to strengthen staff awareness and capacity, build tools, and generate good practice in selected areas—learn what works, iterate, and scale up over time. Management has been explicit and consistent over time in describing GAC implementation as a learning-oriented, participatory, change management process. Thus in 2007 the GAC Implementation Plan noted: "The implementation of the GAC agenda will be a long-term effort. As the [initial] year-long learning-by-doing process unfolds, the medium-term challenges and actions will become clearer—and will be detailed in implementation progress report[(s) to the Board.]"

13. Given this approach, Management believes that, the evaluation missed an opportunity for learning about how Management could strengthen its change management approach—Box 1 provides select details on one aspect of this concern—namely the missed opportunity to evaluate the Bank's flagship GAC in country-program efforts. It is Management's continued view that when there are substantial disagreements between IEG and Management at the stage of the approach paper, more effort should be made to resolve those differences prior to embarking on the evaluation.

Box 1: Missed opportunity to evaluate GAC in country-program flagship efforts

Management's change management approach to strengthening GAC in country programs has been to identify and empower teams most committed to GAC mainstreaming. This effort proceeded along these steps:

- In 2007, even prior to the IP, Management sought to create an innovation fund for committed country teams that put forward quality programs for GAC mainstreaming. The resulting multi-donor Governance Partnership Facility (GPF)—supported by the United Kingdom, the Netherlands and Norway—came on stream in September 2008.
- In early 2008, to 'prime the pump' in advance of the GPF, Management invited Regional Vice Presidencies (RVPs) to identify country programs for the scaled-up GAC effort; 27 programs were identified, and each was provided with modest seed money (total budget cost $2.7 million, or an average of $100,000).
- When the GPF came on stream, it was opened to all country teams (not only the 27 initially identified by RVPs). The GPF allocated resources competitively, with its decisions made on the basis of the quality of proposals and the demonstrated commitment of the applicant country teams.
- Eighteen teams were selected to receive truly significant support, an average of $2 million, for implementation of their country programs. Consistent with its bottom-up approach, Management views the eighteen teams selected by the GPF to be the flagships of its GAC-in-country programs effort (total budget cost $36 million).

Unfortunately, less than one-third of IEG's treatment sample was drawn from the flagship eighteen. Over two-thirds was drawn from the initial set of programs that received very modest seed money, but subsequently did not meet the GPF's tests of quality and commitment, and thus did not have access to significantly scaled-up resources.

14. ***Empirical methods.*** Besides the sampling issue above, Management believes some of the evaluation's findings are based on limitations to the analytical framework and econometric work that are not sufficiently acknowledged in the evaluation. One concern worth noting is that while a theme of the report is the lack of systematic progress on GAC-related inputs and outputs, in comparing "pre-GAC" to "post-GAC" CASs and projects, in general, the "post-GAC" sample seems to be of too early a vintage (on average in operation only a year and a half after the IP was finalized) to make a significant determination as to GAC responsiveness. Indeed, much of the guidance developed in the IP years is just now being rolled out and tested in operations. Furthermore, due to the short implementation time-period covered, data capturing the extent to which projects and CASs are implementing GAC measures are much more frequently censored (statistically, data left out because the results are not yet known) in the post-GAC period, which could potentially bias results. Finally, Management is concerned that vari-

ous passages in the evaluation discuss specific empirical findings in terms that imply causality (for example, "The use of fast-disbursing DPLs increased the likelihood that countries—even when they had poorer governance—would receive a flow of IDA funds" paragraph 5.4). To avoid possibly misinterpretation, Management welcomes IEG's disclaimer that "[t]his evaluation does not assert causality between variables; hence, it is not the purpose … to analyze the "impact" of any specific variables on GAC responsiveness."

15. ***Clarifications on DPLs.*** First, Management would note that IDA flows are significantly and positively related to governance performance including in countries with DPLs. This point does not come out clearly in the evaluation. Second, Management strongly believes that the evidence of experience shows that DPLs (or Development Policy Operations—DPOs—including credits and grants to IDA countries) have proven their usefulness in weaker governance environments. The DPO process includes the relevant tests of country commitment, institutional capacity, and fiduciary environment. Policy changes supported by DPOs are often important elements in improving governance. Third, Management notes that the number of risk reviews is not a good indication of the quality of risk review. All DPOs have a high level of Management review and control mechanisms are robust. In June 2010, the Internal Audit Department completed an audit of Bank processes for managing DPOs and gave those processes their highest rating (Satisfactory). The audit states: "Our overall opinion is that governance, risk management and control processes over the Bank's management of DPOs were satisfactory. These processes were adequate and effective to provide reasonable assurance regarding the operation of key controls."

Recommendations

16. While Management has some concerns about the evaluation's framework and the interpretation of some findings, Management welcomes the Report's recommendations, which focus on developing operational solutions to meet the challenge of helping countries build country governance capabilities. While noting that achievements to date represent a substantial strengthening in the Bank's GAC efforts, Management recognizes that there is scope for continued improvement, including in the way the Bank engages with countries on GAC issues. As noted above, Management will draw on IEG's recommendations in its update of the GAC strategy.

17. In broad terms, Management endorses the recommendations, and they will usefully inform Management as it refines and adapts its strategic approach to supporting countries on governance and anticorruption. Specifically, the updated strategy will draw on IEG recommendations with regard to supporting countries in strengthening country systems and institutions, guidance to staff on risks, and a more robust results framework consistent with the next phase of GAC support. As noted in the attached Management Action Record (MAR), though, there are some differences in view on specific issues and approaches. Management also highlights that some areas for improvement are within the Bank's direct control (*e.g.*, stronger results frameworks in projects), whereas others are more complex (*e.g.,* attempting to influence a range of critical and contested variables at the country level to effect governance reforms).

Management Action Record

Major Monitorable IEG Recommendation Requiring a Response	*Management Response*
Focus on helping countries make tangible and time-bound governance improvements, while acknowledging and seeking to resolve trade-offs between: • Committing Bank support for institution building over the long term *and* ensuring accountability for results (for example, in service delivery, public financial management, regulation) in the short term; • Supporting systemwide public sector reforms *and* supporting selective public management improvements in priority service delivery sectors; • Helping governments respond to demand-side pressures *and* directly engaging non-state actors in order to motivate demand-side pressures; • Upgrading of country systems through their deliberate use *and* safeguarding Bank funds from abuse.	**Agreed**: Management notes that the first recommendation is fundamentally challenging; the 2011 WDR stresses a 20 year time horizon for institution building, while recognizing that citizens have immediate needs. Decisions regarding trade-offs can be made only at country level and congruent with Bank comparative advantage. The final three recommendations may not entail trade-offs; the alternatives in each case may be complementary. Management therefore commits to: • Articulate its approach to upstream public sector reforms (those focused on core government functions and systems) and downstream reforms (which focus on service delivery) in the context of GACII, to be discussed with Executive Directors in the second Quarter of FY 2012. • A strengthened approach to supporting demand-side measures will be set out in an annex to the GACII strategy. • Continue and deepen work on supporting strengthening of country systems and continue to monitor and report periodically to Executive Directors on progress in use of country systems in procurement, financial management, and project management implementation. Management cannot commit to time-bound actions by countries. Management does commit to support countries that have country-owned, time-bound strategies to improve governance and will report on that support as part of GAC monitoring.
Update the Bank's approach to institutional strengthening by: • Leveraging innovations in financial instruments and building on lessons learned to strengthen business lines that warrant more immediate attention—civil service pay	**Partially Agreed.** Management is developing a new results-based lending instrument that will finance the delivery of results in many of the critical areas listed by IEG. Management also endorses the call for strengthening country dialogue through the more widespread use of political economy analysis at country, sector and project

Major Monitorable IEG Recommendation Requiring a Response	*Management Response*
reform (particularly in fragile states); public management support for basic service delivery and the investment climate; public financial management of natural resource rents; and civil society capacity building; • Strengthening Bank-country dialogue primarily through better integration of political economy analysis into standard Bank economic and sector work(and less through the creation of confidential, free-standing political economy analysis products); and • Adapt actionable governance indicators more systematically to project results frameworks.	level. However, Management believes that country context is critical, and whether or not to 'integrate' political economy analysis into economic and sector work is a decision that should be taken at the country level. Management agrees that actionable governance indicators should be used more systematically in results frameworks. Management commits to: • Seek Board approval for new results-based lending instrument (the 'Program for Results') in FY 2012. • Building on guidelines contained in "Problem Driven Governance and Political Economy Analysis," published in September 2009, Management will develop further tools as necessary but will leave the decision on whether or how to use the tools and guidance to Regional staff, who have the relevant country knowledge. The guidance on using political economy analysis in fragile and conflict-affected states will be issued in the first half of GACII. • Develop and disseminate guidance on using actionable governance indicators in project results frameworks, and monitor their usefulness and modify as necessary in the context of regular GAC reporting. Management will disseminate guidance in the first half of GACII.
Clarify the Bank's "zero tolerance" stance on corruption and improve operational controls by: • Developing a *harmonized* approach to reviewing and managing systems-level fiduciary and GAC risks across instruments—and not simply transaction-level risks in investment projects. The approach should provide for due diligence on operations with *specialized* risks. • Providing guidance to operational teams on the appropriate use of different Bank financial instruments in different governance settings, consistent with the institution's overall	**Partially agreed.** Management has a clear position vis a vis 'zero tolerance' and will make efforts to ensure it is widely understood. In summary, Management's position is that while we have no appetite for corruption, we have an ex-ante tolerance for risk (in that it is recognized that such efforts in developing countries are more likely to encounter such challenges which the Bank seeks to manage to as close to zero as possible), combined with an ex-post zero tolerance when it is shown that fraud, corruption, or other malfeasance has occurred. In such circumstances the Bank will always and everywhere take action to address the problem. Management also agrees that the attention to sys-

Major Monitorable IEG Recommendation Requiring a Response	*Management Response*
risk appetite. • Consistently defining risk tolerances for the levels and composition of lending as well as the use of country systems in different settings (for example, through lending scenarios) so that expectations of governance performance are clearly understood by country stakeholders and the Bank's shareholders.	temic risk be increased while continuing to pay attention to 'transactions' risk. However, Management notes that a 'harmonized approach' to assessing and managing risk should not mean that responses must always and everywhere be the same. Country context matters fundamentally and explicit decisions must be based on the specifics of country circumstances. What is missing from IEG's recommendation is the concept of reward versus risk. Management analyzes risk against expected operational development outcomes and has already differentiated across country contexts in this regard by setting a target of 70 percent Marginal Satisfactory (MS) or better average IEG ratings for operations in Fragile States (where risks are, of course, high but the returns to successful operations tend to be especially high), 75 percent or better in other IDA countries, and 80 percent in IDA countries. Management commits to: • Clarify its position on "zero tolerance," explaining again to staff that development support is a risky business and there is no way, other than not lending at all, to guarantee the absence of fraud and corruption in Bank-supported operations; the Bank supports borrowers in providing reasonable assurance that funds are used as intended; but the Bank has zero tolerance once fraud or corruption is found. Management will set out its internal communications plan, involving the World Bank Group's Chief Risk Officer, in the context of the GACII discussions. • Review the experience with ORAF after two years (notably its use as intended in differentiating the management of operations by risk) and make adjustments as needed. • Continue to develop its comprehensive approach to risk management related to operational support to client countries, reporting progress regularly to the Board, via the Audit Committee, on the ongoing efforts to define risk appetites and the tolerances via which Management uses to ensure that risk is kept within permitted levels, and through the annual Integrated Risk Monitoring Report from

Major Monitorable IEG Recommendation Requiring a Response	*Management Response*
	the World Bank Group's Chief Risk Officer.
Clarify roles and accountabilities for setting GAC strategic priorities: • At the country level, Bank country strategies should continue to serve as the primary mechanisms for reflecting the priorities and needs of clients on GAC issues. Donor-funded initiatives need to be appropriately aligned. • At the VPU level, GAC work plans should be informed by demand in partner countries and should set priorities for overall resources use—both Bank budgets and trust funds. In keeping with Bank policies on the integration of trust fund allocations with the budget process, decisions on allocations of trust funds to GAC activities should involve line management in Vice Presidency Units (VPUs). • At the corporate level, the GAC Council should focus on institutionwide issues and risks, and on benchmarking the GAC responsiveness of Bank operations.	**Partially agreed.** Management concurs with the view that CASs and ISNs be the primary means by which client governance issues are raised and addressed. The Bank is committed to the Paris and Accra agendas on alignment. Management agrees that the GAC Council should focus on strategic and institutionwide issues. Management is unconvinced of the need to create additional GAC work plans at the VPU level. There is a danger that these would create an additional task that would be of limited additional value. Management commits to restructure the GAC Council, with a further increased focus on strategic and institutionwide issues, in the context of GACII and will report in the context of a mid-term GAC update.
Align GAC implementation arrangements with Bank administrative and operational processes by: • Consolidating current fragmented financing arrangements (that is, separate Bank budget and trust fund allocations) while improving monitoring of GAC activities. • Rather than creating a separate cadre of GAC specialists, applying GAC competencies across existing Bank networks and career streams, and allow transferability of GAC-competent staff across networks. • Streamlining specialized GAC institutional arrangements with a view to empowering line managers in VPUs to achieve GAC objectives. • Supporting increased applied research on what works in various GAC areas. • Developing a results framework that includes	**Partially agreed.** Management agrees that articulating a clear results framework for GACII is critical. GAC Phase II in particular will lay out a clear Bank-wide results framework, with realistic yet stretching targets which will include baseline indicators, and a functioning monitoring system. Management also agrees on the importance of applying GAC competencies across sectors, and on the importance of applied research to support learning and knowledge management. However, Management is of the view that line managers are already empowered to achieve GAC objectives, and that the competitive process for allocating GAC Trust Fund monies was effective and appropriate. Management commits itself to: • Set out as noted above a GAC results framework and monitoring system in the context of GACII. • Finish ongoing work on "GAC competen-

Major Monitorable IEG Recommendation Requiring a Response	*Management Response*
baseline indicators of Bank and country-level performance, sets targets, and integrates monitoring of *GAC responsiveness* into standard portfolio monitoring.	cies" and an associated training program and put them into use by FY13. • As noted above, the oversight and management arrangements for GACII will be revised. • Set out priorities for research in the context of GACII and monitor progress in the context of regular GAC reporting.

Chairperson's Comments: Committee on Development Effectiveness (CODE)

The Committee on Development Effectiveness (CODE) considered the report entitled *World Bank Country-Level Engagement on Governance and Anticorruption: An Evaluation of the 2007 Strategy and Implementation Plan* (CODE2011-0044), prepared by the Independent Evaluation Group (IEG), together with the Draft Management Response (CODE2011-0046). The Statement by the External Advisory Panel (CODE2011-0047/1) on the IEG report was distributed as a background document.

The Committee welcomed the timely discussion of the IEG evaluation assessing the 2007 Governance and Anticorruption (GAC) strategy and the first phase of its implementation (FY08–10). It appreciated Management's draft response and commitment to consider IEG's findings and recommendations as inputs to the development of GAC Phase II, including in the areas of country institutional strengthening, risk management, and results measurement. The Committee noted the complexity of GAC issues and the relevance of this evaluation in connection with ongoing work on the design of the new financial instrument—Program-for-Results; the need to look at implementation of the GAC strategy within the Bank and in partner countries; and the alignment of the GAC agenda with the Bank's modernization and internal reform agendas.

Members agreed that the evaluation provides a comprehensive review of the Bank's operational responsiveness to GAC issues in country operational aspects, sector programs and projects before and after the 2007 strategy. Notably, they were pleased with IEG's findings that the Bank supported institutional strengthening in three times as many countries in the fiscal 2008–10 period as it did in the fiscal 2004–07 period. But they also agreed with IEG that the Bank has to significantly strengthen its efforts to work with clients to improve their governance systems going forward. As the Bank prepares for the next GAC phase, members encouraged Management to do more to further support country-owned reforms, innovate approaches to institutional capacity building, and foster the demand for good governance while strengthening country dialogue. There were also comments on the importance of focusing more on strengthening country systems, monitoring GAC results, harmonizing risk management, and strengthening the understanding of the political economy context taking into account the Bank's own analytical work as well as analysis prepared by others. With regard to resources to implement the GAC strategy, comments were raised on integrating the allocation of trust funds to the Bank's budget process, and to strengthen staff skills building internal GAC expertise across the institution.

Statement of the External Advisory Panel

Governance is a defining challenge of our era. The Independent Evaluation Group's report, focusing on the national dimensions of the World Bank 2007 Governance and Anticorruption (GAC) strategy, is therefore of global importance. We welcome the serious and detailed comments of management in response to the draft report's findings and recommendations, and appreciate the professionalism of IEG staff for defending and refining their main conclusions. The exchange is a sign of organizational learning and a tribute to IEG's independence.

Despite the centrality of GAC to the Bank's poverty reduction mandate, the design of the 2007 strategy and its implementation did not match the ambitious vision of the organization. The focus was largely internal rather than on strategic issues facing reformers in countries. Strong incentives and accountability frameworks were not created and funding arrangements did not allow for achievement of stated objectives. Analytic and operational work remained misaligned, gaining traction only sporadically. Especially important are the findings that: "overall the Bank's operational response to GAC issues demonstrated continuity without systematic improvement as yet"; and "important opportunities to managing risks and developing innovative operational solutions have yet to be seized."

As the Bank is committed to a second phase of GAC, IEG makes a series of sensible recommendations for achieving operational effectiveness. We associate ourselves with these recommendations but would like to raise a broader series of issues.

Whether corruption is an exception or the norm can provide the first step in terms of classification. Useful lessons can then be drawn from the cases of outliers as to how the organizational culture of the state can change from corruption to accountability. Three areas would be of particular importance here. First, the processes through which a critical mass of public support can be galvanized against systemic corruption to drive the demand for accountability past a tipping point. Second, the process through which control systems can be established to transform hierarchy into effective and efficient delivery of public services. Third, the processes through which transparent mechanisms of oversight by the legislature and civil society organizations have been established and public participation has become systemic.

Understanding of corruption as a system rather than mere moral failure is critical to bringing a political economy perspective to the analysis of good and bad governance. Elites in such systems are highly vested in perpetuation of corruption and often do not want reforms to succeed. Additionally, the elites that champion a particular set of reforms for mobilization of resources and consolidation of their power may become the largest constraint to reforms in a subsequent phase. Declaration of early victory, betting on individuals as champions, and awarding the title of reformer to individuals and countries without having clear criteria for depth and breadth of reforms that would result in a systemic tipping point are, therefore, to be avoided. Tolstoy observed that all families are dysfunctional but each in their own distinctive way—and the same could be said for countries. There is, therefore, the need for tailored interventions within given contexts and efforts to continue support for reforms for the duration required to consolidate systemic change. This also implies that when corruption and abuse has become so institutionalized and systemic on such a grand scale in a government—and where there is no government leadership to reform—the Bank should be prepared to stop lending to counteract the lending imperative.

The Bank as an organization, however, has some binding constraints in dealing with GAC at the strategic level. First, in relation to the analysis above, as an institution it is not always able to conduct accurate and timely political-economy evaluations of given country contexts. High staff turnover and technical approaches to analytic work can prevent deep understanding of dynamics that can affect positive and negative change. Second, there is a tension, as IEG documents, between the Bank's lending imperative and its rhetoric on governance. As a result, the informal but operating rules of the game in the organization remain misaligned with the formal emphasis on good governance and accountability.

Second, the project-based model of lending is an application of a Fordist model of mass production to messy social realities of the 21st century. There is an implicit but questionable assumption that micro-level interventions through ring-fenced mechanisms can produce macro-level changes. Given Bank efforts in ring-fencing its projects, it would be revealing for IEG to undertake an analysis of how these projects fare in terms of efficiency, cost effectiveness, transparency, and sustainability compared to those managed directly by the government or through the private sector or the nongovernemental organizations.

Third, the Bank has not had the skills base to deal with governance on a systematic basis. Its public sector portfolio has lacked distinction and, as IEG states, it missed the opportunity to use the GAC strategy to bring order to this portfolio. Economists, engineers, and other professionals have consequently been assuming leadership roles for programs and projects on governance, improvising to the best of their abilities rather than being guided by a coherent and focused approach.

This problem is compounded by the Bank's reliance on large-scale technical assistance. Over-reliance on technical assistance alone as a remedy for governance failure is bound to fail, but that technical assistance used judiciously in the right circumstances can be very useful, as Paul Collier has argued in *The Bottom Billion.* Lacking a coherent approach to the basic building blocks of finance ministries, the Bank relies on vendors to provide such services, which can lead to inefficiencies and mismanagement. It is little wonder, therefore, that the Bank lends for the same reforms over and over again. A number of governments around the world have transformed auditing and accounting in profound ways as tools of democratic accountability. Moreover, there are major lessons to be learned from the experience of outliers, ranging from Singapore and Malaysia to Qatar and the United Arab Emirates.

Fourth, the Bank's development policy has a mixed record. Despite the consensus on the political economy underpinnings of reform and elite interests, Bank policybased lending has been based on "stroke of the pen" reforms that prove reversible.

Fifth, the Country Assistance Strategy (CAS) is a misnomer, for it is not a strategic, but rather a lending program hammered together through compromises among sectors justifying their bureaucratic turfs. Neither management nor the Board has ensured adherence to the discipline of selectivity.

These constraints raise a fundamental question. Can the Bank—designed with the assumptions of the mid-20th century, and with its own distinctive political economy and organizational culture and lending imperatives—be turned into the premier instrument for promotion of governance and the fight against corruption? Answering this question requires a deeper examination of change management in the Bank and the pivotal role of Bank presidents as tone setters. The GAC strategy was the signature program of Paul Wolfowitz, the embattled president who became the first leader of the organization to resign under staff pressure. IEG has offered a set of recommendations for launching the second phase of the GAC strategy. We are arguing that the Management and the Board have a larger challenge. If the Bank is to become a catalyst of good governance it must first change its own inherited governance of the twentieth century and embrace a twenty-first century form of governance and organizational culture that can make it lead by example. This is the challenge that the Board and the management must confront in earnest.

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1. World Bank Engagement on Governance and Anticorruption: A Historical Summary

1.1 **For more than two decades, the World Bank has sought to make governance and anticorruption integral to its work on economic growth and poverty reduction in developing countries.** Governance and anticorruption refers to an objective of Bank assistance, that is, to develop capable and accountable public institutions that formulate and implement sound policies, provide public services, set rules governing markets, and combat corruption. It also refers to an approach to development assistance—one that enlists countries and their partners in ensuring that development resources are channeled to their most effective use and protected from fiduciary risks relating to weak governance and corruption.

1.2 **The Bank is currently implementing its 2007 strategy, *Strengthening World Bank Group Engagement on Governance and Anticorruption* (henceforth the GAC strategy). That GAC strategy and its implementation plan are the focus of this evaluation.** Management has reported extensively on GAC implementation through annual progress reports as well as several discussions with the Bank's Board of Executive Directors. In response to a request from the Board's Committee on Development Effectiveness (CODE), the Independent Evaluation Group (IEG) has undertaken this evaluation of the first phase of GAC implementation, covering the 2007–10 period, to inform a planned second phase of the GAC strategy.

Objectives of the Evaluation

1.3 **The evaluation aims to help enhance the Bank's approach to governance and anticorruption and to improve its effectiveness in helping countries develop capable and accountable states that create opportunities for the poor.** Pursuant to this objective, the evaluation assessed the relevance of the 2007 GAC strategy and implementation plan, as well as the efficiency and effectiveness of implementation efforts in making Bank engagement with countries and other development partners more responsive to GAC concerns. It also sought to identify early lessons about what works and what does not in helping to promote good governance and reduce corruption.

1.4 **The evaluation attempts to respond to the concerns of diverse stakeholders inside and outside the Bank.** In preparing the evaluation, IEG consulted with a wide array of actors, including former and current World Bank senior management; headquarters and country-based staff involved in GAC implementation; borrowing governments and non-state actors in selected countries; academics and policy experts; civil society organizations, including some of those originally consulted in the preparation of the strategy; donors involved in supporting the GAC strategy; and the GAC Group of External Advisers.

1.5 **Stakeholders identified four areas where the evaluation should add value to the Bank's GAC work.** First, they suggested that the evaluation help develop a framework for assessing progress on GAC implementation at the country, sector, and project levels. Second, it should identify implementation challenges and their root causes, so that they can be addressed in the second phase of the GAC. Third, it should seek to identify good—or at least better—practice in various aspects of GAC work. Finally, it should ensure that lessons learned are extensively disseminated to the diverse stakeholders that will continue to be involved in GAC implementation.

Organization of the Report

1.6 **This report is organized into eight chapters.** This chapter puts the 2007 GAC strategy in the context of the Bank's long history of involvement in governance issues. Chapter 2 presents the design of the evaluation, including its logical framework, scope, main questions, and analytical methods. Chapter 3 evaluates the relevance of GAC strategy objectives and the appropriateness of GAC strategy and implementation plan design. Chapter 4 reviews the incentive and implementation arrangements that supported GAC rollout, including financing, strategic staffing, and accountability and oversight. Chapter 5 discusses the fulfillment of commitments under the implementation plan, including the strengthening of key Bank controls, the provision of guidance and tools, and the delivery of support to Bank teams. Chapter 6 provides an overview of the responsiveness of Bank operations as well as the commitment of Bank operational staff to GAC issues. Chapter 7 provides a snapshot of early outcomes of Bank engagement on GAC issues (for example, in areas such as core public management, roads, and education). Chapter 8 makes recommendations for future Bank efforts.

Evolution of the Bank's Engagement on Governance and Anticorruption

1.7 **To be credible, any review of the 2007 GAC strategy should be based on an overview of the Bank's engagement on governance and anticorruption over two decades**. That engagement evolved through three stages: (i) a focus on the quality of government between the mid-1980s and mid-1990s; (ii) the emergence of governance as a key pillar of poverty reduction from the mid-1990s through the mid-2000s; and most recently, (iii) the establishment of GAC as a corporate strategy in 2007.

1.8 **At each stage, the Bank's approach to governance issues evolved as it sought to respond to numerous factors.** Over the past two decades, major historical events—the collapse of communism in Eastern Europe in the early 1990s, democratic transitions in Africa during the 1990s, the East Asian financial crisis in 1997, and the emergence of several countries from prolonged conflict—underscored the importance of developing inclusive, transparent, and durable state institutions. These events converged with advances in knowledge on the role of institutions in economic development, which was seen as a compelling reason for the Bank and other donors to deepen their engagement on governance issues (IEG 2008 and World Bank 1997a, 2002, 2004, 2005b, and 2005d). In addition, a growing body of evaluative work by IEG and others helped identify lessons, which—with varying degrees of success—influenced the direction of Bank work.[1]

1.9 **The Bank's governance agenda also reflects its attempts to satisfy multiple, and, at times, competing interests** (Weaver 2008). The Bank's diverse shareholders, as well as diverse groups of external stakeholders in civil society, have shaped the governance agenda. Some shareholders and civil society organizations have increasingly voiced strongly-held views that the Bank should do more, not less, in support of good governance. Others have called for restraint, particularly in light of the limited success of governance-related efforts. The Bank's approach also sought to respond to partner country concerns that how it worked (that is, its choice of aid modalities) could itself help or hinder governance prospects in aid-dependent countries.

1.10 ***From Fiscal Adjustment to Public Sector Management, 1983-1996.* The World Bank's interest in the quality of government began in the mid-1980s with a relatively narrow focus on the fiscal impact of unrestrained public sector wage bills**.[2] Over this period, Bank-supported structural adjustment programs, particularly in Africa, drove pay and employment reforms that sought to reduce wage bills, decompress wage ratios, downsize bloated civil services, and rationalize ministries and agencies. However, the "short time horizon, narrow prism, and supply-driven nature of adjustment lending" were ill-suited to the goals of sustainable performance improvement in the public sector (IEG 1999 and Jenkins and Plowden 2006). In some cases, investment lending was also used to support institutional development. These efforts were hampered by the limited flexibility of the traditional project instrument. Bank support to the Africa Capacity Development Foundation, starting in 1991, attempted to bolster regional initiatives. Overall, these early efforts produced mixed results.

1.11 **Evaluations of these initial actions stressed the importance of addressing the root causes of poor public sector performance—that is, poor *governance.*** Independent and self-evaluations pointed to the political costs and long gestation period of bureaucratic reforms, as well as the need for better country knowledge and more flexible aid instruments to support institutional change (IEG 1999 and 2008). These reviews also pointed to *governance* or the exercise of public authority—not only institutional capacity or formal structures—as a key determinant of public sector performance. During this period, by clarifying the legal basis for its involvement in governance issues, the Bank set the stage for an expansion of support for institutional capacity building (IEG 2008, World Bank 2000a, Levy and Kpundeh 2004, Thomas 2007).

1.12 ***Poverty Reduction through Good Governance, 1996-2006.* In the mid-1990s, the Bank committed itself to tackling the "cancer of corruption" in its own projects and in its support for country efforts to promote good governance** (Wolfensohn 1996 and World Bank 1997b and 2000b). It launched a strategy to help countries combat corruption and announced a "zero tolerance" policy with regard to fraud and corruption in its projects. The Bank also embarked on a significant policy research agenda. For instance, a series of *World Development Reports* noted the importance of institutions, capacity, and governance for public service delivery, the investment climate, and poverty reduction (World Bank 2004 and 2005b). The Asian financial crisis and greater attention to the problems of conflict-affected states further validated the Bank's interest in helping develop market and state institutions.

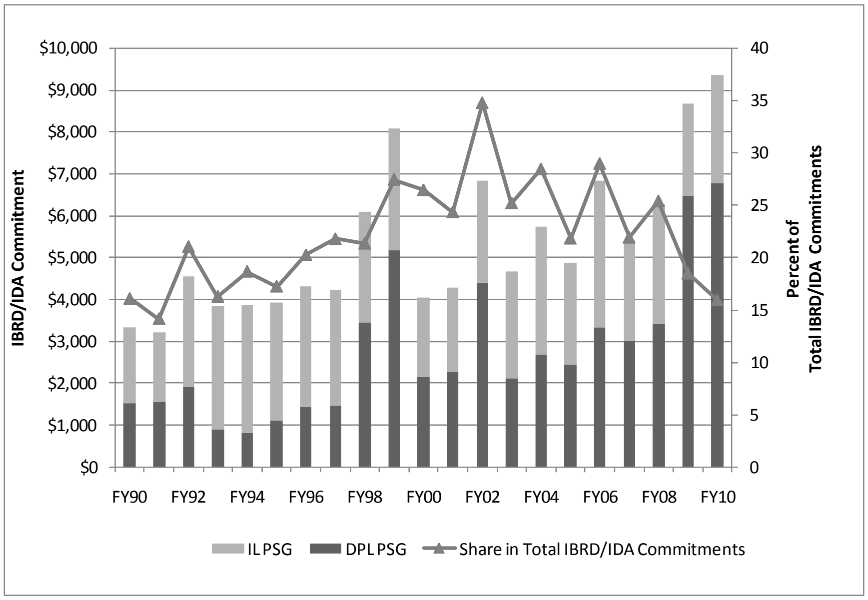
1.13 **The Bank followed through on this new thinking with a 2000 strategy, *Reforming Public Institutions and Strengthening Governance.*** The strategy set a course to help strengthen core public institutions such as civil service and public financial management systems, regulatory bodies, the judiciary, and local governments. It also proposed a broader menu of products to support public sector reforms, for instance, more programmatic lending instruments, new tools for measuring institutional quality, and participatory processes to help reform constituencies (World Bank 2000b). In parallel, the

Bank introduced the "governance cluster" to its established Country Policy and Institutional Assessment (CPIA), launched the widely-cited World Bank Institute (WBI) indicators (now the Worldwide Governance Indicators), and instituted standardized assessments of country fiduciary controls (through the multiagency Public Expenditure and Financial Accountability partnership). The strategy also intended to strengthen the Bank's own internal organization and skills base.

1.14 **What followed was a watershed for the Bank's work on governance. Support for governance-related themes grew significantly as a share of total Bank lending (**Figure 1.1**)**. Bank assistance for governance (inclusive of public sector reform) grew to more than 25 percent of total Bank lending in volume terms starting in FY99, and reached 35 percent in FY02. This trend was sustained for more than a decade until it was eclipsed by significant crisis-response lending in 2008. A similar trend was observed in the share of governance-related prior actions for development policy lending. They grew in prominence as an instrument of supporting improvements in public sector governance, and public financial management became a mainstay of Bank support in both International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) countries (World Bank 2009a). Investment in public sector capacity, including in the infrastructure and social sectors, continued to account for a sizeable share of Bank assistance to IBRD, and to a lesser extent, IDA countries. Bank assistance for capacity building, in particular, focused mainly on the core public sector, sector administration, and workforce development. More modest commitments were made in support of private sector and demand-side capacity building.

1.15 **The Bank also became more selective in its allocation of scarce aid resources.** Over its Twelfth and Thirteenth Replenishments, IDA's Performance-Based Allocation system increased the effective weight given to governance performance in countries. Regression analysis undertaken for this evaluation showed that, by the mid-2000s, IDA was the most selective of donors. According to the Bank, IDA's allocation rules ensured that aid resources were directed to settings where fiduciary and developmental risks could be most effectively managed. They also signaled the importance of governance as a development goal: a growing number of country assistance strategies (CASs) in IDA countries were including governance pillars. Convinced by the logic of the Performance-Based Allocation, other donors, such as the Netherlands and the United Kingdom, aligned their own aid allocation decisions accordingly (IDA Deputies' Reports from IDA13–14; and IDA 13, IDA13 Midterm Review, IDA 14 papers; Hout 2004).

Figure 1.1. Bank Support for Governance-Related Themes, FY1990–2010: Number of Projects and Lending Volumes (US$ Millions)



Note: Includes investment projects and development policy operations with prior actions covering the following themes: (25) Administrative and civil service reform, (26) Decentralization, (27) Public expenditure, financial management, and procurement, (28) Tax policy and administration, (29) Other accountability/anticorruption, (30) Other public sector governance, (90) Managing for development results, (31) Access to law and justice, (32) Judicial and other dispute resolution mechanisms, (33) Law reform, (34) Legal institutions for a market economy, (36) Personal and property rights, (40) Regulation and competition policy, (57) Participation and civic engagement, and (73) Municipal governance and institution building
Source: World Bank Business Warehouse.

1.16 **The Bank was also attempting to adopt new aid modalities in order to support country ownership and domestic accountability, in line with the Paris Declaration.** The launch of country-led Poverty Reduction Strategies (PRSs) in the early 2000s provided an impetus for the Bank to innovate "how" it worked in IDA countries (IEG 2010). Efforts to update operational approaches involved analytical and advisory activities to develop country-led governance strategies within PRSs; a shift to programmatic budget support and multisector investment operations; harmonization efforts with other donors (for example through sectorwide approaches, or SWAps). In addition, the Bank committed itself to increasingly use—rather than bypass—country systems (World Bank 2003a). In public sector reform, the Bank attempted innovations in its financial and nonfinancial product lines to provide added incentives for institutional change.

1.17 **By the mid-2000s, these efforts produced some tangible results, for example, in public financial management and revenue administration.** According to a 2008 IEG review, Bank support in those two areas gained traction. So did Bank support for merit-based recruitment and promotion. Outside observers began to take notice of these improvements in the Bank's approach, even by the early 2000s.[3]

A 2002 global poll of opinion leaders across regions—in particular in Africa—noted that "improvements outweighed setbacks" in the Bank's efforts to help strengthen governance. Both IEG and outside observers agreed that certain aspects of Bank support did not produce the desired results (for instance, some aspects of civil service reforms and anticorruption efforts). According to IEG, direct measures, such as the promulgation of anticorruption laws and the establishment of anticorruption commissions, did not reduce the perceived incidence of corruption in countries. Global poll respondents agreed that efforts to reduce corruption remained one of the Bank's least effective "mission areas."

1.18 **However, new efforts were creating operational challenges. Chief among these was how to support institution building, particularly in fragile states.** For instance, a 2005 IEG evaluation found that capacity building efforts in Africa were fragmented. The Bank often lacked the knowledge base and programmatic tools required to make a lasting impact, particularly in sectors. Soon after the evaluation, a 2005 World Bank Africa Capacity Development Taskforce echoed these concerns. It defined capacity development as a "governance challenge"—one that required a balance between state building and social accountability. The taskforce recommended that the Bank consolidate its existing capacity-building business lines and expand new ones (for instance, in areas relating to the demand side). It also identified the need for more flexible lending instruments, a more proactive stance on the use of country systems, and reform of donor approaches to technical cooperation.

1.19 **Notwithstanding some progress, the implementation of Paris Declaration principles was proving more difficult than anticipated.** In a growing number of countries, the Bank and other development partners were jointly supporting policy and institutional reforms through budget support programs. However, efforts to harmonize donor approaches and use country systems on investment projects tended to lag. In addition, harmonized donor programs faced special challenges during political governance crises. Donors that attached explicitly political conditions to budget support programs felt compelled to respond differently from those that focused on economic issues. More generally, by the mid-2000s, donors were becoming increasingly aware of the potential unintended consequences of their programs—budget support in particular—on the political economy of governance reforms in partner countries (Barkan 2009, Thomas 2007, Langbein and Knack 2010).

1.20 **The Bank's use of governance indicators was coming under increasing scrutiny and critique from experts, academics, and partner countries.** Composite indices, such as the *Worldwide Governance*

Indicators, Doing Business, and others, were based on empirical research on the links between institutional quality and development outcomes. Through its support for these and other indices, the Bank demonstrated the power of evidence-based dialogue on governance issues, as well as the potential for benchmarking governance performance across countries. By the mid-2000s, several reviews highlighted the limitations of these indicators. For instance, composite scores such as the Worldwide Governance Indicators were relative rankings of countries within a given period and not meant for time-series analysis. Similarly, some indices sought to integrate multiple source indicators, each of which measured distinct governance phenomena. Correlations between measurement errors across source indicators were also a problem (Arndt and Oman 2006 and Thomas 2010). For their part, partner countries also started to voice concerns that changes in rank ordering of governance performance did not necessarily reflect the achievement of reform efforts.

1.21 **These challenges implied the need for an updated Bank approach. In fact, several other donors were already rethinking their strategies on governance.** For instance, by 2005-06, several bilateral agencies—among them the U.S. Agency for International Development (USAID), U.K. Department for International Development (DFID), Danish International Development Agency (DANIDA), French Agency for Development (AFD), Swedish International Development Cooperation Agency (SIDA), and the European Commission—had launched new strategies on governance. These strategies shared some common themes. They recognized the potential for states to act not only as "facilitator[s] of networks [of organizations inside and outside the public sector]" but also as vehicles for elites to safeguard their interests and preserve power (OECD 2009). They also accepted that governance reforms required the right political incentives, credible champions, and appropriate demand-side pressures.

1.22 ***Governance and Anticorruption as "Everybody's Business," 2007–10*. Beginning with the arrival of Paul Wolfowitz as World Bank President in 2005, governance and anticorruption issues gained an unprecedented level of attention.** A very public and sometimes contentious discussion surrounding the Bank's approach to governance culminated in a highly negotiated 2007 GAC strategy document (Weaver 2008). Now considered "everybody's business," the 2007 strategy was not simply a sector strategy but a corporate strategy that sought to change the way the Bank did business.

1.23 **The 2007 strategy set forth several objectives relating to the development of capable and accountable states and committed the Bank to seven principles of engagement on GAC issues** (Box 1). In response to shareholder concerns about the perceived arbitrariness of senior management decisions to cut off lending to certain countries, the strategy reiterated the Bank's use of rules-based criteria for allocating resources, as well as its aim to stay engaged even in poorly governed countries to ensure that the "poor do not pay twice." At the same time, the strategy placed considerable emphasis—more than earlier strategies—on safeguarding Bank funds from fiduciary risks. Early on, it was acknowledged that, to achieve its "vision of success," the strategy required a more detailed implementation plan.

Box 1. The Multiple Objectives and Guiding Principles of the 2007 GAC Strategy

1. The GAC strategy had several objectives:
   - "to support poverty reduction…."
   - "…[by] developing capable and accountable states ….[undertaking] sound policies, improving service delivery, [establishing] rules for markets, combating corruption," and
   - "…to ensure that its funds are used for their intended purposes."
2. In addition, the "GAC guiding principles" were as follows:
   - Focus on "[a] capable and accountable state to create opportunities for poor people, provide better services, and improve development outcomes."
   - Country ownership and leadership are key. Country government is the principal counterpart.
   - Remaining engaged so the poor do not pay twice.
   - Consistent approach across countries, even though one size does not fit all.
   - Engage broad set of stakeholders with focus on transparency, accountability, and participation.
   - Strengthen rather than bypass country systems.
   - Harmonization (the Bank will not act in isolation).

Source: World Bank documents.

Salient Features of 2007 GAC Strategy Implementation Plan

1.24 **The implementation plan (IP) sought to define concrete steps for "what the World Bank itself will do to support the GAC agenda, and how it will work with governments, domestic stakeholders, and development partners to support country-level governance improvements and regional and global initiatives."** The plan's success was to be measured by (i) a significant and growing number of countries seriously addressing key governance impediments to development effectiveness and poverty reduction; (ii) Bank-supported projects and programs increasingly addressing GAC impediments; and (iii) countries and global partners valuing and respecting the Bank's capacity in this area (World Bank 2007a). It was envisaged that these objectives would eventually be reflected empirically in improvements in country governance performance.

1.25 **To this end, the IP proposed to deliver guidance materials, tools, training, incremental resources, and strategic staffing** to help deepen Bank engagement in the following areas:

- *GAC-in-Countries.* **These initiatives sought to enhance Bank-country engagement on governance and anticorruption issues.** Initially, country-GAC (CGAC) processes—comprising joint workshops, peer-to-peer learning events, clinics, and upstream assessment activities—were launched in 27 countries to help Bank teams systematically diagnose governance challenges and identify ways of addressing them through CAS design, sector strategies, and project preparation. The CGAC processes were intended to deepen the Bank's understanding of what can be done to strengthen GAC in CASs and help identify governance entry points (for example, core public management and accountability institutions, private sector engagement, and demand-side capacities and frameworks). Following the CGACs, a more targeted effort involving 18 countries sought to enhance GAC responsiveness with the help of considerable support provided under the Window One facility of the Governance Partnership Facility (GPF).[4]

- *GAC-in-Sectors and GAC-in-Projects*. **These efforts aimed to strengthen incentive and accountability frameworks in sector dialogue and project design, as well as systematic risk assessment and management** (for example, through the use of political economy analysis, actionable governance indicators, and demand-side measures). Guidance notes and toolkits were designed to advise Bank teams on how to address GAC issues in the sectors and to support cross-cutting concerns, such as social accountability (World Bank 2008b and 2009c). Also included were handbooks, tools, and training to support efforts to prevent fraud and corruption in projects.[5] A 2009 Quality Assurance Group (QAG) survey of projects approved in FY08 aimed to establish a baseline for incorporation of "generic" GAC elements in projects (World Bank 2009f).

- *Global GAC Efforts.* **The Bank proposed to increase its involvement in peer learning networks and collaborative governance initiatives.** These included the Extractive Industries Transparency Initiative (EITI) and global and regional legal conventions such as the Stolen Asset Recovery (StAR) Initiative,[6] Medicines Transparency Alliance (MeTA), and Construction Sector Transparency (CoST) Initiative. In addition, the

Bank sought to harmonize GAC policies (for example, on cross-debarment) with other multilateral development banks, and to establish common response principles for high-risk countries under the auspices of Gov-Net.[7]

1.26 *Internal Reforms*. **Other important internal reforms were carried out as complements to the GAC agenda,** including implementation of Volcker Panel recommendations on strengthening the Integrity Vice Presidency,[8] launch of a new WBI strategy emphasizing multistakeholder engagements (World Bank 2009a), update of the Bank's disclosure policy, launch of a new Operational Risk Assessment Framework (ORAF) for investment lending,[9] the recruitment of a Chief Risk Officer, an annual integrated risk monitoring report, and other efforts to modernize investment lending (World Bank 2011a).

1.27 *Resourcing the Strategy*. **Significant incremental budgetary and donor resources were deployed over the FY08–12 period to support GAC implementation**. This comprised $54 million in incremental Bank budget as well as $61 million in donor funds allocated through the GPF. The GPF was supported by the United Kingdom, the Netherlands, and Norway.

1.28 *Change Management*. **GAC implementation was viewed as a significant change management agenda. Institutional arrangements to support this Bank-wide initiative prominently featured a GAC Council,** consisting of the Vice Presidents and chaired by the Managing Directors. The Council was supported by a GAC Secretariat, various other partnership secretariat units, and GAC focal points in Regional and network units. The Bank also periodically sought the advice of a Group of External Advisers, an Independent Advisory Board (that advises the President and Audit Committee on Integrity Vice Presidency performance), and an International Technical Advisory Group (that advises on the Use of Country Systems pilot).

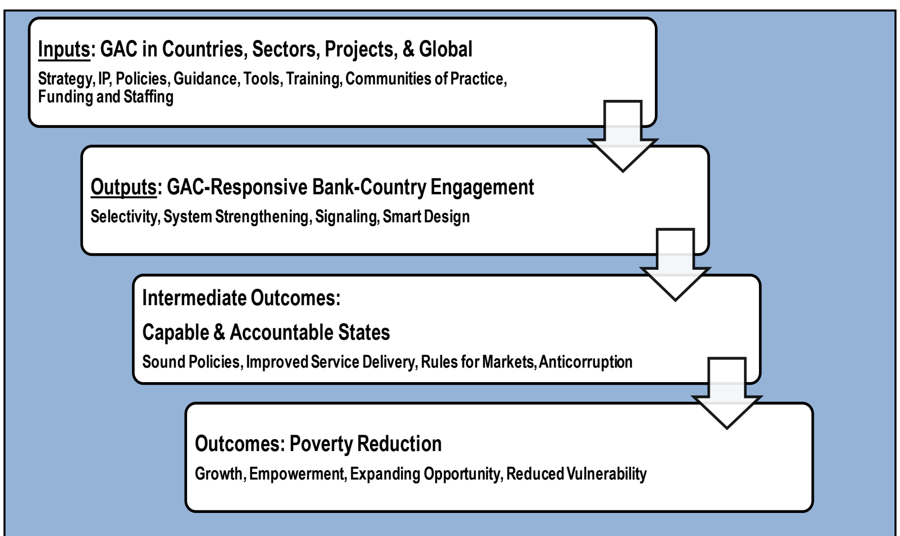
2. Design of the Evaluation

2.1 **This chapter describes the design of the evaluation, including its logical framework, scope, main questions, and analytical methods.** It reflects the Approach Paper, which was endorsed by the Committee on Development Effectiveness on June 8, 2010. In designing the evaluation of the 2007 GAC Strategy and Implementation Plan, IEG drew on the history of Bank engagement on governance issues and on previous evaluations.

Framework

2.2 **A logical framework, which linked GAC inputs to outcomes, formed the basis for this evaluation.** Even though the GAC strategy did not contain a formal logical framework, the evaluation developed a results chain in order to make informed assessments of the Bank's efforts (Figure 2.1). The results chain linked "inputs," such as the GAC strategy and implementation activities, to "outputs," that is, more GAC-responsive Bank engagement in partner countries. More GAC-responsive engagements in turn contribute to "intermediate outcomes" (enhanced state capacity and social accountability) and "outcomes" (poverty reduction). Each is described below.

Figure 2.1. GAC Results Chain



Source: IEG approach paper

2.3 *Inputs—GAC Strategy and Implementation Activities*. **The strategy, the rolling implementation plan, and implementation activities were the inputs designed to improve the Bank's ability to engage on GAC issues** at the country, sector, and project levels as well as in international efforts. The GAC inputs include communication of GAC strategic principles and supporting operational policies and internal controls; guidance and support for risk review processes (for example, CGAC processes, governance filters, red flags); development of new product lines (for example, political economy analysis); provision and rollout of operational tools, training, and advisory activities (for example, on actionable governance indicators); development of communities of practice (for example, GAC-in-projects, demand for good governance, and political economy analysis), strategic staffing (for example, GAC Advisers), and incremental resourcing (for example, budgetary resources and donor funds); and change management arrangements.

2.4 *Outputs—GAC Responsiveness of Bank Engagement*. **The inputs are intended to enable the Bank and its country partners to better address GAC-related issues, and to help relieve GAC-related constraints to poverty reduction.** The main "outputs" are higher quality programs, portfolios, projects, and analytical and advisory activities that consistently and cost-effectively address GAC concerns and risks. These "GAC-responsive" Bank-country engagements are characterized by (Adapted from QAG; see World Bank 2009f):

- **Enhanced selectivity of Bank country strategies and programs:** In more selective Bank programs, candid assessments of governance and political economy risks would shape decisions regarding lending levels and composition (or aid selectivity).[10] They would help identify viable governance entry points (such as core public management institutions, sectors, demand-side and accountability institutions, or the investment climate), help clarify the rationale for the choice of financial and knowledge instruments (for example, development policy versus investment lending) in country portfolios, and strengthen the results frameworks (for example, through the use of actionable governance indicators).

- **Improved signaling of GAC concerns and risks through Bank portfolio processes:** In GAC-responsive Bank portfolios, risks should be regularly and rigorously monitored over the course of implementation (for example, through early warning of fraud and corruption risks). They would also track the progress of governance reforms at the sector and project levels, for example, through the use of portfolio management and actionable governance indicators. Disclosure of portfolio reviews and efforts to engage interested stakeholders in progress monitoring should be designed to signal progress on GAC issues and promote proactive management of risks by borrowers and the Bank.

- **Smarter design of projects by countries:** The Bank and its clients should become better equipped to design innovative or "smarter" projects that are cognizant of GAC issues. A "smarter" approach, according to the GAC strategy, ensures that project design and implementation arrangements are fitted to the political economy. In addition, it would include appropriate measures to prevent fraud and corruption, to use country systems, and to employ transparency measures, such as third-party monitoring, so that citizen stakeholders are empowered to hold state actors and service providers accountable. (Adapted from QAG. See World Bank 2009f.)[11] Smarter design therefore should contribute to intermediate governance outcomes as well as higher-order development outcomes.

- **More effective strengthening of country institutions and systems:** GAC-responsive Bank programs are characterized by borrower-led efforts to systematically strengthen country systems. These include capacity building of cross-cutting and sectoral state institutions (for instance, civil service and budget management systems, revenue administration, local governments, ministries, and agencies), accountability institutions (for instance, judiciaries, supreme audit, and anticorruption bodies), and the private sector and civil society (World Bank 2005d).

2.5 **More GAC-responsive Bank portfolios theoretically are higher performing portfolios** and therefore should result in improvements in traditional measures of portfolio quality. For instance, upstream diagnostic GAC efforts are expected to contribute to improved risk management, design, and, therefore, project performance (World Bank 2009g).

2.6 *Intermediate Outcomes—Country Governance Performance.* **Over time, GAC-responsive Bank support to countries should contribute to more capable and accountable states that create opportunities for the poor.** These governance improvements generally involve increasing the ability of states to *correct market failures* through the provision of public goods (for example, basic social and infrastructure services) and regulation of markets. In carrying out these public functions, governments are also responsible for mitigating *government failures* or weaknesses in formulating and implementing sound policies, providing public services, setting and enforcing rules governing markets, and combating corruption (World Bank 1997a, 2002, 2004, and 2005a). Improvements in the quality of institutions have been captured through an array of measurement techniques and governance indicators developed in the past decade.

2.7 ***Outcomes—Poverty Reduction.*** **GAC outcomes are also poverty reduction outcomes,** including: empowerment of citizens, expansion of opportunities through providing access to markets and essential services, and provision of security from vulnerability (including economic shocks, as well as crime, corruption, and violence) (World Bank 2002).

Scope of the Evaluation

2.8 **Given the multidimensional and wide-ranging nature of the GAC strategy, IEG sought to bound the scope of the evaluation by focusing on country-level operational engagement.** Covering other important GAC-related interventions in this evaluation—for instance, the organizational restructuring of the Integrity Vice Presidency and related reforms to strengthen the Bank's corporate investigations and sanctions regimes, the organizational renewal of WBI, or individual global partnership programs (such as the Stolen Asset Recovery Program)—would have added considerable complexity to an already ambitious evaluation. Therefore, it focused on country-level engagement on GAC issues.

2.9 **In addition, IEG undertook in-depth analysis in specific sectors and thematic areas that were highlighted in the first and second annual GAC Progress Reports.** As such, the rollout of GAC activities was intended to expand into sectors and thematic areas (for example, in health, education, and infrastructure). While the evaluation assesses the relevance, efficiency, and effectiveness of GAC activities *across all sectors*, it also includes in-depth analyses of GAC-in-sectors efforts in the *roads* and *primary education* sectors, and similar efforts in *accountability institutions* (that is, non-executive institutions such as supreme audit, legislative oversight, other independent oversight bodies, as well as social accountability networks).[12] Criteria for selecting these sectors and thematic issues were priorities set during early GAC-in-sectors efforts, areas with perceived higher risk exposure for the Bank, and areas with the potential to add to existing IEG work.

2.10 **Finally, the evaluation defined FY04–10 as the period of review in order to facilitate pre- and post-GAC comparisons.** The

2007 GAC strategy has been under implementation since FY08. To assess *effectiveness*, IEG undertook before-and-after comparisons of the GAC responsiveness of Bank operations during the four years preceding (FY04–07) and the three years following (FY08–10) the launch of the GAC strategy.

Main Questions

2.11 **Pursuant to the objectives of the evaluation and based on feedback from key stakeholders, IEG sought to address the following questions:**

2.12 **To what extent was the Bank's 2007 GAC strategy relevant?**

i) Was the strategy based on diagnosis of the constraints to the Bank's poverty reduction goals and consistent with the priorities and needs of client countries?
ii) Was it aligned with the Bank's external authorizing and operating environment?
iii) Were the objectives, principles, scope, and priorities of the 2007 GAC strategy coherent, internally consistent, and realistic?
iv) Did the strategy address trade-offs in pursuing GAC objectives and principles?

2.13 **Was the design of the IP appropriate to GAC strategy objectives?**

i) Were the IP's objectives, structure, priorities, as well as results and risk frameworks internally consistent and appropriate to the strategy?
ii) Were policies, guidance materials, tools, and training activities rolled out under the IP appropriate to the objectives and guiding principles of the strategy?
iii) Was the distribution of inputs in line with principles that require consistency of treatment of countries, or those that aim to make GAC "everybody's business"?
iv) How appropriate was the guidance and operational support provided in priority areas, such as political economy analysis, and GAC-in-sectors?

2.14 **To what extent was the GAC strategy implemented in line with plans?**

i) Were resourcing and change management efforts supportive of the strategy?
ii) Were incremental Bank budgetary and trust fund resources

transparently allocated, efficiently executed, and managed with view to ensuring sustainability? (World Bank 2007c)

iii) Was GAC support delivered in a user-friendly and client-oriented manner in support of Bank teams in operations, and ultimately, country partners?

2.15 **To what extent were implementation efforts effective in enhancing the GAC responsiveness of Bank-country engagement?**

i) To what extent has the Bank addressed GAC concerns more systematically in an increasing number of countries and sectors?
ii) To what extent did GAC implementation efforts have an impact on the responsiveness of operations and Bank staff to address GAC concerns? (World Bank 2009c)

2.16 **To what extent did the Bank contribute to improved governance in countries?** IEG sought to identify countries and sectors with evidence of tangible governance improvements over the entire FY04–10 period. To the extent possible, the evaluation also tried to identify the contribution of Bank support to improvements in service delivery, financial management, investment climate, and so on. In so doing, IEG was cognizant of two issues. First, the country-level impact of GAC efforts over the FY08–10 period is, in most cases, too recent to measure. Second, it is difficult to attribute improvements in country governance to Bank support given the myriad other donor-supported and indigenous efforts in client countries.

2.17 **In assessing results, the evaluation also sought to identify early lessons learned about what works to improve governance performance.** It also determined whether linkages between GAC-responsive programs and intermediate outcomes are stronger in certain areas compared with others. These form the basis for recommendations.

Methods of Analysis

2.18 **To address these questions, IEG employed multiple analytical methods, as described below:**

2.19 *Desk Reviews*. **To assess the effectiveness of the strategy in improving the GAC responsiveness of Bank-country engagement, the evaluation conducted a desk review of 50 country programs and 200 lending and trust-funded operations over the FY04–10 period.** Using standardized questionnaires, the desk reviews assessed GAC elements of both design and implementation processes. For source material, IEG relied on CASs, CAS Completion Reports (CASCRs), Country Portfolio Performance Reviews, and related country program documents, as well as Project Appraisal Documents, Implementation Status Reports, QAG analyses, and Implementation Completion Reports (ICRs). The analysis also drew on IEG reports, including CASCR reviews, ICR reviews, Country Assistance Evaluations (CAEs), Country Program Evaluations (CPEs), and Project Performance Assessment Reports (PPARs), as well as on Integrity Vice Presidency Detailed Implementation Reviews (DIRs) and other data, such as summary statistics on investigations.

2.20 **The sampling methodology was designed to facilitate three levels of analysis of the responsiveness of country programs and projects to GAC issues** (Appendix A). The first level analyzed whether the Bank has been more systematic in addressing GAC issues at the country, sector, and project level since the launch of the strategy. A second level assessed whether CGAC/GPF Window efforts contributed to improvements in the GAC responsiveness of Bank-country engagements.

2.21 ***Country Case Studies*. Building on the first and second levels of analysis noted above, IEG undertook detailed case studies of GAC in six country programs.** Based on in-depth field visits, this third level of analysis sought to identify what has worked and what has not in implementing GAC efforts.[13]

2.22 ***Statistical Analyses*. To assess the relevance, efficiency, and effectiveness of the GAC strategy, IEG conducted statistical analyses** of the following issues:

- **Selectivity of aid flows from the Bank relative to those from other donors.** To assess whether the 2007 GAC strategy helped maintain the Bank's policy of channeling scarce aid resources to their most effective use, the evaluation analyzed the degree to which aid flows from the Bank were more or less governance-oriented relative to other channels (IDA 2009). The analysis drew on the existing literature as well as on data from the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC) and related data sources to capture overall aid flows. Aid flows channeled through the Bank included IDA, trust funds, and IBRD resources. The analysis also used CPIA and other measures of governance.

- **Selectivity of Bank support for capacity building relative to support from other donors.** Drawing on OECD-DAC and related data sources, IEG analyzed the roles of various donors in directly supporting system strengthening for core public sector, sectoral, and accountability institutions and civil society (for example, through technical cooperation and capacity building) in different country settings over the FY04–10 period.

- **Distribution of GAC inputs.** IEG assessed the distribution of GAC inputs, including allocation of GPF and Bank budgetary resources across countries, sectors, and Bank units.

- **Relative GAC Responsiveness of Operations.** Based on the desk reviews noted above, IEG undertook formal statistical analyses to investigate the determinants of various elements of GAC responsiveness and their possible impact on operational performance.

2.23 *Sectoral and Thematic Analyses*. **These analyses reviewed the evolution of Bank practice in the following areas: GAC issues in roads, primary education, accountability institutions, and political economy analysis.** For each of these areas, IEG reviewed the literature, and identified issues for more in-depth analysis in desk reviews and country cases. It subsequently drew on desk reviews and country case studies to identify portfolio trends in the sector, and identify lessons learned. For the thematic review of political economy analysis (PEA), the evaluation also reviewed 32 analytical reports comprising formal economic and sector work (ESW) as well as freestanding PEA inputs to Bank strategies, projects, and policy dialogue.

2.24 *Process and Budget Reviews*. **GAC institutional arrangements as well as resource and risk management processes were analyzed.** In particular, a detailed analysis of the incremental Bank administrative resources and donor funds sought to review allocative efficiency, cost effectiveness, and sustainability.

2.25 *Structured Interviews, Surveys, and Consultations*. **Structured interviews and surveys were conducted with key stakeholders involved in earlier and current GAC efforts.** In-depth interviews with current and former senior Bank officials as well as key stakeholders were used to ascertain the rationale, trade-offs, and emerging implementation issues underpinning the 2007 GAC strategy. Also, during the Cape Town GPF Workshop for Window One countries in September 2010 and during country field visits, the team consulted extensively with Bank Country Office staff, government officials, donors, and civil society partners. In addition, IEG surveyed a representative sample of operational staff to gauge their awareness of GAC issues and assess their experience with GAC implementation. It also consulted with GPF donors and civil society organizations that provided their inputs during the design of the 2007 GAC strategy.

3. Relevance of 2007 GAC Strategy and Implementation Plan

3.1 **This chapter summarizes IEG's findings on the relevance of the 2007 GAC strategy and implementation plan.** To assess relevance, the evaluation focused on consistency of the GAC strategy with the Bank's poverty reduction mandate as well as with regional, sectoral, and country priorities. It also assessed appropriateness of the IP design.

Why and How Governance Matters—Recent Currents in the Literature

3.2 **Literature reviews undertaken for this evaluation focused on the specific ways in which patterns of governance affect poverty reduction.** Given the recent work by IEG on public sector reform issues, the evaluation did not conduct a comprehensive review of the vast and well-established literature on institutions and development. Rather it focused on specific topics (such as the political economy of institutional change), as well as specific sectors (such as primary education and transport) and thematic areas (such as accountability and the demand side). These reviews provided the basis for evaluating the relevance of the GAC strategy to the Bank's poverty reduction mandate.

3.3 ***Governance and State Building*. Over the past two decades, a considerable body of work emphasized the importance of *governance* in promoting broad-based economic growth.** Specifically, the ability of states to *correct market failures* depends in part on their ability to *correct governance failures* (World Bank 1997a, 2004, and 2005b). Common governance failures include the lack of inclusive and transparent policymaking, allocations of public resources based on loyalty rather than need, inefficient program implementation, and arbitrary enforcement of market rules. These, in turn, limit coverage and responsiveness of service delivery, create inadequate and unpredictable resource flows, and exacerbate the risks and costs to economic agents of entry to markets.

3.4 **To address governance failures, developing countries embarked on long-term institutional reengineering and state-building efforts. The limited success of these efforts and the persistence of**

poor governance were often the result of deliberate counterstrategies adopted by elites and other *political economy* factors. For instance, political disincentives, rather than the weak capacity of providers, often accounted for the limited access of the poor to high-quality services (World Bank 2003b). Similarly, influence-peddling offered firms special access to subsidies or protection from competition, but it also removed incentives to be dynamic and innovative (World Bank 2004; Ramachandran, Shaw, and Tata 2007). Even when policies were intended to benefit the poor, elites captured redistributive mechanisms to narrowly and regressively target key constituencies. Stark inequities persisted and perverse policy outcomes resulted.

3.5 **Political economy factors also accounted for diverse patterns of governance across countries and regions and for distinct poverty reduction challenges. To be viable, reforms had to be fitted to local conditions.** For instance:

- Persistent inequality across the *Latin America and Caribbean region* resulted in regressive expenditure patterns, political manipulation of antipoverty programs, and ongoing distributional conflicts (De Ferranti 2004). While wholesale remedies were rare, partial responses such as conditional cash transfers showed promise (de la Brière and Rawlings 2006).

- In countries in *East Asia and the Pacific*, disenfranchisement of vulnerable groups and limited accountability of government threatened the early gains of public management reforms and anticorruption efforts.

- By the end of the first decade of post-socialist transition, corruption was recognized as a central challenge across *Eastern Europe and Central Asia*. Countries in Central Europe and the Baltics leveraged the European Union accession process to make progress, while others in the Commonwealth of Independent States faced protracted political stalemates and the natural resource curse.

- In *South Asia*, the poor bore the disproportionate burden of weak public administration, including politicization and limited accountability. Alternatives to improve service delivery included community-based and e-governance initiatives.

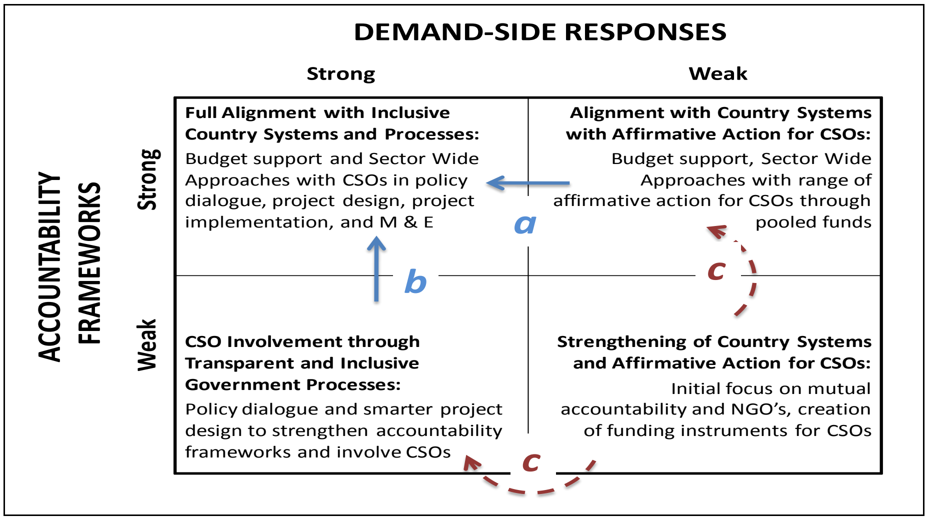
- In the *Middle East and North Africa*, pressures from population growth and urbanization strained state institutions, heightened perceptions of corruption, and in late 2010 led to unprecedented public protests. In addition to women, the youth and rural dwellers lacked basic access to services, markets, and jobs. Reforms targeting marginalized groups have met with limited success.

- In *Sub-Saharan Africa*, governance problems rooted in colonial legacies, ethnic fragmentation, natural resource dependency, and low capacity were not easily solved. Rather, populist efforts to indigenize inherited colonial states gave way to patronage and unaffordable expansion of government (World Bank 2005c: 22). Structural adjustment and subsequent capacity-building efforts also proved unsustainable. Yet, democratic transition in some countries still offers a chance to reshape state-society relations, even as conflict threatens further decline in others.

3.6 ***Executive Restraint through Domestic Accountability.*** **The lack of restraint on executive discretion has undermined the legitimacy and responsiveness of the state.** The importance of *accountability*—the responsiveness of political executives to the needs and aspirations of citizens—gained prominence at the World Bank in the 2000s (World Bank 2002, Mukhopadhyay and Meer 2004, Goetz and Hassim 2003, O'Neill, Foresti, and Hudson 2007, Schedler, Diamond, and Plattner 1999, Jones and Stewart 2008). Well-functioning accountability systems require *enabling frameworks* that create space for citizen participation and *demand-side responses* from social actors. Enabling frameworks typically ensure government transparency and disclosure (for example, supreme audit institutions and legislation on the right to information), "space" for civic participation (for example, robust laws providing for nongovernmental organizations and credible government-business forums), and provisions for citizen recourse and redress (for example, ombudsman offices and other grievance mechanisms). Efforts to motivate demand-side responses have taken various forms, including strengthening parliamentary committees involved in oversight functions, support for independent media organs, and capacity building and financial support for civil society organizations (CSOs) and federated community organizations.

3.7 **Efforts to strengthen independent accountability systems have included direct support for specific institutions, as well as the use of country systems.** More knowledge on how to effectively sequence support for domestic accountability systems is needed. For instance, as illustrated in hypotheses in Figure 3.1, when enabling frameworks are weak but demand-side responses strong, development partners can proactively use CSOs and other stakeholders in monitoring and oversight of their programs. If enabling frameworks are strong but demand-side response weak, donors can align their programs with country systems while supporting affirmative action efforts to build CSO capacity. A dilemma is how to strengthen domestic accountability in settings with neither the space for social accountability nor the forthcoming demand-side response. Efforts to strengthen regulatory and legal frameworks may outpace the ability of social groups to engage constructively. Similarly, demand-side efforts may not be sustainable without enabling frameworks.

Figure 3.1. Strengthening Domestic Accountability Systems



Source: IEG thematic review

3.8 *Governance and Sector Performance*. **Improved performance in the social and infrastructure sectors typically involved strengthening both the supply side and demand side of governance.** Supply-side prerequisites of efficient and effective service provision have been long established: clearly defined roles and responsibilities, inclusive decision making, adequate and predictable resources, and motivated staff. These require cross-cutting public management systems (for example, public financial management, pay and employment, and intergovernmental relations). They also require sector-specific capabilities, which have evolved with advances in technology, awareness of vulnerabilities, and improvements in management practice (Campos and Pradhan 2008).For instance, performance management contracts are commonly used for roads maintenance, as are build-operate-transfer arrangements[14] for implementing civil works.

3.9 **Efforts that sought to reform multiple public management systems faced coordination challenges and sometimes exacerbated delivery risks.** For instance, some countries have sought to decentralize the responsibility for recruitment, management, and payment of teachers even as they reorient central ministries and build basic human resource capabilities at the local level. Similarly, efforts to modernize and automate financial management systems can involve phased piloting to sector ministries. However, delays in rolling out governmentwide systems can forestall efforts by roads agencies to improve their own financial management practices, or by education ministries to improve human resource management.

3.10 **Even when they are well-coordinated, supply-side efforts can be undermined by weak demand-side pressures and external accountability.** In primary education, demand-based incentives can stimulate household demand for services (for example, through conditional cash transfers or vouchers) (Gauri and Vadwa 2003). Beyond households, demand-side measures can also entail community-based involvement in managing schools and holding teachers accountable (Mansuri and Rao 2004). In the roads sector, external accountability mechanisms are gaining prominence in managing fiduciary risks associated with large sector budgets and bulky investments. These include tools such as financial and technical audits of road construction projects, as well as third-party monitoring of project expenditures and procurement outcomes (by competitors, contractor associations, or civil society). Given the risk of a few powerful firms dominating the market, measures to promote competition can also include "road shows" to invite new firms as market entrants, and sector agreements with contractor associations (Paterson and Chaudhuri 2007).

Relevance of 2007 GAC Strategy Objectives

3.11 *Relevance to the Bank's Poverty Reduction Mandate.* **Drawing on the literature reviews, the evaluation concluded that the objectives of the 2007 strategy were—and continue to be—highly relevant to the Bank's poverty reduction mandate.**

3.12 **First, the strategy reiterated the Bank's longstanding commitment to support country-led efforts to build state capacity as well as to promote social accountability.** While acknowledging the need to combat corruption (including on its own projects), the Bank reaffirmed the long-term institutional development focus of its governance work. It also defined GAC as a central concern for all sectors involved in poverty reduction (including the social sectors and infrastructure, as well as the financial and private sectors). Moreover, in keeping with the literature, the strategy identified accountability and the demand side as basic building blocks of good governance, and it committed the Bank to a more expansive engagement with non-state actors.

3.13 **Second, the Bank recognized that, to engage *credibly* with countries on broader GAC issues it would have to more proactively prevent fraud and corruption in its own projects. It would also have to function more transparently.** The strategy called for improved risk monitoring and stronger detection and deterrence measures on *investment* projects.[15] Rather than attempting to measure and reduce absolute levels of corruption, these measures sought to reduce *opportunities* for corruption. In parallel, a new disclosure policy sought to address concerns, on the part of civil society and some shareholders, that the Bank had to "walk the talk" of good governance.

3.14 **Third, the strategy's GAC principles emphasized that *how* the Bank supported partner countries was as important as *what* it supported.** The GAC principles were wholly consistent with Paris Declaration priorities, such as country ownership, participation, and inclusion, as well as harmonization and alignment. They also included the Bank's commitment to remain engaged even in poorly governed countries so "the poor do not pay twice." This argument in particular sought to address the concerns of some of the Bank's shareholders, who viewed then Bank President Paul Wolfowitz's decision to hold up loans to certain countries as arbitrary and punitive.

3.15 **Notwithstanding these strengths, the strategy was hampered by weaknesses that became evident during implementation.**

3.16 **First, the strategy defined "GAC" too loosely to be coherent.** An umbrella concept, "GAC" encapsulated an ever-widening array of country-, sector-, and project-level operational activities (such as capacity building, policy and institutional reforms, and political economy analysis), as well as internal Bank risk management practices (such as risk frameworks, fraud and corruption controls, and sanctions reform) (Grindle 2007). The broad framing of GAC enabled the Bank to satisfy various external constituencies, but it also allowed numerous Bank units to legitimize their disparate agendas and vie for scarce internal resources (Weaver 2008). What emerged was an open-ended, omnibus initiative.

3.17 **While it was expansive in scope and ambition, the strategy did not specify why and how it would add to the *existing stock* of Bank work on GAC.** The strategy—and President Wolfowitz's 2006 speech on which it was based—did not explain why such a high-profile restatement of the Bank's approach was needed (Box 2). Rather, based on structured interviews with former senior managers, the evaluation found that the strategy's starting assumption—that the Bank was generally "soft" on corruption—was not fully informed by the empirical record. As a result, it did not identify the specific weaknesses in the Bank's business model that required remedy. Rather, GAC issues were considered ubiquitous, and therefore a "deepening" of Bank engagement on all fronts was required. The strategy did not specify what it would add to the Bank's already extensive body of governance work.

Box 2. Governance and Anticorruption According to Bank Presidents Wolfowitz (2006) and Wolfensohn (1996)

Paul Wolfowitz's 2006 speech in Indonesia and the 2007 strategy were strikingly similar to the approach laid out in James Wolfensohn's 1996 speech a decade earlier.

Wolfowitz (2006): "[W]e must recognize that governance challenges differ from one country to another. And our support must take that into account. A one-size-fits-all approach will simply not work. And, we need to remember that progress in governance is made over time, not overnight. Our strategy commits us to a course of deeper engagement to strengthen governance and fight corruption."

"Even in the most challenging environments, we need to remain engaged to seek out and support champions of reform in both governments and civil society, including parliaments, the judiciary, and the media—to deliver results for the poor. As a global institution, the World Bank Group can help countries learn from the experiences of others.… We concluded a milestone agreement with the other multilateral development banks to share information to combat fraud and corruption."

Wolfensohn (1996): "We must tackle the issue of economic and financial efficiency. But we also need to address transparency, accountability, and institutional capacity. And let's not mince words: we need to deal with the cancer of corruption."

"We need to make sure that the programs and projects we support have adequate social foundations: By designing more participatory country strategies and programs—reflecting discussions not only with governments, but also with community groups, NGOs, and private businesses; By putting more emphasis on social, cultural, and institutional issues and their interplay with economic issues in our project and analytical work; By learning more about how the changing dynamics between public institutions, markets, and civil society affect social and economic development…. Working with our partners, the Bank Group will help any of our member countries to implement national programs that discourage corrupt practices. And we will support international efforts to fight corruption and to establish voluntary standards of behavior for corporations and investors in the industrialized world."

Source: World Bank Archives.

3.18 **The strategy could have exploited this opportunity to address the historically mixed record of the Bank's public sector reform business lines, which were a mainstay of most country assistance strategies** (IEG 2008). Absent from the strategy was a comprehensive stocktaking of operational innovations in the public sector portfolio over the 2000–07 period (for instance, the use of performance improvement funds and challenge grants to support administrative reform, or operations that linked public financial management reforms more directly to service delivery improvements). Also lacking was a clear stance on how to handle less successful programs (for instance, support for anti-corruption bodies and judicial reform). Absent from the strategy was any proposal for much-needed reforms of donor-financed technical co-operation that hinder more rapid capacity development, especially in Africa (World Bank 2005d).

3.19 **The strategy could have more fully acknowledged and addressed the tensions inherent in GAC implementation—for instance, trade-offs between preventing the misuse of funds on Bank projects and building country systems.** Measures to prevent fraud and corruption on *investment* operations may involve ring-fencing Bank projects, using supplemental supervision, and strengthening transaction-level reviews.[16] Such approaches could make it more difficult for the Bank to align with country systems in the conduct of its operations. In addition, Bank support for the demand side may be a crucial entry point for GAC work; however, direct transfers of resources to CSOs may exacerbate the risk profile of projects. Also, Bank efforts to adopt a risk-adjusted approach to the review of operations may make it difficult to ensure consistency of treatment across countries and sectors.

3.20 **The strategy was also quiet about the risks of continuing to lend in countries with deteriorating governance—a central concern of senior managers at the time.** Various Bank controls are intended to ensure proper stewardship and deployment of Bank resources (for instance, IDA's Performance-Based Allocation system and IDA14 Readiness Framework for Development Policy Loans). While these were noted, the strategy did not mention internal incentives to maintain lending levels even in countries experiencing governance downturns (Easterly 2006 and Human Rights Watch 2010). Outside observers have sometimes cited these lending pressures in their analyses of political manipulation of donor programs, as well as repressive acts by governments benefitting from donor budget support programs. A survey undertaken as part of this evaluation found that almost half of Bank operational staff agreed that the Bank's "lending imperative" conflicted with its ability to pursue GAC goals.

3.21 ***Relevance to Client Country Priorities*. The 2007 strategy's goal of developing effective and accountable states was highly relevant to country priorities and needs** (Table 3.1). The evaluation reviewed country program documents from FY04 through FY10 for diagnoses of governance-related constraints, links to homegrown strategies, and identification of specific GAC entry points.

3.22 **Governance challenges were identified over the pre- and post-GAC periods in virtually all country programs reviewed.** Country strategy documents in both the pre- and post-GAC periods identified the poor quality of budgetary and financial management, public administration, and the business regulatory environment as constraints. More than 80 percent of countries identified inefficiencies in revenue mobilization and lack of transparency and accountability in the public sector. Nearly three-quarters of sample countries reported weak enforcement of poverty rights, as well as inadequate environmental policies and institutions. Fewer identified political stability and conflict as development constraints.

Table 3.1. Relevance of GAC Issues to Client Countries (Percent of Countries)

GAC Issues identified in Bank Strategy Documents of Client Countries	*FY04-07*	*FY08-10*
Illustrative GAC constraints diagnosed:		
Property rights and rule-based governance	76%	78%
Quality of budgetary and financial management	95%	95%
Efficiency of revenue mobilization	83%	81%
Quality of public administration	95%	92%
Transparency, accountability, and corruption in the public sector	88%	86%
Policies and institutions for environmental sustainability	71%	73%
Business regulatory environment	85%	97%
Political stability	33%	28%
GAC issues linked to high level objectives ("to a great extent"):		
Poverty reduction	59%	57%
Service delivery	76%	73%
Investment climate	63%	68%
Human development/infrastructure	56%	62%
Country-led efforts to address GAC issues:		
PRSP or other defined strategy	90%	89%
Policy, law, or regulation	63%	65%
Organizations responsible for implementing governance reform	49%	62%
Governance as a pillar of World Bank CAS	95%	86%

Note: N = 78 (41 Pre-GAC CASs, 37 Post-GAC CASs)
Source: IEG desk review

3.23 **More than half of country programs reviewed identified poor governance as an impediment to poverty reduction. Even more identified poor governance as a constraint to service delivery and the investment climate.** In the pre- and post-GAC periods, nearly three-quarters of the sampled programs consistently identified governance impediments to service delivery goals, and two-thirds noted governance constraints to the investment climate. A majority of countries in both periods were concerned about similar constraints to their national human development and infrastructure goals.

3.24 **Case studies undertaken for this evaluation further confirmed this relationship between poor governance and poverty.** In all six case countries, institutional weaknesses resulted in vulnerabilities and performance challenges across sectors—from primary education to roads, and from land management to extractive industries. These constraints posed risks not only to donor projects but to service delivery more broadly. In countries emerging from conflict (Cambodia and Liberia), and those dealing with issues of crime and violence (Guatemala), instability was rooted in deep-seated problems of social exclusion and can be further exacerbated by geopolitics or cross-border issues.

3.25 **Nearly 90 percent of countries covered by the evaluation launched their own strategies or programs (in many cases as part of Poverty Reduction Strategies) to address governance challenges.** More than 60 percent of these countries enacted specific policies, laws, and regulations to address governance constraints. Forty-nine percent of the partner countries designated specific organizations to implement governance reforms before the launch of the GAC strategy, while 62 percent did in the post-GAC period.

3.26 **However, since most countries were already addressing GAC issues before FY08, the unprecedented level of attention given to GAC appeared to some clients to be Bank-driven.** In some countries, borrowing governments and partners perceived the heightened focus on GAC activities to be imposed from Bank headquarters. This perception was particularly acute in countries such as Cambodia where the Bank was already engaged on governance issues. More generally, concentration on the GAC agenda risked that attention would be deflected from other pressing development challenges (for instance, addressing the global climate crisis).

Appropriateness of Implementation Plan Design

3.27 **In several respects, the IP fell short of what was needed to put the GAC strategy into effect.** The review covered the IP's objectives (relative to those of the strategy), structure of components, results framework, risk management, and finally, the IP's approach to year-to-year priority setting. These are described below.

3.28 ***Objectives.*** **IP goals to increase the number of countries in which the Bank helped "seriously address GAC impediments" were not sufficiently concrete.** In fact, a desk review of country programs and projects undertaken for this evaluation found that a high proportion of Bank operations were already relatively responsive to GAC concerns. As defined in the strategy, GAC responsiveness included selection of entry points, incorporation of political analysis and demand-side measures in projects, and strengthening of institutions. Without clear definitions or established baselines, IP goals left considerable room for interpretation.

3.29 **The objectives were also heavily focused internally on the Bank's capacity and reputation, rather than on countries' capacities to address governance constraints.** These objectives were based on a strong assumption, reflected in communications from senior management and reports by the GAC Group of External Advisers. Put simply, a lack of commitment and capacity on the part of Bank staff posed binding constraints on achieving GAC objectives. This view accounted for the IP's primary focus on training Bank staff and augmenting the Bank's budget.

3.30 **The IP's approach to promoting the Bank's standing on GAC issues—that is, through communications efforts—would have been more credible had it been aligned with a focus on country results.** Given the atmosphere surrounding the presidential transition in 2007, the Bank's concern about its reputation as a capable and responsible partner on GAC issues was understandable. However, the IP's approach focused on internal and external communications about the Bank's GAC efforts rather than on delivery and documentation of governance results. Communication about the Bank's work included numerous senior management events inside and outside the Bank, annual progress reports to the Board, regular GAC Council meetings, interactions with GPF donors and external advisory groups, and a variety of blogs and Web-related activities. Over the course of implementation, the Bank recognized the need to better align these activities with the GAC operational agenda (World Bank 2008a).

3.31 *Structure.* **Three of the main GAC components or "pillars" helped focus the attention of Bank staff on discrete issues, but they contained overlaps and gaps.** Three of the GAC pillars—those relating to countries, sectors, and projects—were concerned with improving the responsiveness of Bank *operations* to GAC issues. However, many of the activities under these pillars overlapped. For instance, sectoral governance issues were considered part of GAC-in-countries efforts in the IP, and subsequently, as part of GAC-in-projects. Similarly, the use of political economy analysis, engagement with multiple stakeholders, and the selection of entry points were not exclusively linked to the GAC-in-countries pillar. Some activities under these pillars also contained gaps. For instance, "smarter project design" elements did not adequately emphasize the use of country systems. They also were not tailored to specific sector needs (for instance, the financial and private sectors as opposed to the human development sectors).

3.32 **A fourth pillar proposed to step up Bank involvement in international efforts and global partnerships to fight corruption. Linkages between these global efforts and country operations deserved more attention.** This pillar capitalized on the Bank's ability to support multiple partnership programs and collaborative platforms relating as an advocate, facilitator, and trustee (for instance, StAR, CoST, and EITI, as well as anti-money laundering and combating the financing of terrorism, known as AML/CFT). However, it could have gone further in improving the coherence of these diverse and sometimes fragmented efforts, and done more to strengthen the link between global efforts, and developing country priorities (World Bank 2007c).

3.33 ***Results framework.*** **The results framework did not include a results chain that linked inputs to outcomes. Indicators focused mainly on Bank inputs and outputs rather than country governance.** Input indicators covered actions proposed under the country-, sector-, and project-level pillars, such as the provision of guidance, organization of conferences, establishment of GAC teams, as well as internal resourcing and staffing efforts. Also included were some outputs, such as the number of operations that focus on the demand side of governance or sector capacity building. Intermediate outcomes relating to country governance performance, however, were omitted, as were indicators of progress on global GAC efforts.

3.34 **The framework did not provide targets for inputs—that is, the scale of internal Bank activities and budgets related to GAC work. Nor did it provide targets for outputs—the GAC responsiveness of Bank programs or projects.** It was only during the preparation of QAG's 2009 GAC-in-Projects Benchmarking Survey that the Bank sought to define, for the first time, key GAC elements of projects in a quantifiable manner. Even so, the QAG assessment did not assess sector-specific governance arrangements, the use of country systems, and project results frameworks. It also did not intend to assess the GAC responsiveness of country programs. Absent a credible baseline, by the end of its third year, the IP's original goal of making *systematic* and *time-bound* improvements in the GAC responsiveness of operations was no longer widely recognized by key staff.

3.35 **Consistent with the Bank's own advice to partner countries, the use of actionable governance indicators would have helped assess the Bank's contribution to observed improvements.** For instance, the IP could have usefully included actionable governance indicators in areas where their development was more advanced (for example, public financial management or investment climate–related reforms) to assess the Bank's contribution to improvements in the quality of country institutions. Absent any indicators of "intermediate outcomes," it would be hard to determine whether GAC IP activities or self-styled "GAC elements" of country programs and projects were leading to tangible improvements in state capacity or social accountability.

3.36 ***Risk Identification and Mitigation.* Largely focused on weaknesses within the Bank, the IP risk framework did not adequately recognize factors relating to country commitment.** This downplayed the risk that partner countries may not be committed to GAC objectives or may not adopt GAC measures supported by the Bank. Country studies undertaken as part of this evaluation suggested otherwise: commitment to GAC principles on the part of clients varied considerably.

3.37 **Risks to the effective implementation of Bank operational controls were partially addressed.** For instance, the IP appropriately cited the risk that GAC would be interpreted narrowly as attempting to address corruption in Bank projects. However, the IP risk framework did not identify potential inconsistencies within the Bank's operational control framework. Building on earlier IEG reviews of IDA controls, the evaluation confirmed that enhanced measures to prevent fraud and corruption were geared toward *transactions* financed under investment projects and missed country *systems* supported by development policy lending. Also, the IP did not mention other risks, for example, that Bank lending and GAC goals would not be aligned in certain countries.

3.38 **The risks relating to change management could have been better specified.** The IP risk—that the Bank would revert to "business as usual"—was not clearly defined. The evaluation's desk review suggested that, in fact, the Bank's operational business was actually relatively GAC-responsive even during the FY04–07 period. Other risks were omitted. For instance, the strategy set forth the proposition that GAC was "everybody's business." Yet, the IP did not identify the risk that GAC efforts would remain within the purview of the Bank's public sector or fiduciary risk management specialists.

3.39 **Mitigation measures emphasized funding and staffing, and implied an expansive role for units involved in providing guidance and sharing knowledge.** For instance, measures included senior management communications on GAC issues, the appointment of "GAC-friendly" country directors and sector managers, and support for knowledge sharing and learning activities. While necessary, these measures were not sufficient and could have included efforts to ensure consistency in risk reviews across lending instruments; to define risk tolerances for lending in different settings; and to systematically monitor GAC-responsiveness of operations.

3.40 ***Prioritization.* The IP did not explicitly prioritize GAC implementation activities over the FY08–10 period.** Rather, year-to-year priorities were discussed somewhat informally in the GAC Council, rolled out, and then documented in annual progress reports. Year one activities focused on GAC-in-countries, in particular, the launch of CGAC processes that aimed to help country teams deepen their engagement on GAC issues. Year two focused more on the provision of training and guidance for GAC-in-projects. GAC-in-sectors guidance lagged.

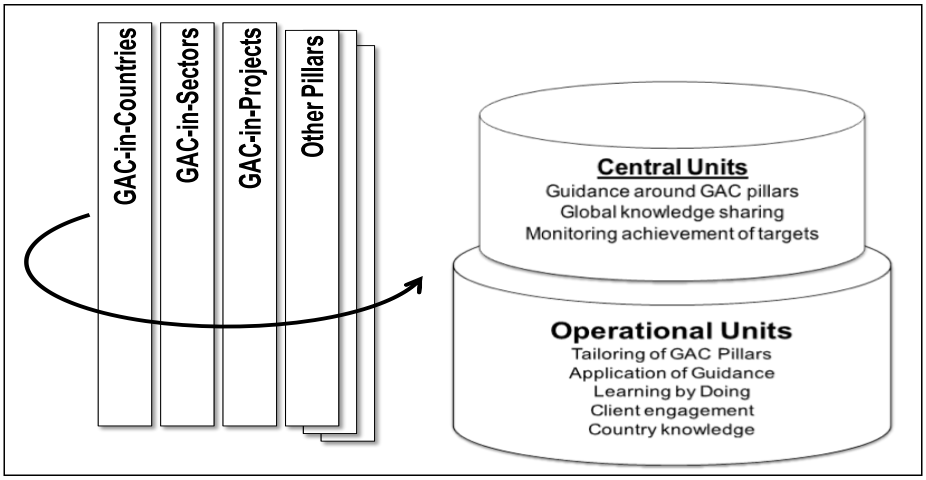
3.41 **The approach to phasing GAC pillars limited the potential impact on operational quality in three ways.** First, GAC issues that normally would come together at the country level were not always supported in an integrated manner. For instance, the CGACs rolled out in FY08 could not benefit from GAC-in-projects guidance developed only in FY09. Ongoing efforts in Window One countries have only limited GAC-in-sectors guidance to draw on. Second, sustaining efforts around established GAC pillars was a challenge, especially as new priorities were introduced. For instance, by year two, as attention shifted to GAC-in-projects, the Bank only partially sustained its GAC-in-countries efforts with the help of Window One resources. Third, Window One resources supported relatively few countries (only 18 compared to 27 CGACs). This highly selective approach was not consistent with institutionwide goals of the GAC strategy.

3.42 **Delays in incorporating the Bank's financial and private sector development work into GAC was a lost opportunity.** Over years one and two, GAC implementation nominally included a focus on the social and infrastructure sectors, although these efforts were principally concerned with GAC-in-projects measures in those sectors. Only in year three did the GAC Council consider including financial and private sector development as a focus area. The Bank's response to the global financial crisis would have benefited from closer coordination with the GAC agenda.

3.43 **By year three, the Bank placed more emphasis on a bottom-up approach that encouraged Regional and network units to adapt GAC to their specific needs.** Over the course of FY11, Regional and network units developed and presented their respective approaches to GAC implementation. For instance, the South Asia Region's efforts emphasized GAC at the project level and reflected the influence of the Integrity Vice Presidency's 2006 India Detailed Implementation Review. In Latin America and the Caribbean, the Bank's GAC agenda was concerned with strengthening domestic accountability institutions (such as supreme audit institutions and the judiciary), and improving the efficiency of fiscal management. In Africa, the Bank stressed the importance of public sector capacity as well as more direct engagement with non-state actors.

3.44 **The IP could have given operational units greater autonomy in choosing *how* to achieve institutionwide GAC goals and targets.** The IP should have relied less on GAC pillars to roll out GAC efforts. An alternative approach would have offered operational units greater flexibility to tailor GAC to their respective needs, while requiring them to meet some basic targets for GAC responsiveness. Central GAC units in turn should have maintained their knowledge-sharing functions, while focusing more on monitoring achievement of targets rather than on grant-making.

Figure 3.2. Were Alternative Approaches to Designing the GAC Considered?



Source: IEG

3.45 **Neither the strategy nor the IP originally envisaged a second phase of GAC.** The IP did not explain how the GAC agenda would be managed beyond FY11. The proposal for a GAC Phase 2 emerged over the course of implementation and without clear justification. Without clear baselines and targets, the strategy could become an open-ended commitment—one that chapter 4 will show was increasingly dependent on external resources.

4. Incentives and Institutional Arrangements

4.1 **This chapter reviews the incentive and institutional arrangements designed to support GAC implementation,** including funding, strategic staffing, accountability, and oversight arrangements. The chapter draws on a detailed review of financing provided under the Governance Partnership Facility.

Financing GAC Implementation

4.2 **The 2007 strategy sought to make critical "change[s] in the way the Bank did business"—an agenda that it suggested would entail significant costs. To meet these costs, the GAC IP made an explicit appeal for resources.** It argued that increased resources would provide an incentive for Bank teams to implement GAC activities. In certain areas, additional financing would allow the Bank to satisfy unmet demand (for example, in public finance management, fiduciary systems, governance diagnostics, judicial reform, and social accountability). Beyond these immediate needs, the IP did not specify the future priorities or timeframe for resource allocation. However, it was careful to note that even more resources might be required depending on "initial results, patterns of demand, and lessons of initial experience" (World Bank 2007b).

4.3 **Incremental funding for GAC implementation reinforced a historical pattern of increased Bank spending on governance work—**a trend that preceded the launch of the 2007 strategy (Table 4.1). Bank budget (BB) expenditures for governance work increased 21 percent, from $140 million in FY04 to $169 million in FY10, even as the institution continued to operate within a flat real budget environment since FY06. In addition, external funding of governance work through Bank-executed trust funds (BETFs) increased by 168 percent—much more rapidly than Bank budget—over the same period. By FY10, BETF financing equaled nearly 40 percent of BB spending on governance.

Table 4.1. Bank Spending on Governance Work—FY04–10 ($ Million)

Sources	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*
Bank Budget (BB)	140	138	147	152	158	165	169
Reimbursables[1/]	6	6	8	7	7	11	11
Sub-total	**146**	**144**	**155**	**159**	**165**	**176**	**180**
Bank-Executed Trust Funds[2/]	25	34	35	42	43	52	67
Total Resources	**171**	**178**	**190**	**201**	**208**	**228**	**247**

Notes: Governance work includes: (i) work in four sectors—Central Government Administration; Law and Justice; Sub-national Government Administration; and General Public Administration; and (ii) work not linked to specific operational products, expenditures for which are recorded in "Internal Orders" in the Bank's budget management software. This definition of governance work is consistent with that used to arrive at the estimate of pre-FY07 BB spending on governance work as stated in the Implementation Plan. The Operations Policy and Country Services Vice Presidency (OPCS) provided a thematic aggregation of BB spending on governance work, which included; (i) work on five themes—Public Sector Governance; Rule of Law; Financial and Private Sector Development; Social Development, Gender and Inclusion; and Urban Development; and (ii) tasks recorded in Internal Orders. This data showed that BB spending increased from $147 million in FY07 to $156 million in FY10. [1/] Reimbursables comprise income from trust fund administration and trustee services, and income from operational services (for example, reimbursable technical assistance and fee-based services). [2/]Includes GPF disbursements of $1.3 million for FY09 and $8.5 million for FY10.

Sources: Corporate Planning and Analysis Department.

4.4 **A total of $119 million was earmarked for GAC implementation, in addition to governance work already planned or ongoing. These funds included $54 million in incremental BB allocated for FY08–11 and $65 million in GPF funds allocated for FY09–12.** Although the incremental annual BB of $16 million was mainstreamed from FY09 onwards, the Board papers on the FY09 and FY10 budgets stated five "key areas" that additional financing would support: GAC-in-countries, GAC-in-projects, GAC-in-sectors, governance diagnostics, and governance indicators. The GPF funds remained explicitly earmarked and were allocated in three rounds, the last in January 2010.

4.5 ***Deployment of Incremental Bank Budget*. Incremental BB expenditures were consistent with GAC IP priorities. They also signaled strong preference for Regions and the newly restructured Integrity Vice Presidency** (Table 4.2 through Table 4.4).[17] These GAC IP priorities included support for CGAC processes, recruitment of personnel with country and sector governance expertise, and more active Bank participation in global initiatives such as StAR. In addition, nearly a third of incremental BB in FY09 supported "other priorities," such as knowledge activities related to GAC-in-sectors, demand for good governance, and public sector management. Among Bank units, Regions were allocated 50 percent of incremental BB for FY08–11. Among Regions, Sub-Saharan Africa, and Middle East and North Africa received the lion's share of these BB resources. It is important to note, however, that BB increments were relatively small in relation to total BB spending on governance, which averaged $164 million per annum over the FY08–10 period. Due to data limitations, the sectoral breakdown of these expenditures was not available.

Table 4.2. Incremental Bank Budget Funding of Operational Units by Purpose, FY08–09 ($ Million)

Purpose of incremental funding	*FY08*	*FY09*
CGACs	2.8	2.2
GAC in projects[a/]	2.0	1.1
Staffing increments	-	3.8
StAR	1.6	1.5
Other initiatives[b/]	3.2	4.3
Total—Regions, Network Anchors and DEC/WBI	**9.6**	**12.9**

a/ Twenty-six countries were initially nominated by Regional vice presidencies; each country team was provided with incremental funds of $0.1 million. In addition, the Poverty Reduction and Economic Management Network (PREM) and OPCS received $0.1 million each. The Philippines was added later as a CGAC country.
b/ The Year One Progress Report noted (see Appendix A): "The total of $3 million earmarked for GAC-in-projects between FY08 and FY09 was supplemented by most Regional vice presidencies by core budget resources." However, details of these supplementary resources are not available.
Sources: One-Year Progress Report and Corporate Planning and Analysis Department

Table 4.3. Incremental Bank Budget Funding for GAC—FY08–11 ($ Million)

Vice presidency	*FY08 midyear actual*	*FY09 actual*	*FY10 planned*	*FY11 planned*	*Total FY08–11*	*Share of total FY08–11*
Regions	6.0	7.8	6.8	6.2	26.8	50%
Network Anchors	3.1	3.8	3.0	3.0	12.9	24%
DEC/WBI	0.5	1.3	1.3	1.3	4.4	8%
INT	-	3.3	3.1	3.1	9.5	18%
EXT	0.2				0.2	
Total	**9.8**	**16.2**	**14.2**	**13.6**	**53.8**	**100%**

EXT = External Affairs department, INT = Integrity Vice Presidency, DEC = Development Economics Department, WBI = World Bank Institute
Source: Corporate Planning and Analysis Department (CFRPA)

Table 4.4. Incremental Bank Budget Funding by Region—FY08–11 ($ Million)

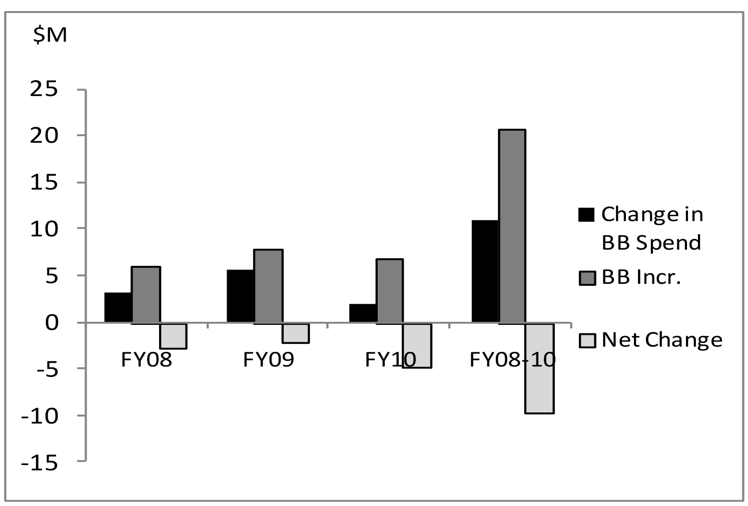
Region	*FY08 midyear actual*	*FY09 actual*	*FY10 planned*	*FY11 planned*	*Total FY08–11*	*Share of total FY08-11*
AFR	1.6	2.6	2.6	2.0	8.8	33%
EAP	0.9	0.8	0.8	0.8	3.3	12%
ECA	0.9	0.9	0.9	0.9	3.6	13%
LCR	0.7	0.5	0.5	0.5	2.2	8%
MNA	0.9	2.0	2.0	2.0	6.9	26%
SAR	1.0	1.0	-	-	2.0	7%
Total	**6.0**	**7.8**	**6.8**	**6.2**	**26.8**	**100%**

AFR = Sub-Saharan Africa, EAP =East Asia and the Pacific, ECA = Europe and Central Asia, LCR = Latin America and the Caribbean, MNA = Middle East and North Africa, SAR = South Asia.
Source: Corporate Planning and Analysis Department

4.6 **The intended incentive effect of BB increments—to increase Regional spending on governance work—was muted.** The evaluation compared overall BB spending on governance work for FY08–10 less the incremental BB received under GAC for those years.[18] It found that Regions received an estimated $20.6 million in incremental BB for GAC implementation over FY08–10 but increased actual expenditures on governance by a lesser amount—an estimated $11 million—over the same period. Non-Regional VPUs received estimated incremental BB funding of $19.6 million over FY08–10 and increased their actual spending on governance by an estimated $25 million over this period. Taken together, all Bank units received an estimated $40 million in incremental BB funding for GAC over FY08–10 but increased their total spending by an estimated $36 million.

4.7 **Given the fungibility of resources, Regions spent $9.6 million *less* on governance work than anticipated, taking into account the incremental BB funding over the FY08–10 period** (Figure 4.1). Even after accounting for a slow start in FY08, Regions fell short of the *anticipated* FY08–10 incremental GAC spending trajectory. With the exception of South Asia, Regional spending on governance work in FY08–10 increased by less than the BB increments received.[19] By implication, they spent more on other priorities. Since Regions accounted for 80 percent of BB spending on governance, this outcome appeared inconsistent with the efforts of the GAC IP.

Figure 4.1. Changes in Overall Regional Bank Budget Expenditures on Governance, FY08–10 (US$ Million)



Source: Corporate Planning and Analysis Department

4.8 **There are several plausible explanations for the deployment of part of the incremental Regional budgets away from governance work.** Several factors could have caused the budget shifts, but these cannot be determined on the basis of available information. First, in the eyes of operational units, governance work may have already been adequately funded over the FY04–07 period. Second, the zero real growth budget environment prevailing since FY06 created pressures in all Regions to identify and act on redeployment opportunities. Third, the availability of GPF funds in FY09 provided an alternative source for funding. The combination of these factors likely induced Regions to move some incremental resources out of governance work to other priorities.

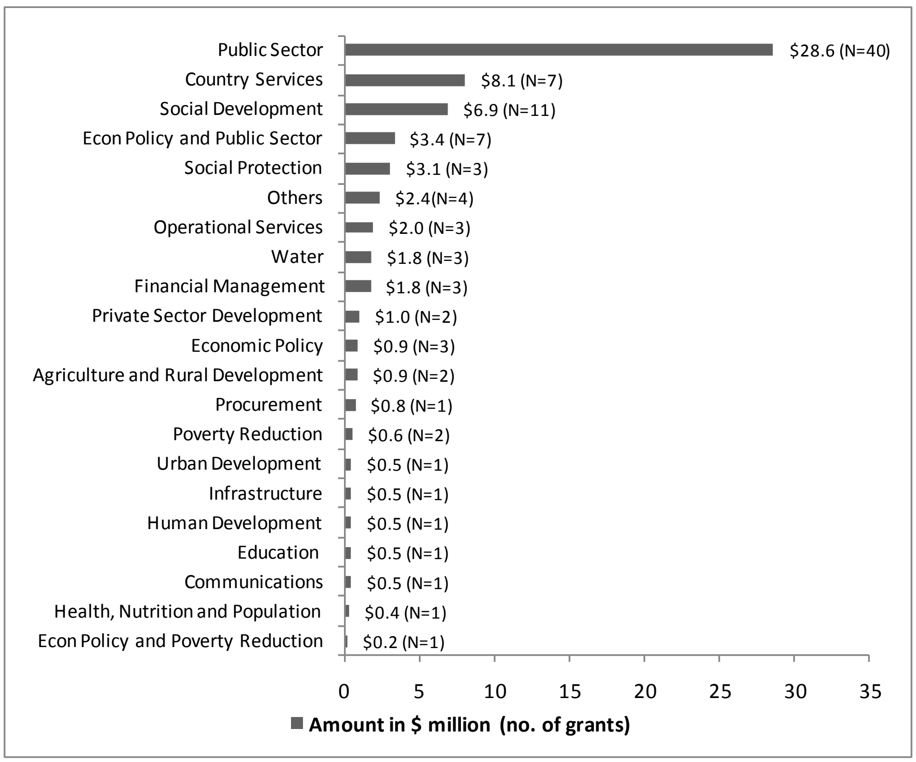
4.9 ***Use of Donor Funds—the Governance Partnership Facility*. In addition to incremental BB, donor funds were intended to jump-start changes in the way the Bank engaged GAC issues**. The largely Bank-executed GPF supported "(i) innovative, country level governance programs; (ii) work on frontier areas of governance through single or multi-country and global initiatives; and (iii) global GAC learning and knowledge platforms."[20] Among major BETFs, the GPF was unique in two respects. First, it was explicitly dedicated to the implementation of a Bank-wide strategy, more or less in line with the timetable for Phase 1.[21] Second, it involved donors directly in the competitive selection of Bank-executed grants, through participation on a joint committee with Bank staff.

4.10 **The GPF channeled funds through multiple windows. The complexity of design was a concern.** Window One focused on the country level, Window Two on frontier GAC areas at the country level, and Window Three on global/regional knowledge and learning programs, although eligible activities across windows were difficult to distinguish from each other. GPF financed a portion of Bank staff and operating costs for implementation of CGAC plans in select countries, up to 100 percent of Bank staff and related costs of frontier work, and learning and research costs that were shared with developing countries and donor partners.[22]

4.11 **As of December 2010, the GPF had approved 94 grants, totaling $65 million. The bulk of grant funding was channeled through Window One and supported Sub-Saharan Africa.** Forty-seven percent of the grant funding ($30.8 million) was channeled through Window One, 38 percent ($24.6 million) through Window Two, and 15 percent ($9.9 million) through Window Three. Sub-Saharan Africa received 33 percent of total grant funding, followed by Europe and Central Asia (13 percent), East Asia and the Pacific (12 percent), Latin America and the Caribbean (7 percent), South Asia (7 percent), and the Middle East and North Africa (4 percent). Regions as a whole received 76 percent of grant funding—a much higher proportion than their 50 percent share of FY08–10 incremental BB.[23]

4.12 **The bulk of GPF grants was managed by Bank units in the Poverty Reduction and Economic Management Network and, in particular, public sector management units** (Figure 4.2).[24] PREM units in the Network Anchor as well as in three Regional units (Sub-Saharan Africa, Europe and Central Asia, and South Asia) were the largest beneficiaries of GPF grants both in volume and number of grants. Together, PREM received 47 out of 94 grants and $31 million out of the $65 million allocated. This finding explains concerns expressed by staff in other Networks (for instance, at the Bank's September 2010 *Governance Partnership Facility* Window One Workshop in Cape Town, South Africa) about the heavy PREM-orientation of GAC implementation**.**

Figure 4.2. Allocation of GPF Grants by World Bank Sector Units



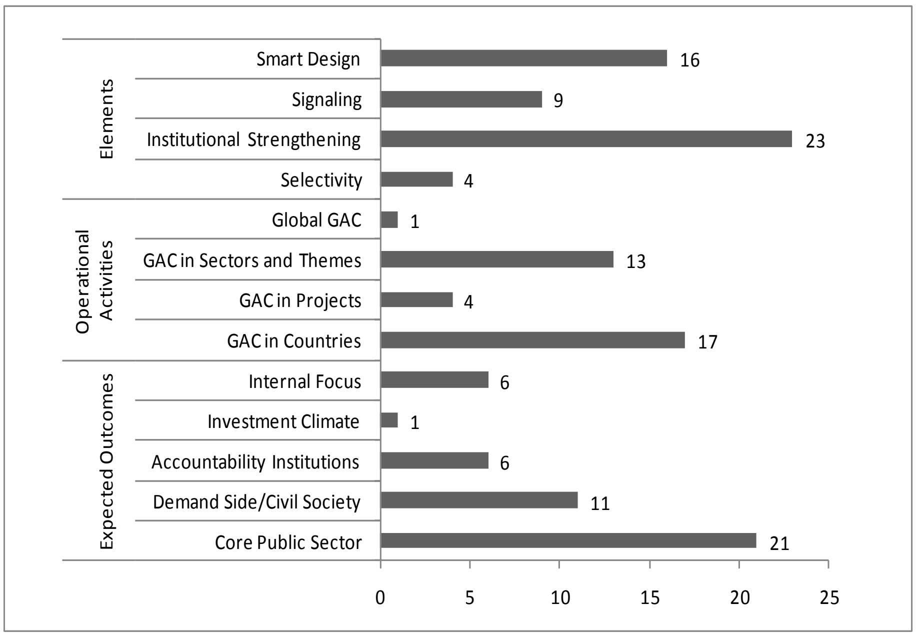
Sources: Operations Portal; Governance Partnership Facility Secretariat, as of December 2010

4.13 **The distribution of GPF grants across countries did not follow any discernible pattern. Also, follow-on support to CGAC countries was limited.** For instance, GAC grants were not systematically awarded to countries with better or worse governance performance (as measured by the governance cluster of the CPIA). Nor did they focus on scaling up initial funding provided for CGAC processes in 27 countries. Only 10 of those countries received a grant from Window One, and eight of those 10 also received a grant from Window Two.[25] Another five CGAC countries received grants from

Window Two. Only 15 of the original CGAC countries received financing from one of the windows.

4.14 **The majority of approved grants supported operational activities under the GAC-in-countries, and to a lesser extent, the GAC-in-sectors pillars** (Figure 4.3).[26] Sixty percent of grants reviewed explicitly linked their development objectives to partner country strategies or country efforts, with less than a third linked specifically to the Bank's CAS. Approximately 40 percent of grants in the sample were aligned with the GAC-in-sector pillar. Only a few grants were linked to GAC-in-projects, even though some of these types of activities were supported through the country-focused grants mentioned above. Only one grant was explicitly linked to global initiatives.

Figure 4.3. Number of GPF Grants by Expected Outcomes, Operational Activities, and GAC Elements



Source: IEG desk review

4.15 **Of the various elements of GAC responsiveness, GPF grants were primarily focused on strengthening country institutions and supporting smarter project design**.[27] Seventy percent of grants proposed outputs related to country *institutional strengthening*, and about one-half contained outputs relating to *smarter project design*. About one third of the grants had at least one expected output focused on improving the Bank's *signaling of risks* (for instance, through portfolio and transaction-level risk reviews or monitoring of actionable indicators), and even fewer grants were focused on enhancing the Bank's capacity to exercise *selectivity* by identifying GAC entry points.

4.16 **The majority of grants were expected to achieve outcomes relating to core public sector reform, and to a lesser extent, the demand side and accountability.** Seventy percent of the grants in the sample identified state capacity building at the federal, state, or local level as an expected outcome.[28] About a third identified at least one outcome relating to the demand side of governance, such as support for CSOs. Fewer expected to achieve outcomes relating to formal accountability institutions, for instance, development of ombudsman offices and anticorruption commissions. It is also important to note that GPF grants were far less focused on the investment climate than were Bank operations. Investment climate issues were a mainstay of Bank operational dialogue over the FY08–10 period, as they also were over the longer FY04–10 period. However, these issues were absent from the objectives of GPF grants.

4.17 ***Financial management of grants* was generally sustainable. The Bank met its commitment to complement grant-funded activities with its own budgetary resources**.[29] Out of the 24 grants for which cost data were available, half received BB funding lower than the grant amount, 13 percent received BB funding higher than the grant amount, 26 percent received BB funding equal to the grant amount, and a remaining 13 percent received no BB funding at all. While these contributions were varied—GPF grants covered multiple years and BB is allocated on an annual basis—the level of complementary funding by the Bank was considerable. It was not clear that this level of BB funding would be maintained through grant completion.

4.18 **The Bank used donor funds only sparingly to cover personnel costs and so did not face immediate dependency risks in this regard.** Fixed- or staff-cost ratios on GPF grants varied widely by Region. By and large, these costs were below 20 percent of the grant amount, and in only a few cases were grant funds used to hire new staff or a consultant. For 38 percent of the grants, fixed costs were 25 percent or below grant amounts, and in another 38 percent there were no fixed costs at all. In other words, these costs were yet to be incurred or were all variable (consultant fees, travel, and other nonpersonnel items).

4.19 **The evaluation was unable to assess cost-effectiveness of GPF grants.** Unlike traditional BB-financed products, GPF outputs did not have historical unit cost data. Even though Window One and some Window Two grants involved significant multiyear commitments, the evaluation found no evidence that the Grant Funding Request (GFR) cost estimates had been adequately reviewed by resource management units in Regional units or corporate units. Requests for BB funding of comparable amounts (for example, $500,000 or more) were more likely to have been vetted, before being considered by senior management (IEG 2011).

4.20 ***Overall Approach to GAC Resourcing*. Despite its purported importance to the Bank's effectiveness, the GAC strategy was resourced *at the margin,* that is, through relatively small incremental BB funds.** The Bank did not review the degree to which its FY07 base BB spending on governance work was aligned with the priorities of the GAC strategy. As a result, there was no plan developed to redirect the base spending over the next few years, where needed. Instead, the increased reliance on donor funding posed dependency risks in implementing the GAC strategy, especially in light of plans to maintain BB funding of governance work at current levels.[30] While the Bank acknowledged these risks, it did not propose an alternative.

4.21 **Even so, the Bank did not systematically link incremental funding to incremental GAC activity** (World Bank 2007b)**.** By the second year of implementation, the Bank itself had acknowledged that "neither the total existing stock of the World Bank Group's GAC work nor all GAC-related innovations over the past year can be attributed to implementation of the 2007 Strategy" (World Bank 2009c). Precisely for this reason, it was important for outputs financed by incremental resources to be tracked and reported. The progress reports laid out some work program priorities for the second and third years of implementation. Yet, other than the 27 CGACs (see Table 4.2), the progress reports did not link the financing of GAC activities to any specific source, such as the pre-2007 base spending on GAC work or incremental BB.

4.22 **In addition, fragmented funding arrangements—one for incremental BB allocated through the budget process, and another for GPF funds allocated through a separate competitive selection process—weakened overall incentives for prioritization.** The evaluation found that Regions established different procedures for preparation, review, and clearance procedures for GPF applications. In some Regions, such as the Middle East and North Africa and South Asia, staff expressed dissatisfaction with the lack of clarity on the rationale underlying GPF selection decisions, particularly in the first round; disruption caused by the three rounds of GPF allocations; and a perceived failure to consider regional and country priorities. A Mid-Term Review attributed these concerns to a lack of convergence between GPF design and distinctive regional governance strategies (for instance, in the Middle East and North Africa and Latin America and the Caribbean) (GPF 2008b). These risks would have been mitigated through greater involvement of Regional unit management in decision making on GPF grants, clearer linkages between planned activities and total GAC funding (both GPF and incremental BB), and more strategic and transparent prioritization of total funding through Bank budget and work planning processes.[31]

Strategic Staffing

4.23 **As part of the IP rollout, incremental BB helped finance the recruitment of dedicated GAC staff.** Based on an FY09 strategic staffing exercise and guidance provided by the GAC Council, Bank operational units prepared detailed strategic staffing plans involving of 64 new and redeployed positions. Actual recruitments across four Regions (Sub-Saharan Africa, the Middle East and North Africa, and South Asia) were aligned with planned levels, although the grade mix was top-heavy due to additional recruitments in the highest technical grades in South Asia and Africa. Efforts served to offset reductions in this high level complement within the Poverty Reduction and Economic Management Network public sector family during the years preceding the launch of the GAC strategy. It is also important to note that Europe and Central Asia adopted an alternative approach to mainstreaming GAC—one that emphasized training all staff rather than recruitment of dedicated GAC staff.

4.24 **In parallel, the Bank set out to develop competencies for distinct governance and public sector streams. However, these attempts proved challenging.** Overlaps between the competencies were more pronounced than the differences. Areas of overlap included anticorruption, accountability, political economy, and related areas such as the justice sector and decentralization. This exercise was complicated by the diversity of job descriptions used for dedicated GAC advisers. In some countries, Governance Advisers played a role akin to portfolio managers and focused on fiduciary risk management issues. In other countries, they helped link sector interventions to broader public management reforms. In still others, advisers conducted routine political analyses to inform country strategy.

4.25 **Defining GAC competencies alone would not likely result in sustainable and cost-effective staffing; a realignment of some network and central units may have been required.** Several networks have long been involved in supporting the Bank's governance work. For instance, the PREM Public Sector Management, OPCS Financial Management and Procurement, and Social Development families have focused on strengthening public sector capacity. The division of labor among these families has historically differed by region and country. Similarly, the newly established Integrity Vice Presidency Preventive Services Unit, like the Financial Management and Procurement families, has sought to address fiduciary risks in projects. Fragmentation and overlaps in unit mandates—and staff competencies—have been long recognized. Remedial measures (for instance, by redesignating the Public Sector family as the Public Sector *Governance* family) have not satisfactorily addressed these issues. More fundamental reforms, such as those proposed in past Bank reviews, may be required (Box 3).

Box 3. Earlier Reviews of the Bank's Organizational Setup to do Governance Work

Report of the 2005 *World Bank Organizational Effectiveness Task Force*:

Diagnosis: "PREM (Public Sector Management) and OPCS (Procurement and Financial Management) both work on capacity building of country systems in financial management and procurement" and "Regarding local-level governance, decentralization, intergovernmental systems reform, and community-driven development have become high priorities across many countries. The Bank's ability to respond has been hampered by the fragmentation of our work…" and, finally, "Given the strong (though fragmented) skill base already in place, within a fairly short period of time [a] new Network could become a preeminent global leader and innovator in addressing the challenge of how countries can improve governance, and how development partners can best provide support."

Recommendations: "The task force's judgment is that a Governance, Institutions, and Capacity Enhancement Network would sharpen focus and communicate globally the seriousness with which the Bank is engaging this frontier development issue." And "the scope of work of this Network would need to include civil society institutions."

Report of the 2005 *World Bank Task Force on Capacity Development in Africa*:

Diagnosis: "There is growing consensus within the Bank that its capacity development support remains fragmented and in some cases lacks coherence and client orientation. At the corporate level the operational and anchor units need to be better organized to ensure the coherence and effectiveness of the Bank's capacity development work. Bank management will need to exercise leadership, send consistent messages, and follow through…especially on sensitive issues of governance, state effectiveness, and social inclusion…" and "The inherently multisectoral nature of client capacity needs should always take precedence over the idiosyncrasies of organizational mandates for units in the Bank. It is imperative that Bank units coordinate their work more closely to meet partner needs."

Recommendations: "An Institutionwide focal point would spearhead analytical research, analytical and policy work to strengthen the Bank's knowledge base, and other knowledge creation and dissemination activities. The objective in the medium term should be to transform the Bank into a reputable center of excellence on the role of capacity, governance, and institutions in development."

Source: World Bank.

Coordination and Accountability

4.26 **At the corporate level, the GAC Council served more as an information-sharing forum than as a decision-making body with clear accountabilities**.[32] Unlike the Bank's Operations Committee, the

Council did not explicitly have responsibility for managing GAC-related operational and corporate risks. Rotation of Council chairs among Managing Directors every four months further weakened accountability. The arrangement did not provide adequate time for any Managing Director to steer the GAC agenda. Council meetings, which were regularly attended by a large number of nonmembers, usually involved presentations by Bank units interested in showcasing their efforts. Council meetings would have benefited from critical review of what was working and what was not.

4.27 **Various units provided secretariat support to the Council. Despite strong efforts by staff, these units faced coordination challenges.** A modestly staffed GAC Secretariat in PREM supported agenda-setting for the Council, preparation of minutes and annual progress reports, and outreach to internal and external stakeholders. Front office staff of rotating Council chairs also supported meetings and key communications. Separately, a GPF Secretariat within the PREM Public Sector Governance Anchor facilitated grant submissions and selections, grant monitoring, and overall reporting to the GPF Steering Committee. It periodically provided reports to the GAC Council. Other in-house secretariats (such as those for StAR and the Public Expenditure and Financial Accountability partnership) added complexity to GAC reporting relationships. Lines of accountability upwards through the PREM network to the Managing Directors were fragmented and sometimes duplicative.

4.28 **GAC oversight and accountability varied widely across Regions.** The four Regions that received the largest share of incremental BB and GPF grants (Sub-Saharan Africa, Europe and Central Asia, the Middle East and North Africa, and South Asia) put in place GAC steering groups to provide oversight. However, only Europe and Central Asia's steering group documented its work adequately. Outside of the Bank's management structure in Regions and networks, individual task team leaders of GPF grants were directly accountable to the GPF Steering Committee through the GPF Secretariat.

4.29 ***Results Orientation*. Reporting on GAC results suffered due to lack of information on activities financed through incremental BB.** As noted above, three of the four Regions reviewed (Sub-Saharan Africa, the Middle East and North Africa, and South Asia) lacked adequate documentation. Information was piecemeal and not sufficiently up-to-date to determine what was funded and delivered through the use of the incremental BB resources.

4.30 **Monitoring of GPF-financed activities was more systematic.** The majority of grants reviewed used some combination of output and intermediate outcome indicators. A review of Grant Monitoring

Reports from May 2009 through April 2010 found that ratings for achievement of objectives were broadly evidenced-based. Most grants were rated as at least moderately satisfactory in the first year of implementation. Since most grants were scheduled to close after FY11, these ratings would need to be verified ex post. Also, nearly all monitoring reports assessed risks and risk mitigation efforts.

4.31 **Corporate reporting on GAC implementation focused more on Bank inputs than on the quality of operations and country governance performance.** Year one and two progress reports to the Board primarily focused on GAC inputs, such as analytical work, GAC-in-projects guidance, and CGACs. While they mentioned internal reviews of CGACs and GAC-in-projects, the progress reports did not go far enough in presenting detailed findings or identifying lessons learned. Also, by their own admission, the reports were unable to establish the GAC IP activities added to the overall stock of Bank governance work. In the final analysis, corporate progress reporting did not adequately link resources to results.

5. Implementation of the 2007 GAC Strategy

5.1 **This chapter reviews implementation of GAC IP activities or key operational "inputs" to the GAC results chain.** These inputs included adherence to operational controls, provision of guidance and tools, and delivery of support to Bank operational teams. They were intended to improve the GAC responsiveness of Bank operations—the focus of chapter 6.

Adherence to Key Operational Controls

5.2 ***Selectivity of Aid Flows through the Bank.* Over FY08–10, the Bank continued to use governance performance as a criterion for allocating concessional resources across countries.** The Performance Based Allocation system gives considerable weight to governance performance in IDA allocations and the near doubling of available IDA resources since the Thirteenth Replenishment ensured that an increasing share of commitments went to countries with higher CPIA governance scores. Creditworthiness criteria used to determine IBRD eligibility, by contrast, did not ensure that commitments to middle-income countries were also governance-selective. It is important to note, however, that the need to respond to the financial crisis took precedence in determining lending volumes over the FY08–10 period.

5.3 **Panel regression analysis confirmed that, before and after the GAC strategy launch (and over the FY04–10 period), IDA flows were more selective than other types of aid flows.** Improvements in CPIA governance scores were associated with increases in both IDA commitments and disbursements. Of the various components of Bank flows, lending and trust fund commitments to IDA countries were more governance-selective than lending or trust fund commitments to IBRD countries. Also, among trust funds, recipient-executed funds and financial intermediary funds were more selective than Bank-executed funds (Appendix E, Tables E.1–E.4). It should be noted, however, that individual Bank-executed trust funds were allocated using criteria that were *sui generis* and not necessarily linked to country governance performance.

5.4 **Even so, the relationship between governance performance and IDA disbursements was affected—sometimes negatively—by**

the mix of financial instruments in country portfolios, including the use of development policy loans (DPLs). Regression analysis undertaken as part of this evaluation found that use of fast-disbursing DPLs increased the likelihood that countries—even when they had poorer governance—would receive a flow of IDA funds (Appendix E, Tables E.1–E.4). When *only* investment loans were used, however, countries required stronger institutional frameworks to undertake transactions and draw down disbursements. At the same time, the use of DPLs was also associated with the achievement of various core public sector reform objectives (and more broadly, economic reform objectives). These findings point to the need for the Bank and its borrowers to make more informed choices about financial instruments based on their relative strengths and weaknesses vis-à-vis the GAC agenda.

5.5 ***Consistency of Risk Management in Lending Operations*. As noted in IEG's 2010 review of remedial actions to strengthen IDA controls, GAC efforts have focused on measures to enhance the integrity of transactions in Bank investment projects.** Following the Volcker Panel, the Integrity Vice Presidency scaled up its work on investigations, sanctions and debarments, implementation of the Voluntary Disclosure Program, and prevention of fraud and corruption in Bank investment operations. Furthermore, OPCS and other network units developed GAC-in-projects tools that expanded the use of anticorruption measures in investment projects. Finally, the launch of ORAF in FY10 sought to standardize the Bank's approach to identifying and mitigating risks on investment projects, even though it did not offer guidance on the weighting of these risks.

5.6 **Early GAC efforts helped address material weaknesses in operational controls on fraud and corruption in Bank investment projects. But they focused primarily on the transaction level rather than on country systems, including those used in development policy lending.**[33] In some instances, GAC-in-projects guidance identified some entity-level controls (for example, internal audit functions) that might affect transactions in Bank investment projects. But, as of the end of FY11, the Integrity Vice Presidency—a unit that was central to the Bank's GAC efforts—had yet to develop its approach to ensuring the integrity of Bank resources channeled through either investment operations that supported large scale incremental expenditures or DPLs. More generally, GAC guidance was not adequately tailored to the specialized risks associated with DPLs, for instance, those relating to budget support in settings characterized by governance pathologies.

5.7 **The layers and depth of risk review continued to differ by the type of the lending instrument rather than the risk profile of the operations in the post-GAC period.** The evaluation reviewed process maps for investment loans and DPLs prepared in the context of the

IDA controls review. By the appraisal stage, twice as many internal Bank units were involved in the review of investment loans compared to DPLs. Appraisals of investment projects took 1.6 times longer than those of DPLs. Anecdotal evidence from field visits indicated that some GAC-in-projects efforts reinforced the relatively heavier "footprint" of risk review units on the processing of investment loans compared to DPLs. Two-thirds of operational staff, who responded to IEG's GAC survey, reported that risk reviews in the post-GAC period were cumbersome.

Guidance and Tools

5.8 *Cross-Cutting Issues***. Cross-cutting guidance issued over FY08–10 concentrated on GAC-in-projects, and to a far lesser extent, on GAC-in-countries** (Box 4). Guidance relating to GAC-in-projects was primarily concerned with mitigating the fiduciary risks to Bank operations. Recommendations included strengthening certain aspects of internal controls (for example, on financial management and procurement); mainstreaming preventive measures against fraud and corruption (for example, anticorruption plans and red flags); incorporating external accountability (such as beneficiary participation and grievance mechanisms); and enhancing transparency and disclosure. Supplemental supervision by the Bank was also indicated. Overall, the Bank's emphasis on internal controls was balanced with some appreciation for the benefits of transparency and independent oversight.

5.9 **Guidance was appropriate to managing fiduciary risks on investment projects, but it did not make headway on the use of country systems (UCS).** Hence, GAC Phase 1 guidance was focused narrowly on preventing the misuse of the Bank's own funds rather than all public funds in partner countries. It *de facto* maintained the restrictive "zero tolerance" stance on transactions in investment projects rather than defining risk tolerances for the UCS. The guidance also did not provide practical solutions for expanding UCS (except for suggestions on the use of supreme audit institutions). OPCS's efforts in FY10 to reengage the UCS agenda came too late to affect GAC Phase 1 efforts.

5.10 **Guidance on sectors and themes was primarily focused on applying generic project-level safeguards to specific sectors.** The evaluation reviewed guidance materials in four areas: primary education, roads, accountability institutions, and political economy analysis (Box 4). The findings are summarized below:

5.11 *GAC in Primary Education***. Over GAC Phase 1, two background papers sought to broaden the Bank's focus from fiduciary risk management on education projects to incentives for sectoral**

performance. In line with the current thinking on sector governance, the papers linked the supply side of public sector performance—and to a lesser extent, the demand side of community involvement—to education outcomes. Their treatment of key stakeholders and educational systems was consistent with the mainstream of thinking in the sector. Their discussion of demand-side factors included school-based management, community and parental involvement, and the role of public and private sector providers.

Box 4. Guidance Materials and Tools Developed under the GAC Implementation Plan, 2007-10

Cross-Cutting GAC Guidance:

- *Emerging Good Practices in GAC-in-Projects,* 2009 (OPCS)
- *Good Practice Note on GAC for Financial Management Specialists,* 2009 (OPCS)
- *Audit and Assurance Toolkit,* 2008 (OPCS)
- *Fraud and Corruption Awareness Handbook,* 2009 (Integrity Vice Presidency)
- *Most Common "Red Flags" of Fraud and Corruption in Bank-Financed Projects,* 2010 (Integrity Vice Presidency)
- *Improving Development Outcomes*, 2009 (OPCS)

Sector-Specific and Thematic Guidance:

GAC-in-Primary Education:

- *Governance in Education: Raising Performance*, 2009 (Human Development Network)
- *Services Work: Indicators, Assessments, and Benchmarking of the Quality and Governance of Public Service Delivery in the Human Development Sectors,* 2009 (Human Development Network)

GAC-in-Roads:

- *Deterring Corruption and Improving Governance in Road Construction and Maintenance,* 2009 (Transport Network)
- *Curbing Fraud, Corruption, and Collusion in the Roads Sector,* 2011 (Integrity Vice Presidency)

Accountability Institutions (in addition to cross-cutting guidance):

- *Guidance Note on Bank Multistakeholder Engagement,* 2009 (Legal department)

Political Economy Analysis:

- *Political Economy of Policy Reform,* 2008 (Social Development Network)
- *Problem-Driven Governance and Political Economy Analysis,* 2009 (PREM)

Source: World Bank documents

5.12 **However, the papers were more concerned with improving measurement and tracking of education sector institutions than with providing operational guidance.** They emphasized precision in defining the elements of sectoral governance. Complementary tools, available on the GAC-in-human development Web site, offered suggestions on conducting Public Expenditure Tracking Surveys and other surveys in the education sector. The papers did not address relevant operational issues such as selectivity of entry points (for example, the supply-side versus demand-side factors), the choice of instruments (for example, DPLs versus investment lending), and setting of risk tolerances (for example, how to respond to poor or deteriorating conditions of sectoral-level governance).

5.13 **An early draft of the Bank's Education Sector Strategy (*Learning for All*) included several measures relating to GAC in education, and shows promise.** The draft proposed to help strengthen the capacity of education systems to improve the "effectiveness of governance resources and aid financing" and to help "[reform] the governance, management, financing rules, and incentive mechanisms in the system." Equally important is the draft's recognition of the role of information in promoting effective decision making, and improving relationships of "power and accountability." It also appropriately sought to link Bank disbursements to sectoral governance. To be effective, the final strategy would need to address long-standing issues such as the incentives for education and public sector specialists to collaborate on GAC-in-sector issues.

5.14 *GAC in Roads.* **The Bank appropriately stressed preventive measures against fraud and corruption on capital-intensive roads projects. However, GAC guidance did not include an updated approach to UCS in the roads sector.** The guidance focused on reducing barriers to market entry, fostering competition among eligible bidders without government interference, and providing a clear rationale for variation orders during implementation. Preventive measures such as ring-fencing of fiduciary controls—while effective in deterring fraud and corruption in specific Bank projects—often do not have a wider impact on governance practices in the sector. In countries where the Bank is not a major financier of roads sector expenditures, ring-fencing affects only a nominal share of transactions both in number and in volume terms. Also, anecdotal evidence collected during field visits suggested that the transaction costs and delays in benefits resulting from ring-fenced procurement processes can be significant. In this regard, recent Integrity Vice Presidency guidance that the Bank use more flexible procurement processes was well-justified, but came too late to affect Phase 1 GAC efforts. More generally, GAC guidance fell short of proposing a practical approach to using country systems, which would have helped prevent corrupt or corruptible parties from simply shifting their focus to non-Bank projects in the roads sector.

5.15 **While necessary, strengthening procurement on Bank roads projects is not sufficient to improve sector governance. Guidance**

could have been better tailored to sector-specific issues such as pricing mechanisms and land access benefits. In the roads sector, transfers of substantial benefits and capture of windfall rents take place through mechanisms other than procurement. For instance, the pricing mechanism can *de facto* transfer benefits from taxpayers to road users (in the case of underpayment of roads costs by users), or roads user to taxpayers (in the case of overpayment). Similarly, owners of land adjacent to new roads may benefit from windfalls unless access benefits are recovered through taxes or impact fees. The choice of projects that aims at equitable provision of access and mobility—and fair distribution of benefits—through public participation and open information are key GAC-in-roads issues, which were ignored by the guidance.

5.16 ***Accountability and the Demand Side.*** **As a result of the GAC strategy's emphasis on accountability, the Bank provided timely guidance on how to engage non-state actors**. A *Note on Bank Multistakeholder Engagement* stressed the need to engage non-state actors and non-executive institutions in a manner consistent with the Bank's Articles.[34] Accordingly, Bank teams were asked to operate with experienced staff and sound knowledge of political realities. Direct support to parliamentary institutions was to be provided with the involvement of the executive. As such, the Bank's approach *de facto* discouraged use of the kinds of standalone operations supported by other multilateral agencies, such as the Inter-American Development Bank. Earlier guidance on supporting supreme audit institutions stressed the use of partnerships.

5.17 **As part of the GAC strategy, some units also advocated a more direct role for the Bank in channeling resources directly to CSOs and other nonsovereign entities.** Before and after the launch of the GAC strategy, Bank-CSO relations largely consisted of facilitation of government-CSO engagement within the context of Bank operations, bilateral Bank-CSO consultations "with the knowledge and support of member governments," and other Bank partnerships with CSOs. Going beyond these efforts, direct Bank financial support to CSOs might attempt to motivate social actors to apply demand-side pressures on executives. Advocates pointed to some early micro-level examples that involved transfers through government to CSOs.

5.18 **The direct financing proposal raised a number of operational issues, which were yet to be resolved.** Bank proposals to scale up these micro-level efforts had yet to clarify several concerns, some of which were shared by GPF donors. Key operational issues included the Bank's comparative advantage relative to other agencies, implications of direct support for the fiduciary risk profile of Bank operations, the potential for capture by interested parties, including party-affiliated CSOs, and potentially conflicting roles for the Bank (particularly in polarized environments) as the financier of both sovereigns and nonsovereigns. Moreover, the Bank's proposals should have referred to lessons learned from similar efforts over the 2000s to try to motivate private sector firms through matching grants.

5.19 ***Political Economy Analysis.* The 2007 GAC strategy acknowledged links between governance, politics, and poverty reduction prospects.** It argued that governance was the result of the behaviors of different branches and tiers of government, as well as the private sector, each of which could function as its own "interest group." Politically salient actors or elites shaped the incentives of individuals within these institutions, as well as their willingness to support or obstruct poverty-reducing projects and programs. The quality of governance affected the conditions under which elites benefitted from corruption, weak enforcement of laws, distortionary policies, and private diversion of public assets. Not surprisingly, efforts by the Bank to address poor quality governance including "corruption with deep political roots—such as state capture and procurement corruption" had proven difficult.[35]

5.20 **The Bank argued that improved knowledge of political-economic interactions would enable it to support operations that were "better fitted" to country realities.** It would be less likely to import or impose Western models in its operations. More realistic Bank support would enhance the likelihood that institutional reforms would succeed and help reduce poverty. By the same token, greater awareness of state fragility would not increase the Bank's risk tolerance of various forms of corruption such as patronage. Therefore, the Bank sought to strengthen its own capabilities to support PEA in the context of country dialogue and project design.

5.21 **As part of GAC implementation, guidance on PEA was developed in two primary reports:** *Political Economy of Policy Reform* published by the Social Development Department in 2008 and *Problem-Driven Governance and Political Economy Analysis* published by PREM in 2009. While the former focused on the operational implications of political-economic analysis for sectoral reforms (with an emphasis on agriculture and water), the latter identifies principles for incorporating "Governance and Political Economy" analyses in Bank programmatic activities.

5.22 **Guidance provided by these reports stressed four common prescriptions for PEA.** First, PEA should go beyond technical assessments of formal institutions and should cover *de facto* and *de jure* mappings of institutional arrangements, structured feedback from local stakeholder representatives, analyses of distributional struggles, and assessments of the divergence between formal and informal rules. Second, the Bank should seek to assess rent-seeking dynamics, as well as the likely impact of its operations on the flow of rents and the stability of political compacts. Third, the Bank should be aware of the risks that technically-sound projects and programs might worsen the status quo. If necessary, the Bank should find "good enough governance" alternatives that can produce measurable (if limited) change. Finally, the conduct of PEA work should involve more vigorous efforts to disseminate analyses in order to enrich public debate.

5.23 **To promote the use of this type of PEA, the Bank marshaled considerable GAC resources.** Earmarked financing under the GPF was made available for carrying out PEA in the context of traditional Bank analytic and advisory activities, lending operations, and country strategy development. The financial support was intended *inter alia* to help diagnose the underlying political constraints that client countries face and to push the "new frontiers" of governance work. Furthermore, a Political Economy Community of Practice (PECoP) was established as a focal point for supplying applied PEA in support of operations. PECoP aimed to lead Bank-applied PEA, to disseminate this knowledge, and to stimulate demand for PEA product lines, including "process support."[36] The PECoP consisted of 25-30 core staff, 250 other interested staff, and a roster of consultants.

Box 5. Select Donor Methods to Applied Political Analysis, Mid-2000s

USAID's Democracy and Governance Assessment (2000): One of the earliest donor-based political assessments, the framework aims to identify comparable elements of liberal democratic government such as "liberty, open competition, the rule of law, and respect for pluralism and minority rights," and entry points for promoting democracy.

DFID'S Drivers of Change (2004): This methodology assesses linkages between a country's political framework and its programs that have an impact on poverty reduction. Specifically, it focuses on structures, individual agents, and mediating institutions that affect political will.

SIDA's Power Analysis (2005): In this approach, power asymmetries, access to resources, and influence over politics must be addressed if poverty is to be reduced. The analysis seeks to map the informal political landscape (including rules and structures) and to understand how development cooperation and donor activities are influenced by this landscape.

The German Agency for Technical Cooperation 's (GTZ) Governance Questionnaire (2004): This tool assumes that political reforms are strongly influenced by informal values, norms, customs and processes, rather than formal rules. It seeks to stimulate debate on how to support specific reforms.

Sources: DFID (2004), Chakrabarti (2005), Sida (2005), Faust and Gutierrez (2004).

5.24 **The evaluation found that the Bank's goal of updating its approach to PEA was appropriate.** Since the late 1990s, IEG evaluations had consistently recommended that the Bank develop a stronger appreciation for political economy realities in its operational work. Early attempts to support political and institutional analysis in the context of PRSs, however, lacked coherence and lost momentum. Since then, other donors had advanced their efforts to develop operationally-oriented PEA methods (Box 5). GAC-era guidance provided a timely summation of earlier Bank frameworks and perspectives.

5.25 **However, guidance and support for PEA could have gone farther in addressing a number of analytical and operational issues:**

- **A single definition of what constituted PEA was lacking.** Despite efforts by the PECoP to integrate multiple perspectives and methodologies, the various toolkits, trainings, and outputs lacked consistency and coherence. This problem was evident even in the divergent views of PECoP members themselves. To some, PEA involved an analysis of stakeholders, while others understood it to mean an assessment of formal and informal institutions. Still others thought in terms of analyzing politics writ large, while others focused on formally simulating the incentives of bureaucrats and politicians involved in Bank operations.

- **Ex ante assessment of "good fit" was a major rationale for undertaking PEA. While attractive in theory, assessing "fit" was difficult in practice.** It required analysts to estimate the degree to which institutional design or "form" would deliver its desired "function" in a particular setting. What appeared to be good fit ex ante might not be considered to be ex post if it failed to produce the desired result. Similarly, reforms that appeared to be "imported" (for instance, public financial management reforms) might, to the surprise of analysts, become institutionalized and produce favorable results.

- **Guidance could have more directly addressed the political economy of aid including the Bank's own role in partner countries.** Unlike other donors (such as SIDA and GTZ), the Bank did not explicitly address its own role in shaping incentives in sectors and countries. Such an approach would have helped the Bank better assess reputational risks, particularly in aid-dependent countries.

- **The internal marketing of PEA work within the Bank differed markedly from the largely muted approach tak-**

en with country stakeholders. In some cases, country partners were not even aware that PEA work was being undertaken. Bank teams urgently required guidance and advice on how to involve country partners in the initiation, preparation, and dissemination of PEA. For instance, a PECoP proposal to attribute Bank-financed PEA reports to individual authors (without the institution's "stamp of approval") did not go far enough in considering the potential reputational risks to the institution of disclosing highly sensitive analyses in an operational environment.

- **The proposed development of free-standing PEA products could build on lessons learned from similar efforts in the past.** The PECoP could usefully draw on lessons learned from the Bank's experience with Institutional Governance Reviews, particularly in responding to the needs of operational staff and country partners. After GAC start-up financing dries up, the current PEA effort may face challenges in stimulating demand. Most respondents to IEG's staff survey did not believe that PEA guidance and support had been packaged in a user-friendly way. In their written comments, survey respondents also did not express confidence in the ability of most political economy experts to advise on operational solutions. Alternative ways of mainstreaming political economy approaches could include more systematic peer review of standard economic and sector work and development of project-level *decision analysis tools.*

Delivery of Support

5.26 **The Bank used various media to disseminate GAC guidance and promote the use of GAC tools.** Network and regional units—to varying degrees—used training events, workshops, seminars, and print and Web-based publications. In addition, internal communications from senior management, the GAC Council, and GAC focal points were extensive, particularly in the first year. Also, the GAC Portal Web site served as a clearinghouse for analytical and advocacy materials.

5.27 **The emphasis on internal communications paid off.** Sixty-three percent of respondents to IEG's staff survey were familiar with the 2007 GAC strategy and IP with no significant variation by regional unit or location (in Country Office or Washington). Respondents with more than 10 years of Bank experience were significantly more familiar than those with less than 10 years of Bank experience (Appendix F).

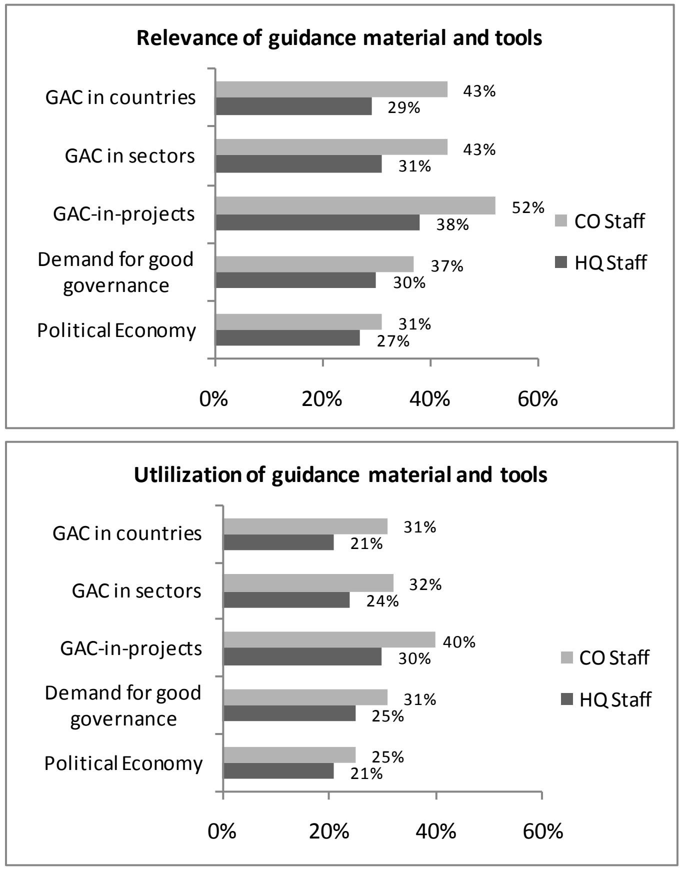
5.28 **Some media were more effective than others in disseminating information on GAC.** A plurality (42 percent) found training workshops a useful source of information. Fewer found other media—reading available Bank documents, attending events with senior managers, visiting the GAC Portal, applying for GPF grants, or participating in the PECoP—as effective. Responses from Country Office staff were significantly more favorable than those from Washington-based staff. The degree of decentralization may account for more favorable responses from staff in certain Regions (for example, EAP).

5.29 **Beyond access to information, relatively few staff reported receiving tangible support to implement the GAC strategy.** To the extent they did, support focused on fraud and corruption issues in projects (according to 45 percent of respondents). Far fewer reported receiving additional resources, training and skilled personnel, or guidance on institution building, or analytical support for PEA.

5.30 **The generally low staff ratings on the relevance of specific guidance materials and tools translated in into low utilization rates. Responses reflected the priority given to GAC-in-projects issues** (Figure 5.1). Forty-five percent of respondents responded favorably to GAC-in-projects guidance, in particular the OPCS *Emerging Good Practice Notes* and the Integrity Vice Presidency *Fraud and Corruption Awareness Handbook*. A third or fewer felt the same about materials relating to the demand for good governance and PEA. It is important to note that responses of Country Office staff on utilization—while low—were still significantly higher than those of Washington-based staff.

5.31 ***Learning Activities*. Learning activities focused on GAC-in-projects and country accountability institutions. GAC-in-sectors was not given adequate attention.** For instance, a total of 56 learning events were supported by central units through September 2008, comprising seminars, training workshops, and partner events. Of these, 38 percent related to GAC-in-projects and 30 percent were on domestic accountability systems. Only 16 percent focused on GAC-in-sectors issues and even fewer on the demand side. During the first year of GAC, 15 CGAC clinics and related country-oriented seminars provided a vehicle for more focused training.

Figure 5.1. Staff Perceptions of Relevance and Use of Guidance Materials and Tools "To a Great Extent"



Source: 2010 IEG GAC Staff Survey

5.32 **The GAC IP provided an opportunity to prioritize and better coordinate learning activities, which could have been more fully exploited.** Even before the GAC strategy, core courses were offered in public financial management, civil service reform, justice sector reform, social accountability, and anticorruption, as well as project financial management and procurement. This menu was expanded to include courses around GAC pillars and, more recently, on the demand for good governance. Even though the PREM Anchor attempted to better organize learning around program themes, the larger GAC training agenda—including its use of Web-related assets—lacked adequate coordination. Given the feedback of Country Office staff, more could have been done to prioritize and ensure the quality of decentralized offerings.

6. Effectiveness: Is the Bank More Responsive to GAC Issues?

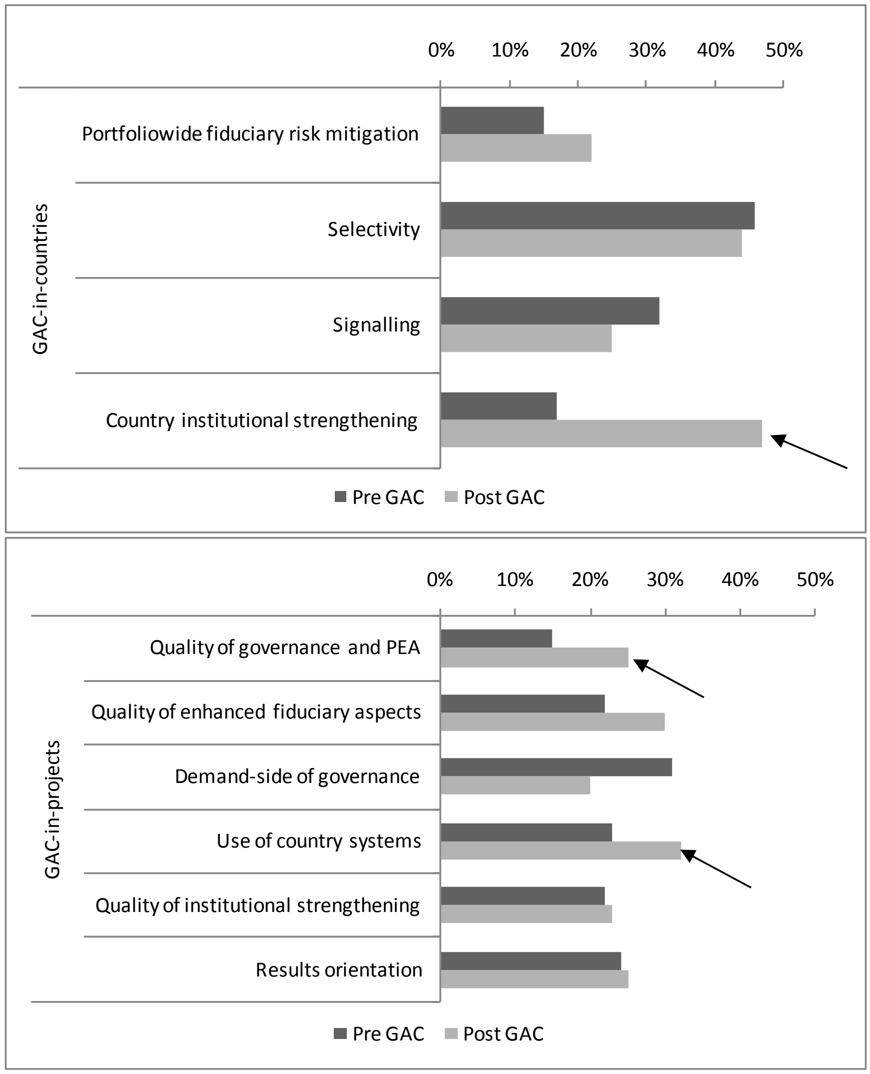
6.1 **This chapter provides a review of the GAC responsiveness of Bank country programs and projects before and after the launch of the 2007 strategy.** GAC responsiveness was defined in terms of the *selectivity* of appropriate entry points and instruments, country institutional *strengthening, signaling* and mitigation of risks, and *smarter design* of projects. The results were based on a desk review of 50 country programs and 200 projects over FY04–07 (referred to as the "pre-GAC" period) and FY08–10 (referred to as the "post-GAC" period). They also drew on six country case studies undertaken for this evaluation. Where relevant, econometric analysis was used to assess GAC elements in operations.

6.2 **To assess more clearly the changes that occurred in the post-GAC period, this chapter presents data for operations that were responsive "to a great extent."** As noted in chapter 3, most Bank programs and projects were already at least somewhat GAC-responsive in the pre-GAC period. There was little variation in somewhat-responsive programs and projects across time periods or other demographic parameters (for instance, region or levels of income or governance performance). Appendixes C and D present both sets of scores for all elements of GAC responsiveness reviewed in this evaluation.

Achievement of Implementation Plan Objectives: A Summary

6.3 **Over the FY08–10 period, the Bank's response to GAC issues in its country programs and projects demonstrated continuity without systematic improvement as yet.** Building on two decades of engagement on governance issues, the 2007 GAC strategy acknowledged that it "implied a change in the way the Bank does business." Strategic communications and engagement by Bank senior management signaled this goal. The implementation plan and annual progress reports characterized success as making systematic improvements in the GAC responsiveness of country operations, although they did not set targets or a timeframe for the achievement of this goal. While there have been signs of progress in certain areas, important opportunities have yet to be seized (Figure 6.1).

Figure 6.1. Country Programs and Projects Addressing GAC Issues "to a Great Extent," Pre- and Post-GAC Periods



Source: IEG desk review. Arrows indicate statistically significant changes.

6.4 **In country programs, the following trends were observed:**

- **The Bank has continued to support good governance objectives in virtually every country where it has operations.** Pre- and post-GAC CASs were similarly selective in identifying entry points for a GAC dialogue. In many countries, the Bank has sustained a medium-term dialogue on GAC issues and provided a program of support in areas such as public financial management, sector service delivery, and the investment climate. Sustained engagement on these issues, even in challenging settings, remains one of the Bank's strengths.

- **The Bank continued to be as committed to supporting country-led GAC efforts as it was before the launch of the strategy.** Virtually all CASs contained GAC-related pillars in the FY04–07 and FY08–10 periods with no variation across regions, levels of income, and governance performance. Pre- and post-GAC CASs were similarly selective in identifying entry points and choosing appropriate instruments.

- **There was a statistically significant increase in the number of countries where the Bank planned to support country *institutional* strengthening.** The share of CASs with plans to directly support country institutions to a great extent nearly tripled, although these were not explained by IP measures such as CGACs and GPF window support (Box 6).

- **A minority of pre- and post-GAC country programs included explicit plans to *signal* risks. Even fewer sought to *mitigate* fiduciary risks.** Less than a third of CASs in both periods aimed to use standard portfolio processes to identify, signal, and mitigate GAC risks. Only 15 percent of pre-GAC CASs and 22 percent post-GAC explicitly focused on mitigating fiduciary risks to a great extent. Also, the Bank did not adopt a consistent *risk-based* approach to responding to governance crises or deteriorations.

- **Only a few CASs made commitments to adopt *smarter* project design approaches across the lending portfolio.** The review did find that *actual* use of smarter design in projects was more prevalent than these CAS commitments indicated.

6.5 **At the project level, the following trends were observed:**

- **The number of projects that employed upstream governance and political economy analysis "to a great extent" increased from** 15 percent pre-GAC to 25 percent post-GAC. This type of analysis—and in particular the assessment of informal institutions—was associated with improved project "fit" to governance realities.

- **The *use of* at least some *country systems* in projects increased significantly in countries with weaker institutional capacities and in Africa.** In countries with CPIA governance scores lower than 3.5, 27 percent of pre-GAC projects used at least some country systems —that is, public financial management, procurement, or personnel systems—compared to 41 percent of post-GAC projects. Also, in Africa, projects using at least some country systems increased from 11 percent pre-GAC to 40 percent post-

GAC. In principle, the Bank's increased use of these systems in weaker settings allowed countries to more efficiently deploy limited capacities on pressing domestic priorities rather than *sui generis* donor project management and reporting requirements.

- **The share of projects rated highly for *quality of enhanced fiduciary aspects*, GAC results measurement, and for project-level *institutional strengthening* components remained low and did not change significantly in the post-GAC period.** For instance, about a quarter of pre-GAC projects rated highly in these three areas; improvements in projects approved post-GAC were only marginal with no variation across regions or levels of income and institutional endowment.

- **Bank projects did not significantly expand their *overall use of demand-side measures* in the post-GAC period.** While the involvement of beneficiaries in Bank projects was prevalent even before the launch of the strategy, less than a third of pre- and post-GAC projects were found to be responsive to the demand side overall. Importantly, more post-GAC projects in post-conflict countries used these measures.

6.6 **The quality and coverage of political economy issues in the Bank's economic sector work did not show the systematic improvements evident in projects.** The operational benefits of free-standing PEA reports were often limited by an overly academic orientation, uneven methodological rigor, and a lack of consistency between recommended actions and prevailing interpretations of the Bank's Articles of Agreement.

6.7 **The GAC IP's goal of *improving the Bank's reputation* on GAC issues was achieved partially.** Donors, civil society organizations, and borrowing governments consulted during the evaluation were highly appreciative of the Bank's capacity to analyze and advise on governance issues, and of the Bank's commitment to support longer-term institutional development. The GPF donors, in particular, felt that the Bank's analytical strengths justified a more proactive role in assessing political economy constraints and measuring governance performance. During field visits, country stakeholders acknowledged the Bank's contributions in leading policy dialogue in areas such as public financial management, the investment climate, and sector reform. Donors and some government officials also noted that the Bank had higher fiduciary standards than other partners.

6.8 **Stakeholders inside and outside the Bank observed a potential conflict between its lending goals and its pursuit of GAC objectives, particularly in poorly governed settings.** Within the first year of GAC implementation, the 2008 Gallup Global Survey revealed that opinion leaders in both industrialized and developed countries were increasingly concerned about the Bank's approach to lending in poorly governed countries. For instance, a third of respondents in lower-income countries felt that the Bank should not lend to countries unless they took serious actions to fight corruption. CSOs consulted in the course of this evaluation agreed and recommended that, in such settings, the Bank reduce lending or impose stricter GAC-related conditions on loan disbursements. Both Global Survey respondents and CSOs suggested that the Bank should channel funds outside of government (for example, to civil society).[37] Nearly half of Bank operational staff surveyed also believed that "the Bank's lending imperative conflicts with its ability to implement the GAC strategy."

Box 6. GAC-Responsiveness of the Bank in CGAC and GPF Window Countries

Who received CGAC and GPF window support? The Bank was already supporting "GAC as a pillar" in CASs in most countries that received CGAC and window support. For instance, 97 percent of pre-GAC and 84 percent of post-GAC CASs in CGAC countries were supporting GAC as a pillar, and 95 percent of pre-GAC and 88 percent of post-GAC CASs in window countries. Even though the Bank was not more likely to address GAC issues in CGAC and window countries relative to others, the evaluation found some patterns. For instance, countries with DPLs in their lending portfolios and lower CPIA scores were more likely to receive CGACs. Those in Africa were more likely to receive window support.

Were CASs and projects in countries that received support more GAC-responsive? CASs and projects in CGAC and window countries were not systematically more GAC-responsive than CASs in other countries over the GAC implementation period.

Country programs receiving CGAC and window support were not significantly different in their GAC-responsiveness than those that did not receive this type of support with two exceptions. Those that received support were 16 percent less likely to achieve domestic accountability objectives (relative to non-CGAC and window countries) in the post-GAC period. In addition, they were more likely to focus more on institutional strengthening relative to non-CGAC and Window One countries in the post-GAC period (47 percent in all countries, compared to 55 percent in CGAC countries).

Projects in CGAC and window countries were:

- not significantly different over the pre- and post-GAC periods in terms of overall *smart design*.
- thirty-two percent less likely to support rules-based decision-making and accountability "to a great extent" in the post-GAC period.
- continued to have more risk management measures relative to projects in other countries in the post-GAC period.

Source: IEG desk review.

GAC Elements in Country Strategies and Programs

6.9 **The evaluation assessed specific GAC elements of country strategies and programs over the pre- and post-GAC periods.** These elements—selectivity, signaling, institutional strengthening, the use of country systems, harmonization, and results frameworks—are discussed below.

6.10 *Selectivity of GAC Entry Points.* **As noted in chapter 1, the strategy placed a premium on making "right" choices about GAC objectives and entry points based on systematic diagnostic work.** In both the pre- and post-GAC periods, a majority of country programs received high marks for incorporating explicit assessments of governance and political economy constraints to development objectives. To undertake these assessments, the Bank most commonly proposed and used technical assistance (TA) activities as well as standard ESW products such as Poverty and Social Impact Assessments (PSIA), Public Expenditure Reviews (PERs), and to a lesser extent, Country Economic Memoranda (CEMs). Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reports (CPARs) tended to be merged with PERs as integrated assessments in the post-GAC period, while new products, such as freestanding PEA reports, became more prominent in part due to availability of GAC funding.

6.11 **More than half of country programs drew on upstream diagnostic work to justify their selection of GAC objectives and entry points. Nearly all of them included support for core public sector institutions and the investment climate.** Among public sector reform entry points, the most prominent was public financial management, and to a lesser extent, revenue management, decentralization, and civil service reform. Private sector development (including privatization and restructuring of state-owned enterprises) and regulatory reform (including licensing, permits, and customs) remained the most common investment climate entry points before and after 2007. A sizeable majority also identified domestic accountability institutions and the demand side in both the pre- and post-GAC periods. Domestic accountability institutions most frequently included judiciaries and supreme audit institutions, and to a lesser extent, legislative oversight, media, and procurement appeals bodies. Those that identified demand-side measures virtually all identified the need to strengthen CSOs, but only rarely identified the organized private sector and consultative mechanisms.

6.12 **The number of country programs that justified their choice of instruments and identified GAC results measures increased.** Twenty-nine percent of pre-GAC CASs and 38 percent of post-GAC CASs were explicit about their choice of instruments. Clearer rationale for instrument choice was particularly pronounced in CGAC countries. Similarly, modest progress was made in the number of country programs that identified appropriate GAC results measures, even though results measurement remained a weak area, particularly in Latin America and the Caribbean and Sub-Saharan Africa. Country programs that received financing from one of the GPF windows identified GAC-related results measures more frequently.

6.13 **Yet, GAC selectivity was also associated with country programming decisions, in particular choice of lending instruments.** Regression analysis found that the GAC selectivity ratings for instrument choice and results decreased significantly when a DPL was included in the country portfolio (Appendix E, Table E.5). Further, the probability that a CAS was GAC selective—that is, it incorporated governance assessments, justified the choice of instruments, and identified GAC results—decreased by 99 percent when a DPL was included in the portfolio. CASs were also 34 percent less likely to support the demand side if DPLs were used in the overall lending program (Appendix E, Table 6) (IEG 2010).[38] These findings suggest that the decision to use DPLs may be associated with factors other than those related to GAC selectivity (for instance, economic stabilization, economic recovery, and short-term crisis response). The use of ESW and TA appeared to work in the opposite direction. CASs with plans to undertake GAC analytics were 31 percent more likely to support non-executive accountability institutions. The finding points to the need for CASs to be more explicit about trade-offs associated with using various instruments to pursue GAC and other development objectives.[39]

6.14 **Importantly, there were limits to how selective Bank CASs can be in pursuing GAC entry points. The Bank typically has been opportunistic in responding to changing country conditions.** Only rarely was the Bank compelled to organize its country programs around an overarching national GAC priority (for instance, improved management of petroleum revenues in Chad). Furthermore, the evaluation also found no discernible approach to strategic sequencing of different GAC reforms (for instance, public financial management before decentralization, or regulatory reform before privatization). Rather, Bank CASs typically adopted a "venture capital" approach that supported multiple initiatives in the search for viable and durable reforms. Initiatives that gained initial traction—for instance, public financial management in Cambodia and GAC-in-roads in Moldova—became more established in subsequent CAS cycles. Nevertheless, the "venture capitalist" approach also weakened incentives to make hard choices, for example, when Bank support did not generate tangible, time-bound results (for example, public sector reforms in Liberia).

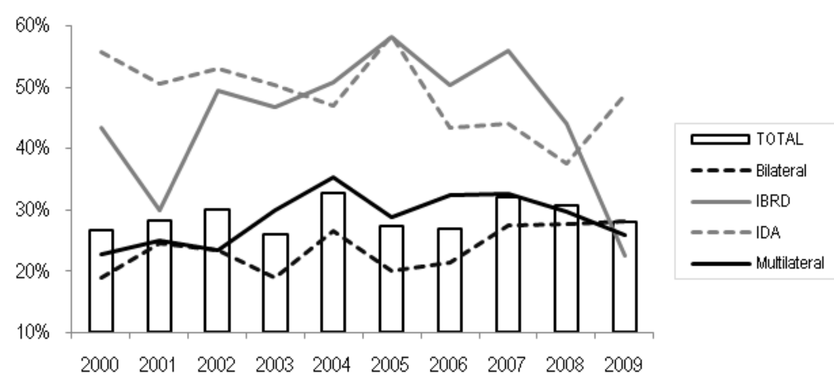
6.15 ***Strengthening Country Institutions*. As noted earlier (par. 6.3), direct support for strengthening institutions in the core public sector**

and institutions underpinning the investment climate was a mainstay of Bank assistance over the FY04–10 period. Sixty-five percent of pre- and post-GAC CASs aimed to support core public sector reforms, with no statistically significant change. Another prominent area of Bank support was the investment climate, with about a third of CASs pre- and post-GAC supporting the development of market institutions. These patterns were broadly consistent with trends in global aid commitments for capacity building (Box 7).

Box 7. Bank and Donor Support for Institutional Capacity Building

Over the 2000s, the Bank, along with other bilateral and multilateral donors, increased support for institutional capacity building relative to the 1990s. Support for capacity building, driven by bilateral donors, reached its peak of a third of total official development assistance commitments in 2004, and this level of support was largely maintained over the Phase 1 GAC period. Consistently over the decade, Bank support to capacity building as a share of total Bank flows remained far higher (approximately 40 percent) than that of other donors. In countries with higher CPIA scores, the Bank and other donors focused on building technical and cross-cutting capacity, as well as private sector and civil society capacities. In countries with lower CPIA scores, the Bank and other donors focused on core public sector and domestic accountability systems.

Share of Official Development Assistance Commitments to Capacity Building, 2000-09



Sources: OECD Creditor Reporting System and World Bank

6.16 **The Bank's work on institutional strengthening increased in the service delivery sectors and domestic accountability institutions.** The number of countries in which the Bank supported sectoral institutions to a great extent increased from 35 percent pre-GAC to 43 percent post-GAC. The increase in support for sectoral institutions in fragile states was significant. Similarly, the share of Bank country programs that sought to strengthen accountability institutions increased from 23 percent to 35 percent in the post-GAC period. This expansion was explained by significant increases in countries in Africa, in fragile states, and countries that received GPF window support.

6.17 ***Addressing Country-Level Risks*. In a majority of CASs, the Bank consistently identified GAC-related risks and proposed mitigation measures.** Political instability and weak state capacity were most frequently identified as risks in the pre-GAC and post-GAC periods. Fraud and corruption, as well as security were also identified. In most cases, CASs that identified risks also proposed at least one mitigation measure. The most commonly proposed measures were lending scenarios, joint donor reviews, and anticorruption action plans. Of these, the most commonly proposed lending scenario was also the least likely *used,* in part because IDA discontinued their use. The most likely *used* were joint donor assessments.

6.18 **The Bank also used country portfolio review processes to track governance issues in sectors and projects, although it could have been more systematic about doing so.** Nearly half of CASs in the pre- and post-GAC periods provided evidence that portfolio risks were routinely monitored. These processes served to track and signal GAC-related risks at the sector and project levels in 32 percent of pre-GAC and 38 percent of post-GAC CASs. While modest, progress was evident in IDA countries and in countries with lower CPIA scores.

6.19 **Less than a quarter of Bank country programs regularly disclosed or disseminated the results of their portfolio reviews to implementing agencies—with important differences across countries and regions.** In the post-GAC period, however, the evaluation observed more frequent disclosure of portfolio reviews in IDA countries and fragile states. There was considerable variation in transparency efforts: for instance, country programs in East Asia and the Pacific set the standard with 50 percent of pre-GAC and 75 percent of post-GAC CASs disclosing portfolio review results. Improvements were also evident post-GAC in Sub-Saharan Africa and South Asia. Yet, lower frequency in disclosure of portfolio reviews in countries in Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa was of concern.

6.20 **An important test of the Bank's risk management capabilities was how it responded to *unanticipated governance events*. The evaluation found the Bank's responses were highly varied, regardless of how much it invested in ESW and TA.** Over the FY04–10 period, more than half of unanticipated events were related to GAC issues. These were categorized as *stark downturns* (due to civil conflict, electoral and political instability, and breach of international agreements), *deterioration* (increased incidence of corruption, poor interministerial coordination, or legislative gridlock), and *turnarounds* (for instance, peace agreements and the ascension to power of reformers). Bank responses to these events varied from doing nothing to enhancing monitoring, conducting joint donor reviews, modulating lending levels, and disengagement. The evaluation did not find a systematic relationship between ESW/TA and Bank responses. In some countries, however, ESW helped inform crisis response (for example, in Poland and Bangladesh), but in others, it did not (for instance, in Moldova). There was also no evidence that Bank responses were graduated.

6.21 ***Using Country Systems as a Strategic Priority*. Over the FY04–10 period, a third or fewer country programs identified the use of country financial management systems as a portfoliowide, strategic priority.** The evaluation found that, in the pre-GAC period, the actual use of some country systems portfoliowide was more frequent than statements in CASs would suggest. For instance, in the pre-GAC period, the Bank used financial management systems in 75 percent of countries, and intergovernmental, audit, civil service and personnel systems, and national procurement systems in about half of sample countries. In the post-GAC period, the use of some country systems as a portfoliowide measure declined in countries with lower CPIA scores. Yet, in higher-CPIA countries, the evaluation found statistically significant improvements in CASs that reportedly used intergovernmental fiscal rules and civil service personnel rules.

6.22 ***Harmonizing GAC Efforts*. The Bank generally maintained its support for harmonization of GAC efforts in the FY08–10 period, though its GAC-in-projects approach led to backtracking in some cases.** A sizeable majority of country programs in the pre- and post-GAC periods were committed to sharing information with other donors and conducting joint analytical work on GAC issues. A similar proportion of Bank CASs continued to support joint portfolio reviews, SWAps, and joint serial budget support operations. In some countries, however, the Bank sought to strengthen fiduciary controls on its own projects by ring-fencing preventive measures rather than harmonizing them with other donor projects (for example, the required use of Good Governance Frameworks and similar initiatives in Cambodia and Azerbaijan).

6.23 ***Measuring GAC Results*. In the pre-GAC period, the Bank's use of GAC-related process, actionable, and institutional outcome indicators in CAS results frameworks was extensive. However, continued and consistent identification and use of these indicators in the post-GAC period was a concern.** Nearly all CAS results frameworks in the pre-GAC period included process and actionable indicators for core public sector and investment climate entry points. A majority of CASs included process and actionable indicators for accountability institutions, although fewer did so for the demand side. Virtually all of pre-GAC CASs collected data on process, actionable, and to a lesser extent, institutional outcome indicators relating to public sector reform and investment climate issues. Also, data on accountability and the demand side were less frequently collected.

GAC Elements in Sectors and Themes

6.24 **Efforts to address governance constraints in *sectors* was a major thrust of Bank engagement before and after the launch of the strategy.** Virtually all the sample CASs—across regions, levels of income, and governance performance—identified strengthening of sector institutions as a GAC entry point. The evaluation observed the following patterns in the Bank's GAC-in-sectors work:

- **Financial and private sector development were the most commonly identified GAC-in-sectors issues**, even though these were not formally part of the first two years of GAC implementation efforts. Over 85 percent of country programs in both the pre- and post-GAC periods identified financial and private sector development as a GAC entry point. Most of the CASs that identified this entry point were in Africa, followed by those in Europe and Central Asia, Latin America and the Caribbean, East Asia and the Pacific, the Middle East and North Africa, and South Asia.
- **Half of CASs before the launch of the strategy supported efforts to improve governance in natural resource management; these efforts expanded after the launch of the strategy.** Over the period reviewed, Bank-country engagement became increasingly concerned with the management of natural resources (such as forestry and fisheries) and extractive industries (such oil, gas, minerals, and mining). Country programs in Africa, followed by those in Europe and Central Asia and the Middle East and North Africa, were most likely to identify and support GAC efforts in these areas.
- **The third most prominent GAC-in-sectors in CASs related to service delivery in the social sectors.** Over half of pre- and post-GAC CASs identified GAC in human development sectors as an entry point for Bank-country engagement. These issues were most frequently identified in Europe and Central Asia and Sub-Saharan Africa pre-GAC, and in Latin America and the Caribbean, and Sub-Saharan Africa post-GAC.
- **GAC-in-infrastructure was also a key entry point in more than a third of CASs before and after the launch of the strategy.** The plurality of CASs that identified infrastructure was in Sub-Saharan Africa, followed by Europe and Central Asia and

East Asia and the Pacific. GAC-in-infrastructure was rarely identified as an entry point in Latin America and the Caribbean.

6.25 **In its review of primary education, roads, and accountability institutions, the evaluation found that progress on GAC-in-sectors was highly uneven.** On the one hand, GAC elements in roads projects improved dramatically in quality of governance and PEA, fiduciary aspects, and use of country systems. On the other hand, primary education projects approved post-GAC weakened in the quality of enhanced fiduciary aspects. Projects across these three areas scored worse for incorporation of the demand side, identification of GAC results, and support for institutional strengthening.

GAC Elements in Projects

6.26 **Through its GAC-in-sectors work, the strategy sought to promote "smarter project design."** According to Bank guidance, smarter operations would systematically incorporate political-institutional analysis; ensure good "fit" to governance realities; promote the use of country systems; support institutional strengthening; include demand-side measures; and effectively manage risks. Based on a desk review of these elements across 200 operations, the evaluation observed the trends discussed below:

Table 6.1. Use of Political Analysis in Projects (Pre- and Post-GAC Averages)

Institutional analysis (formal or informal)	*Pre-GAC*	*Post-GAC*
Formal institutions	83	90
Relevant historical legacies	50	63
Cultural practices, norms, or other traditions	36	29
Informal relations among different levels of government	32	35
Social, regional, ethnic, religious, or linguistic relations	44	38
Electioneering and/or electoral cycles	15	13
Rent-seeking	26	38
Other	16	21
Any institutional analysis	92	92
ESW sources (used to inform analysis)		
Social Assessment	31	31
Poverty and Social Impact Assessment	26	40
Public Expenditure Review	23	28
Country Economic Memorandum	15	21
Institutional Governance Review	12	4
Technical Assistance	51	47
Political Economy Assessment	1	1
Other	63	71
Any ESW	71	74

Note: Pre- and post-GAC columns show percentages of projects that use specific types of analysis.
Source: IEG desk review

6.27 ***Incorporation of Political-Institutional Analysis*****. The evaluation found that virtually all projects in the pre- and post-GAC periods incorporated at least some analysis of formal or informal institutions** (Table 6.1). Nearly 90 percent of projects included analyses of formal institutions, such as organizational structures, decision-making rules, implementation arrangements, staff skills, and disclosure mechanisms. They less frequently assessed informal institutions, such as history, culture, social relationships, rent-seeking, and electoral processes. A high proportion of projects drew their political and institutional analyses from formal Bank ESW. The evaluation assessed the *intensity* of political-institutional analysis on projects in the pre- and post-GAC periods and observed only marginal improvements. The average number of distinct political-institutional issues reflected in project documents increased slightly from 2.9 to 3.2. The average number of ESW products cited increased from 2.2 to 2.5.

6.28 ***"Fit" to Governance Realities*****. The evaluation found modest—not statistically significant—improvements in project "fit" to governance realities.** The desk review pointed to some improvement in the following elements of project fit:

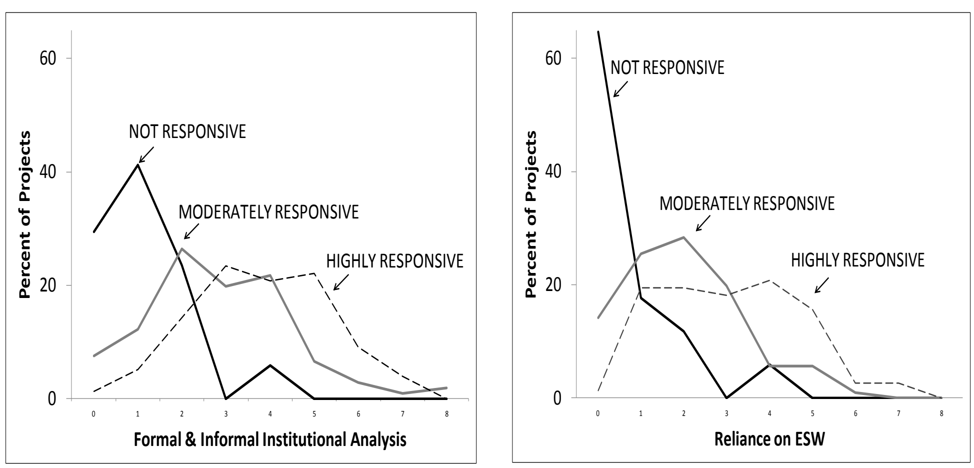
- **The proportion of projects for which design was adapted to informal institutions to a great extent increased slightly over pre- and post-GAC periods** (from 38 to 40 percent). Improvements were also observed in IDA countries as well as those with higher CPIA governance scores. Variation across regions was found to be significant in the post-GAC period, with particularly well-adapted projects in Europe and Central Asia and Latin America and the Caribbean compared with Sub-Saharan Africa and South Asia. Regression analysis indicated that projects were better adapted when they included diagnoses of informal institutions and when they supported demand-side objectives. Also, projects that used project implementation units were less likely to be "fitted" to informal realities (Appendix E, Table E.10).
- **Post-GAC projects more frequently supported strengthening management of relevant public agencies** (40 percent pre-GAC compared to 47 percent post-GAC). Regression findings indicated that operations that used subprojects were 30 percent more likely to strengthen management of relevant public agencies. Those that supported accountability objectives were 22 percent more likely, and those in the human development sectors and in countries in Latin America and the Caribbean were 25 and 32 percent more likely to support these agencies (Appendix E, Table E.11).
- **Post-GAC projects supported strengthening of rules-based decision making and accountability more frequently than pre-GAC ones.** Statistically significant improvements over the post-

GAC period were observed in countries with higher CPIA scores, as well as significant regional variation (for instance, 56 percent in East Asia and the Pacific compared to 27 percent in the Middle East and North Africa). Here too, regression analysis indicated that operations using subprojects and those supporting accountability objectives were 25 percent and 16 percent more likely to support strengthening of rules-based decision making (Appendix E, Table E.11).

- **Projects approved in the pre- and post-GAC periods employed proactive measures to include disadvantaged groups to more or less the same degree.** The evaluation found a statistically significant increase only for projects approved in CGAC countries.

6.29 **Overall, the evaluation identified three elements of good project fit to informal realities—linkages to relevant ESW, incorporation of beneficiary feedback mechanisms in project design, and the use of subprojects.** Another element was the risk exposure of the operation, or its share of commitments in the country portfolio. Presumably, such operations were more likely to come under scrutiny for issues of inclusion. The evaluation also confirmed that projects that were highly responsive or highly "fitted" to governance realities were those that extensively used institutional analysis (Figure 6.2). For example, more than 50 percent of moderately responsive and approximately 80 percent of highly responsive projects analyzed three or more types of institutional constraints. By contrast, less than 6 percent of nonresponsive projects analyzed more than three types of constraints.

Figure 6.2. Institutional Analysis and Project "Fit" to Governance Realities



Note: The horizontal axes reflect a cumulative score (0-8) of the types of institutions analyzed and the number of ESW used in projects
Source: IEG desk review

6.30 *Planned and Actual Use of Country Systems by Bank Projects.* **Aside from statements of intent in CASs, the Bank's commitment to use country systems is best measured by evidence from projects.** Projects were reviewed along multiple dimensions: for instance, designation of the project as on-budget, aligning with the fiscal calendar, relying on the range of budget preparation and execution procedures, as well as intergovernmental transfers, audit, and national competitive bidding (NCB) procedures for procurement.[40] At the outset, the evaluation confirmed that the use of project implmentation units did not preclude the use of country systems.

6.31 **A majority of pre- and post-GAC projects planned to use at least some country systems. The evaluation observed more ambitious project-level commitments only in financial management.** Pre-GAC projects most commonly proposed to use NCB procurement, civil service personnel, and budget execution procedures. The evaluation observed a statistically significant increase in the share of post-GAC projects that committed to put the project on-budget, align with fiscal calendars, and use budget execution and auditing systems. Pre- and post-GAC projects in certain regions (South Asia and Latin America and the Caribbean) were more ambitious than those in others (the Middle East and North Africa and East Asia and the Pacific). In fragile states, projects that planned to use some country systems dropped from 55 to 27 percent.

6.32 **The Bank largely followed through on commitments to use country systems in its projects approved during the pre- and post-GAC periods. However, there was no evidence of systematic improvement in UCS over the post-GAC period.** When they committed to do so, approximately 80 percent of projects were on-budget, aligned with the fiscal calendar, and used budgeting procedures (through provision of large-scale operation and maintenance), NCB procedures for procurement, civil service personnel rules, and audit procedures. Although the quality of implementation data for projects approved post-GAC was poor, the desk review found that use of NCB rules declined.

6.33 *Institutional Strengthening.* **A majority of pre- and post-GAC projects planned to support institutional strengthening, primarily for public sector organizations.** Strengthening of cross-cutting financial management and procurement systems was proposed in half of all sample projects, but it grew significantly in projects in fragile states and IBRD countries, particularly in Europe and Central Asia. Far fewer operations—less than a quarter in both pre- and post-GAC periods—focused on strengthening human resource systems. Proposed strengthening of community organizations, particularly in Africa (60 percent pre-GAC and 40 percent post-GAC), and local governments, particularly in South Asia (67 percent pre-GAC and 20 percent post–GAC) dropped precipitously.

6.34 **As with UCS, Bank projects in large measure followed through on plans to strengthen country institutions. However, it is too soon to tell whether implementation was more likely on projects approved post-GAC.** When they planned to do so, over three-quarters of Bank projects over the entire period of review provided support for strengthening cross-cutting financial management and procurement systems, specific public sector organizations, and local governments. Slightly fewer (but still over 70 percent) followed through on plans to strengthen community organizations, monitoring and evaluation, and cross-cutting human resource systems.

6.35 ***Demand-Side Measures.* The use of demand-side measures in projects was not new to the Bank. However, there was no systematic improvement in their use post-GAC except for greater provision for borrower disclosure** (Figure 6.3). The desk review covered design aspects since implemention data were sparse. Nearly half of pre- and post-GAC projects employed *mechanisms to promote beneficiary participation* in decision making and implementation, including special institutional arrangements, stakeholder capacity buliding, and beneficiary involvement in subproject selection. Examples of institutional arrangements designed to promote participation were parent-teacher, water user, or community forestry associations. Less frequently employed—in less than a third of sample projects—were mechanisms by which beneficiary feedback could inform project redesign or other midcourse corrections during implementation. Even fewer—11 percent in projects approved pre-GAC and 4 percent approved post-GAC—provided for beneficiary or CSO verification before payments were made at the local level.

6.36 **Also relevant to the demand side of governance was *disclosure* and *transparency of project information*. In the post-GAC period, the Bank more systematically strengthened provisions for borrower disclosure.** Project information covered by these provisions included procurement and overall audit reports, financing and budget allocations, progress reports, and scorecards. Forty-eight percent of post-GAC projects included provisions for borrower disclosure compared to 31 percent of pre-GAC ones. Nearly a half of projects pre- and post-GAC supported communication plans and result measures on transparency mechanisms. Only three percent of sample projects—approved in the pre-GAC period—required compliance with national right-to-information legislation.

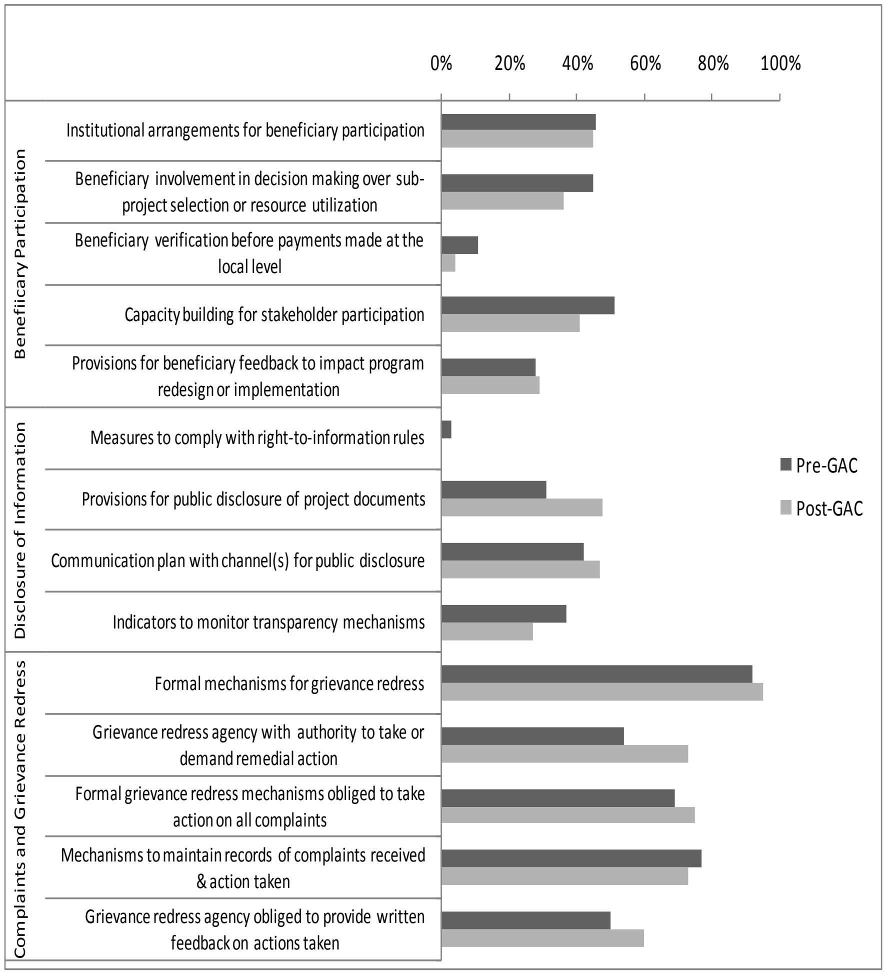
6.37 **The majority of Bank operations made provisions for *beneficiary monitoring and oversight*, while less than a third included**

grievance and redress mechanisms. In general, the evaluation found no significant change post-GAC. Of projects that included beneficiary monitoring, about a third each included third-party monitoring, public service delivery surveys, and consumer satisfaction surveys. Fewer adopted citizen charters or boards, citizen score cards, Continuous Social Impact Assessments, public expenditure tracking surveys, and social audits. A third of projects incorporated grievance and redress mechanisms in their design. Of these, an overwhelming majority (over 90 percent in both pre- and post-GAC periods) relied on formal institutions such as appeals committees, ombudsman offices, and other complaints offices. About a third of pre- and post-GAC projects also required records of complaints received and actions taken. Far fewer required action on all complaints or written feedback.

6.38 ***Risk Management, Including Quality of Enhanced Fiduciary Aspects.*** **A key priority for the GAC strategy was management of project-level fiduciary risks. The evaluation confirmed that post-GAC Bank projects more frequently cited the *risk of the misuse of funds* (for instance, graft, fraud, corruption, or leakage)**. It is important to note, however, that more frequent identification of risks in project documents did not necessarily mean that these operations were inherently riskier. Only 7 percent of pre-GAC and none of the post-GAC projects that were restructured cited fiduciary issues.

6.39 **Aside from *standard* fiduciary requirements for borrowers, *specialized risk-mitigation measures* were also proposed in pre- and post-GAC projects. While the frequency of these measures increased, follow-through was mixed.** Plans for *anticorruption action plans* increased significantly in the post-GAC period. Other frequently proposed measures included transparency measures for fiduciary aspects, followed by monitoring and evaluation of GAC measures, communications plans, on-site field verification, random post-audits, and special arrangements for high-value, high-risk contracts. The evaluation observed that over 60 percent of pre- and post-GAC projects followed through on their plans to use transparency measures, on-site field verification, random post-audits, and technical audits. Only half carried out anticorruption action and communication plans, and even fewer undertook reviews of high-value, high-risk contracts.

Figure 6.3. Demand-Side Measures in Pre- and Post-GAC Projects



Source: IEG desk review

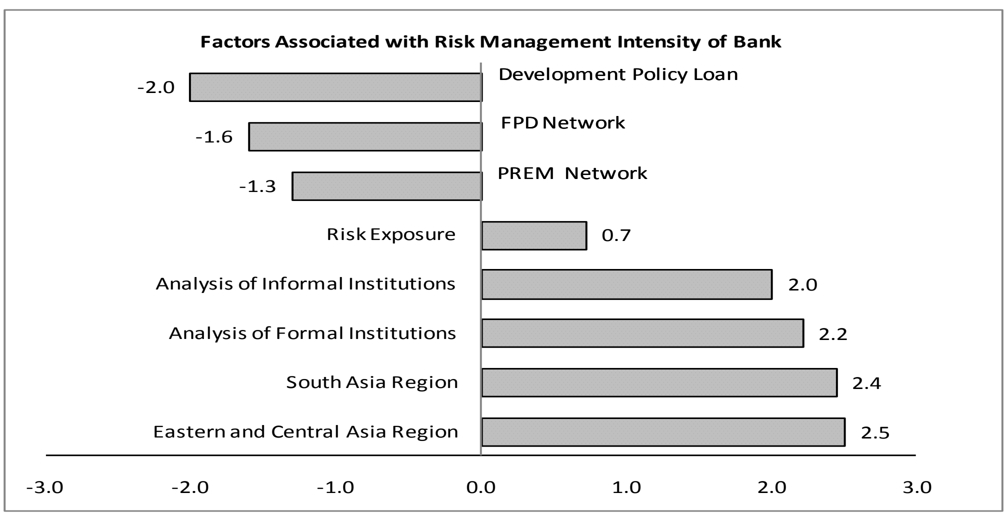
6.40 **As part of its risk management efforts, the Bank also planned to *supplement its own supervision* efforts mainly by leveraging the efforts of other development partners. The frequency of enhanced supervision increased systematically post-GAC.** About a quarter of pre-GAC and a third of post-GAC projects sought to undertake joint supervision with other donors and decentralized supervision. Post-GAC projects also more frequently planned to increase internal supervision budgets, owing in part to the more favorable internal resource environment for GAC efforts. The evaluation found that the Bank followed through on its enhanced supervision plans in a majority of pre- and post-GAC projects. For instance, two-thirds of sample projects followed through on plans for integrated procurement, financial management, and technical review, as well as decentralized supervision. The only exception was the very low number of projects (15 percent) in which joint donor supervision plans materialized.

6.41 **Despite the GAC strategy's emphasis on *risk management*, application of controls during the pre- and post-GAC periods has remained uneven.** Fewer projects post-GAC (10 percent) "fell through the cracks"—or received no risk review at all—relative to pre-GAC (16 percent). Yet, the share of projects with no risk review during implementation increased significantly between pre-GAC (32 percent) and post-GAC periods (60 percent). More generally, the evaluation concluded that variations in "risk management intensity" were explained in part by the choice of instruments, in particular DPLs (Box 8).

Box 8. Risk Management Intensity and Implications for Operational Design

Risk management intensity was defined as the total number of relevant upstream and downstream risk management measures used in a single project. Relevant measures included links to economic and sector work, governance and anticorruption plans, supplemental supervision, grievance mechanisms, and disclosure measures. Regression analysis found that risk management intensity fell significantly when the project was supported by a DPL and when it was mapped to either the Finance and Private Sector Development or PREM networks. At the same time, the intensity increased when the project was mapped to the Europe and Central Asia and South Asia Regions (Appendix E, Table E.16a-b).

As distinctions between fast-disbursing and investment lending become less pronounced, there is a need to ensure a consistent risk-management approach across financial products. In recent years, for instance, the use of large-scale financing of operations and maintenance expenditures, report-based disbursements, and subprojects have made traditional investment lending more flexible, and, in some cases, similar to targeted budget support. Yet, as noted in chapter 5, the control framework for investment loans and DPLs remains distinct both in design and application.



Note: Marginal effects of ZINB regression results are reported. Risk management intensity was defined as the number of relevant risk management measures (out of a possible 18) employed in a single project. The mean number of risk measures was 5 (Appendix E, Table E.16a-b).
Source: IEG desk review

6.42 ***Results Orientation*. Tracking implementation of generic GAC elements—such as demand-side, fiduciary, and PEA aspects—through project-level results frameworks was not new to the Bank.** Indicators for the demand-side measures were more frequently used in more than half of projects approved in both the pre- and post-GAC periods. Fiduciary aspects were indicated in results frameworks in 42 percent of pre-GAC and 49 percent of post-GAC projects. The number of projects measuring PEA aspects in results frameworks increased from 24 percent pre-GAC to 36 percent post-GAC.

6.43 **Consistent with trends observed in CASs, most projects also proposed process and actionable indicators relating to objectives such as public sector reform and the investment climate. When indicators were identified, data were typically collected.** Over 80 percent of sample projects included some indicator—mostly process and actionable indicators—relating to core public sector reform and the investment climate. About half of projects in the pre- and post-GAC periods included indicators for non-executive accountability and civil society institutions. Relevant data were collected in more than 75 percent of projects with public sector management, domestic accountability, and civil society objectives, and nearly 70 percent with investment climate objectives. There was some deterioration in data collection for certain types of indicators in the post-GAC period, such as process indicators for public sector management; civil society process and institutional quality indicators for civil society and the demand side; and process and institutional quality indicators for the investment climate. As with CAS indicators, the specific indicators used varied considerably and were not standardized.

Bank Analytical Work

6.44 **In addition to supporting project design, analysis of governance and the political economy was a critical input to Bank policy dialogue.** As part of its evaluation, therefore, IEG reviewed a sample of traditional ESW for its political economy content and, separately, a sample of freestanding PEA inputs identified by the PECoP for its analytical and operational value added.[41] The review assessed analytical work along five dimensions—political incentives, stakeholders, credibility and time-consistency, institutional weaknesses, and mitigating political factors.

6.45 ***Political Economy Content in ESW*. ESW contained considerable political-economic analysis even in the pre-GAC period. However, treatment of political–economic issues was uneven, with no evidence of systematic improvement over the post-GAC period.** The report that incorporated PEA most extensively was the Haiti CEM.

Other pre-GAC reports on Cambodia, Pakistan, and Paraguay contained limited political analysis. Post-GAC reports in Indonesia and Nicaragua were better than average, but most others (on Azerbaijan, Bangladesh, Kosovo, Liberia, Morocco, and Mozambique) showed little evidence of the "new-generation" of PEA. Findings are discussed below and summarized in Table 6.2.

Table 6.2. Quality of Political Economic Analysis in Bank Economic and Sector Work

Country	*Type*	*FY*	*Incentives*	*Stakeholders*	*Credibility*	*Institutions*	*Mitigation*
Mali	Transport	2004	Negligible	Modest	Negligible	Negligible	Negligible
Sri Lanka	DPR	2004	Modest	Substantial	Negligible	Modest	Negligible
Uzbekistan	PER	2004	Modest	Substantial	Modest	Modest	Negligible
Pakistan	CFAA	2005	Negligible	Negligible	Negligible	Negligible	Negligible
Syria	ICA	2005	Negligible	Negligible	Negligible	Negligible	Negligible
Cambodia	PA	2006	Substantial	Modest	Modest	Modest	Modest
Haiti	CEM	2006	High	High	High	High	High
Paraguay	Economic	2007	Substantial	Modest	Negligible	Modest	Negligible
Bangladesh	PA	2008	Modest	Modest	Negligible	Modest	Negligible
Iraq	Oil & Gas	2008	Modest	Negligible	Negligible	Negligible	Negligible
Kosovo	Youth	2008	Negligible	Negligible	Negligible	Negligible	Negligible
Nicaragua	IGR	2008	High	High	High	Substantial	Substantial
Azerbaijan	CEM	2009	Modest	Substantial	Negligible	Modest	Negligible
Indonesia	DPR	2009	Substantial	Modest	Substantial	Substantial	Modest
Liberia	PER	2009	Negligible	Modest	Modest	Modest	Negligible
Morocco	PFM	2009	Negligible	Modest	Negligible	Negligible	Negligible
Mozambique	Food	2009	Negligible	Negligible	Negligible	Negligible	Negligible

Note: Scoring of PEA aspects: *Negligible* = not mentioned or mentioned but not analyzed; *Modest* = minimal analysis of implications; *Substantial* = some analysis of implications; *High* = extensive analysis of feasibility of recommendations.
Source: IEG desk review

6.46 **ESW seldom discussed political incentives to implement governance reforms, sector programs, or development projects.** Only four reports highlighted political incentives, for example, those created by deinstitutionalized governmental agencies in Haiti, limited executive branch governance in Pakistan, political "duopoly" in Nicaragua, and democratic decentralization, also in Nicaragua. Other ESW typically ignored reform trajectories shaped by political incentives.

6.47 **While discussion of "stakeholders" was *de rigueur*, Bank ESW rarely analyzed their preferences, degree of mobilization, access to rents, and ability to veto reforms.** The term "stakeholder" was mentioned 64 times in the 17 reports reviewed. Most reports identified key players, and several went further in implying that the political strength of these groups may be responsible for previous reform failures. However, they did not usually consider the agenda-setting power of groups that may obstruct reforms (for example, power differentials between producers and consumers in influencing food pricing policy). Only a few reports analyzed stakeholder capabilities and links to key decision-makers. The effects of intergroup tensions on project design were ignored.

6.48 **ESW typically noted that governance priorities might lapse without sustained *credible commitment*** (for instance, due to changes in governments, the relative strengths of sectoral reform or project-level constituencies, or agreements regarding sectoral or project-level rent extraction and distribution). In particular, Bank work on public financial and expenditure management was closely linked to issues of time consistency in government decision making and appropriately reviewed the impact of budgetary and fiscal rules on government credibility. Most other reports did not propose credibility-boosting measures or were skeptical about such measures.

6.49 ***Institutional* and *capacity weaknesses* were among the most commonly mentioned constraints, although their underlying causes were often not diagnosed. This represented a major gap in the Bank's advice on institutional strengthening.** Without exception, all reviewed ESW mentioned problems of institutional capacity affecting relevant government agencies, public-sector bodies, and policy regimes. Only a few explored whether capacity constraints were actually politically-driven, for instance, due to institutional or regulatory capture in Haiti, and due to deliberate strategies to benefit particular actors in Paraguay. Most ESW simply recommended "engineering solutions" using TA and capacity building, without recognizing the likely pitfalls.

6.50 **ESW varied considerably in its discussion of options for *overcoming political obstacles* to reform.** Rarely did the discussion go beyond identifying political risks and, as in Haiti, propose to adjust reforms to governance realities, to rally reform constituencies, to seek windows of opportunity, and to reach out to other international partners with the ability to engage in political dialogue. Bank reports were more modest, urging a focus on reform-ready policy areas in Indonesia, or "second-best" approaches to utility regulation in Nicaragua. Most simply noted that "political commitment" or "will" did not exist.

6.51 ***Review of Freestanding PEA Inputs.* Problems diagnosed by these reports varied widely**—from managing risks of the "natural resource curse" to identifying corrupt practices, and from assessing the impact of elections to unearthing the political biases of those involved in public investment. Three issues in particular were identified as relevant to the Bank's operational work—*disparities in balance of power between stakeholders, governance pathologies, and discretionary authority*.

6.52 **First, most reports acknowledged that reforms often entailed long-term benefits to many, but short-term costs to a few, well-connected stakeholders.** These benefits were often uncertain or simply unknown (for example, likely gains for Cambodia's smallholder rice farmers from the promotion of rice exports), even though the costs were well known by potential losers (for example, large rice millers). Potential losers with access and representation in the political system could oppose and derail reforms. While the Bank had to accept these delays, some reports recommended that it directly support reform constituencies (for instance, civil society groups in Ukraine) or try to contain likely opponents (for instance, limiting the power of managers of electricity cooperatives by opposing corporatization in the Philippines).

6.53 **Second, the reports frequently argued that governance pathologies—and poor policies—persisted because they benefitted influential groups.** *Clientelism* involved policies that benefitted special interests, such as ethnic or kinship groups in Ghana, rather than the general public. *Patronage* was the distribution of public goods, such as civil service posts in Zambia and Nepal, on the basis of loyalty rather than merit. *Patrimonialism* was rule by individual discretion rather than laws, and often had deep-seated historical roots. Although not necessarily the result of bad design, these pathologies had the effect of perpetuating dysfunctional institutions.

6.54 **Third, reports were concerned about executive discretion over policy implementation, particularly in environments of permissive of patron-clientelism.** For instance, water subsidies in Yemen were allocated on a highly discretionary basis, as were national revenues that were shared with Peruvian regions, oil contracts in Ecuador, and pharmaceutical permits in Nepal. In checking executive authority, the reports proposed relatively conventional measures, such as strengthening parliamentary institutions, judiciaries, local governments, civil society "watchdogs," and independent audit agencies.

6.55 **Overall, this type of analytical work did expand Bank knowledge of political-institutional constraints (**Box 9**). However, it suffered two shortcomings. First, PEA reports largely ignored the political economy of aid itself** and, in particular, the reputational risks for the Bank as a major donor in aid-dependent countries. ESW and PEA inputs largely ignored how donor decisions—including Bank lending decisions—influenced the incentives of country decision makers to improve (or neglect) governance. None of these reports analyzed—even minimally—the risk tolerances of the Bank in different country settings, or recommended modulating lending levels or changing the instrument mix.

Box 9. Some Themes from Political Economic Analyses

Information access should be a priority. Improved information access through consultative forums, mandatory disclosure rules, third-party monitoring and audit, and public debate can have ameliorative effects on poor governance, including mobilizing potential supporters, limiting room for clientelism, and supporting constraints on administrative discretion. But openness alone may not result in improved decision making. Nor does it prevent governments from bypassing transparency requirements.

The likely impact of a program on factionalism should be considered. "Factionalism" refers the presence of longstanding ethnic, linguistic, religious, regional, or other cleavages. Especially in conflict-affected states, program designers should consider what effect their efforts may have on sectarian tensions and build conflict-avoidance measures into design.

Concerns about electoral cycles tend to be exaggerated. Changes in government often cause concern among some parts of the donor community. Fears include the potentially deleterious impact of leadership turnovers on donor-funded programs, and donor-country relations. The analyses reviewed, however, were more concerned about problems of broader political and policy-making uncertainty. Arbitrary enforcement of rules and unpredictable changes in the quality of public goods (for example, due to civil conflict) are more harmful to long-term development than electoral turnovers.

Stalemate may benefit governance reform. Donors still sought "reform champions" as well as enlightened political leaders to serve as advocates for their priority programs and break through the gridlock. But most reports recognized that stalemates were signs of equity in the political power of different stakeholders, or of checks on executive power having effect.

Rely on other donors. Several of the reports noted the need for partnerships with other donors, particularly for political reforms that are outside the Bank's mandate.

Source: IEG desk review of ESW and PEA inputs.

6.56 **Second, the solutions proposed to address political-economic constraints were more or less conventional and technocratic.** In some areas, recent analytical work (both PEA inputs and ESW) suggested greater toleration of rent-seeking to co-opt opponents in the interests of a longer-term progress on reforms. Yet many of the solutions proposed were similar to those suggested in the Bank's 2000 Governance Strategy and in the *Poverty Reduction Strategy Paper (PRSP) Sourcebook,* such as more inclusive policymaking, checks and balances on executive authority, decentralization, and transparent decision making.

6.57 **In some cases, solutions were formulaic—proposed without investigating underlying assumptions and risks.** In some countries, decentralization was seen as a more "participatory" approach to policymaking and a check on centralized executive power. Bank analyses ignored risks of elite control over local projects and often assumed that local institutions were automatically more accountable (Bardhan and Mookherjee 2006). Similarly, proposals for pro-poor public spending often assumed that resources would finance public goods rather than patronage gifts, which evidence suggests the poor are more—not less—likely to favor (Robinson and Verdier 2002 and Chandra 2004). Also, some recent reports proposed greater tolerance for limited rent-seeking as part of a "good-enough" governance approach (Tendler 2002 and Carrothers 2009). Tolerating rents, low-level corruption, or patronage *prima facie* were inconsistent with the thrust of the Bank's GAC-in-projects efforts and its zero-tolerance stance.

Staff Motivation and Attitudes

6.58 **As noted in chapter 3, the 2007 strategy placed a premium on motivating Bank staff to address GAC issues.** To assess the level of Bank staff commitment, the evaluation relied on a formal survey and structured interviews of operational staff in Country Offices and in Washington (Appendix F).

6.59 **Most Bank staff were highly committed to addressing GAC issues, and were also favorably disposed to GAC IP goals.** A sizeable majority of staff survey respondents considered GAC issues (such as preventing fraud and corruption, supporting institution-building, and better diagnosing governance constraints) highly relevant to the Bank's poverty reduction mandate. A majority perceived the Bank to be at least moderately more systematic in addressing GAC issues (even though this was not corroborated by desk-review data presented in this chapter). Also, most staff felt that their engagement on GAC issues had improved since 2007, particularly in comparison to other donors. These staff perceptions of progress reflected the considerable efforts made within the Bank over the FY08–10 period.

6.60 **Further analysis of the data suggested that some staff—for instance, those with more experience—had a less optimistic view of progress made.** For instance, survey respondents with more of Bank experience tended to be less convinced of progress than those with less experience. Also, during field visits, Country Office staff confirmed that GAC issues were not new to their work: their teams had engaged country partners on these issues several years before the 2007 strategy. To the contrary, the evaluation found that certain biases could color staff assessments of results achieved. Specifically, staff who gave themselves high marks on "GAC competencies" also tended to view the Bank's efforts on the ground as successful (Table 6.3).

Table 6.3. Staff Assessment of GAC Competencies and Achievement of Results

Staff Self-Assessment of GAC Competencies	*Identifying entry points for engaging GAC issues in our dialogue with client countries*		*Identifying and managing GAC risks in Bank projects and programs*		*Supporting the demand side of governance in projects and programs*		*Addressing governance and incentive issues in sectors*		*Assessing governance, and/or political economy constraints to poverty reduction*	
	Better	Same/ Worse	Better	Same/ Worse	Better	Same/ Worse	Better	Same/ Worse	Better	Same/ Worse
Service delivery:										
Achieved results	68.6%	50.3%	68.4%	46.9%	70.7%	48.7%	73.0%	49.6%	70.4%	48.5%
Did not achieve	27.5%	43.5%	27.1%	49.0%	25.8%	45.2%	22.4%	46.2%	25.7%	46.0%
Investment Climate:										
Achieved results	51.5%	30.1%	50.0%	29.6%	51.5%	32.3%	54.6%	32.2%	54.8%	27.9%
Did not achieve	38.1%	62.5%	40.0%	62.7%	39.4%	58.1%	34.7%	60.5%	36.3%	63.2%
Domestic Accountability:										
Achieved results	49.2%	26.0%	47.7%	23.8%	50.4%	26.1%	52.6%	27.4%	51.4%	24.3%
Did not achieve	45.1%	68.9%	46.5%	72.0%	44.7%	67.8%	41.5%	69.2%	43.6%	70.3%
Transparency:										
Achieved results	66.8%	35.8%	65.8%	32.4%	67.1%	38.9%	70.4%	39.9%	67.8%	36.8%
Did not achieve	29.6%	61.4%	30.0%	66.9%	29.9%	56.6%	25.6%	57.5%	29.2%	59.7%

Source: IEG-GAC Staff Survey, IEG desk review.

6.61 **Overall, while attuned to GAC issues, staff faced very real implementation challenges which Bank management could have done more to address.** As noted earlier, a majority of staff viewed GAC-related risk reviews as cumbersome. In some country cases, excessive risk orientation discouraged Bank teams from supporting innovative country-led efforts. Part of the problem was a perception that Bank Management was sending mixed messages on GAC. Senior Managers received high marks from staff for their advocacy of GAC as a development issue. However, they were seen as far less effective in clearly setting risk tolerances for Bank engagement in different settings (Appendix F). A concrete example involved UCS. Even though UCS was a core GAC principle, the evaluation found that the perceived risk of complaints to the Integrity Vice Presidency and the possibility of ensuing investigations encouraged ring-fencing of Bank projects.

7. Early Outcomes

7.1 **This chapter identifies early outcomes in helping improve governance performance in partner countries.** It focuses on GAC at the country level, GAC-in-sectors and thematic areas, and GAC at the project level. To identify lessons, the evaluation drew largely on case studies in Azerbaijan, Bangladesh, Cambodia, Guatemala, Liberia, and Moldova over the FY04–10 period, and where relevant, desk review findings. The case studies were based on desk reviews of the GAC responsiveness of country programs and projects, economic sector work between FY04 and FY10, as well as field-based interviews with Bank staff, government and donor officials, and CSOs. Some cases also included visits to project sites.

Governance at the Country Level

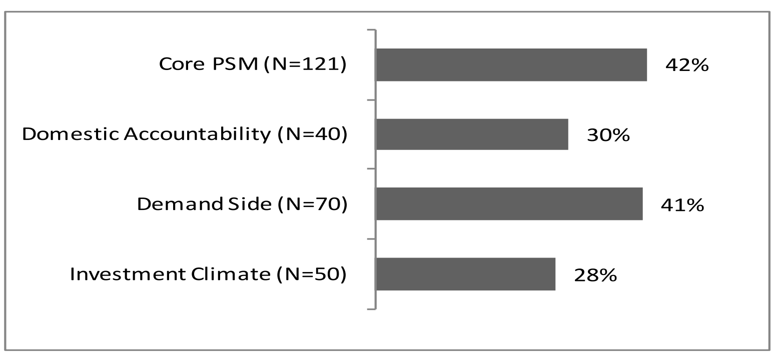
7.2 **The Bank's success in helping achieve countrywide improvements in governance was limited.** The evaluation found no cases where Bank programs effectively addressed systemic corruption or deep-seated governance pathologies (such as the distribution of public goods on the basis of loyalty). The Bank's ability to influence macro-level governance was limited in a number of ways. For instance, in some countries, the Bank was becoming a more marginal development partner with less influence on policy dialogue (for instance, in oil-producing states such as Azerbaijan or in lower-income countries with significant alternative sources of funds such as Cambodia). Similarly, in countries with problems of ongoing conflict and organized crime, the Bank had neither the mandate nor the instruments to address security issues that contribute to poverty (for instance, Guatemala). In still others, Bank staff reported that geopolitical factors provided incentives for countries either to delay or accelerate implementation of GAC measures (for instance, the role of emerging donors in Cambodia, and the prospects of European Union and World Trade Organization membership in Azerbaijan).

7.3 **Where successful, Bank support was focused on specific GAC entry points and modest in its aims. It balanced medium-term commitments to support GAC with accountability for interim results.** In case study countries, Bank programs helped strengthen *specific* public management functions (for example, public financial management in

Guatemala), sectors (for example, the transparency of teacher recruitment in Azerbaijan), or projects (for example, community-driven service delivery in Liberia). The evaluation also observed progress in GAC-related areas where the Bank provided continued support for homegrown initiatives over multiple CAS cycles (for instance, public financial management in Cambodia, Guatemala, and Moldova; education in Cambodia; and roads in Azerbaijan). These longer term efforts were able to demonstrate shorter term institutional improvements (for instance, in public management processes). When the Bank was compelled to develop broad and ambitious programs, such as Bangladesh's FY06 "governance CAS" and Liberia's FY09 joint donor CAS, its efforts invariably fell short of expectations.

7.4 **Bank projects that supported specific GAC entry points over the FY04–10 period made moderate progress.** For instance, 42 percent of projects that specified core public sector reform as an entry point had achieved their objectives "to a great extent." Similarly, 41 percent of projects that support demand-side entry points (for example, through community-driven initiatives) achieved their objectives. Operations supporting domestic accountability (30 percent) and the investment climate (28 percent) were less successful. Case study findings, discussed below, provide illustrative examples of what worked and what did not in these areas. They are not intended provide a definitive assessment of *governance impact,* but do offer a snapshot of early outcomes and some lessons to inform future efforts.

Figure 7.1 Achievement of Project Objectives by GAC Entry Point in IEG Sample Projects, FY04–10



Source: IEG desk review

GAC Entry Points in Sectors and Themes

7.5 ***Public financial management*. PFM was the central pillar of Bank engagement on GAC issues in virtually all case study countries.** Bank efforts covered a wide array of issues, including budget preparation and budget execution, systems automation, and external accountability and oversight. Bank-country dialogue on PFM provided an entrée to Bank-country dialogue on management of natural resource rents (in Azerbaijan), the efficiency of sector expenditures (in Moldova), and broader accountability efforts (in all case countries). Strategically, support for country public financial management systems helped signal that the Bank was interested in more than "protecting its own funds."

7.6 **Progress on PFM reforms in case study countries was uneven. Standardized assessments and operational support for PFM progress improved, but they did not adequately prioritize front-line service delivery concerns.** Given the wide array of systems that were involved in PFM reforms, the progress of Bank-supported efforts was often uneven. In Azerbaijan, for instance, the Bank successfully supported the establishment of the State Oil Fund, compliance with EITI, and budget transparency measures. However, strategic budgeting and the medium-term expenditure framework failed to take hold. Similarly, Cambodia's reforms strengthened the Ministry of Economy and Finance's efforts to improve budget comprehensiveness. Yet, the rollout of reforms to sectors and their application to donor projects have not yet materialized. Overall, assessments of these efforts—while more standardized and systematic—had still not established links between PFM and service delivery performance. Bank operational support using DPLs was positively associated with the achievement of these core public sector reform objectives (Appendix E, Table E.8).

7.7 **In some cases, the credibility of PFM reforms was enhanced by greater engagement with citizens and better coordination with sector initiatives.** In a number of countries, the Bank supported greater transparency of budget and procurement information (for example, in Bangladesh). Additional efforts were undertaken to ensure that citizens took advantage of these opportunities (for instance, in Guatemala). Given the complexity of PFM reforms, the Bank, to varying degrees, adopted differing approaches to the sequencing. In some cases, sequencing was technically sound (for example, Cambodia's focus on "the basics" first before value for money) but did not give adequate priority to short-term service improvements. Successful efforts sought to enhance transparency of social sector expenditures and procurements (through education expenditure tracking in Azerbaijan and Moldova).

7.8 ***Civil service pay*. The problem of low *civil service wages* was pervasive. It imposed major constraints on development efforts.** Case studies identified low civil service wages and opaque hiring practices as a problem in most countries and across most sectors (for instance, in Cambodia, Guatemala, and Liberia). As a result, core public sector functions were rendered ineffective and the execution of donor-financed development projects was delayed. Donor efforts to address the problem through top-ups or "sitting allowances" (sums paid to individuals to attend meetings) were pragmatic in that they permitted sections of the bureaucracy to operate with better remuneration (Azerbaijan and Cambodia). But ultimately, these *ad hoc* or opportunistic attempts did not address the underlying incentive framework within civil service systems. Moreover, the existence of donor-supplemented wages may have further hindered efforts to create integrated pay-scales for public service. Non-meritocratic practices as well as civil service pay and employment weaknesses were as much a symptom of poor governance as its cause, given that control over public-sector employment remains an important source of rents. Case studies pointed to the adverse effects of patronage-based hiring on civil service in general, as well as on diminishing incentives for public-sector employees to support reforms (for instance, in Bangladesh and Cambodia).

7.9 **Given political economy complexities, the Bank sought to develop *selective* approaches to civil service reform, but with mixed results.** Liberia's recruitment of expatriate nationals into a Senior Executive Service and Cambodia's Merit-Based Pay Initiative were examples of attempts to phase-in pay reforms. The latter provided salary enhancements to civil servants who were considered critical to the reforms based on individual and departmental work plans and performance objectives. After gaining early traction in a number of ministries, this scheme stalled due to a combination of political and fiscal pressures. Such experiences underscored the need to tailor reform approaches to governments' strategic and political management capabilities. For instance, *systemic* or across-the-board reforms were desirable but rarely politically feasible; *selective* approaches were attractive to some civil servants, but co-opted or delayed by others; *opportunistic* approaches were piecemeal and easily reversed.

7.10 ***Accountability and the demand side*. Bank support focused primarily on supreme audit institutions and anticorruption bodies. Impact was heavily dependent on the independence and political composition of legislatures.** Success factors for capacity building of supreme audit institutions were at times technical (such as strengthening systems audits in Azerbaijan). At other times, however, they were shaped by underlying political drivers such as the incentives for parliamentary committees to follow up on audit recommendations, or the sanctions on auditees who failed to implement them. The Bank supported anticorruption bodies in a number of countries (Bangladesh and Liberia among them) with limited impact. In line with previous IEG reviews, this evaluation concluded that the risks that such bodies would investigate and prosecute corrupt acts on a partisan basis were often too great. Even when the Bank was cognizant of these risks (in Cambodia), it faced pressures to engage. When the Bank did engage committed reformers, the use of DPLs was positively associated with the achievement of some accountability and rules-based governance objectives. The DPL instrument, however, was negatively associated with the achievement of demand-side outcomes—a finding confirmed by the Bank's own reviews and GAC progress reports.

7.11 **The Bank supported the demand side of good governance more commonly through community-driven and local governance initiatives.** Such programs in Bangladesh, Cambodia, Guatemala, and Liberia channeled modest levels of resources to the local level so communities could have a greater say in their own development. A common dilemma for community-driven initiatives was how best to ensure sustainability by aligning with local government systems. A number of operations across case study countries sought to resolve this tension by supporting the demand side of community empowerment *in parallel* with supply-side investments in local government institutions (Box 10). Another approach to strengthening the demand side was to systematically involve CSOs in project oversight as a portfoliowide concern. While it was too early to assess their effectiveness, these social accountability mechanisms were not always tailored to sector needs (for example, Cambodia's Ministry of Commerce initially had difficulties in determining which CSOs would be appropriate for trade facilitation projects).

7.12 **Direct Bank financing of nongovernmental organizations (NGOs) was rare and could have drawn more on past experience in supporting private firms.** Early efforts channeled Bank loan and grant proceeds to NGOs through financial intermediaries (for example, the Affiliated Network on Social Accountability and Governance-South Asia in Bangladesh and the Asia Foundation in Cambodia). It was too soon to tell whether these operations would overcome initial bottlenecks and new risks identified during field visits. These included, for instance, risks of misuse of funds by multiple NGOs with weak capacity, potential cooptation of NGOs by political interests, or government interference to pick winners. In undertaking such initiatives, the Bank could have drawn on the experience of matching grant schemes in its private sector development portfolio.

7.13 **Financing of certain actors outside government also stretched the limits of the Bank's role as a multilateral.** Unlike bilateral agencies or private donors, the Bank risked taking on potentially conflicting roles when directly transferring resources to NGOs, particularly when state-society relations were strained. Faced with this dilemma in Azerbaijan, the Bank opted for other partners including private foundations to take the lead in NGO financing. Rather than providing financial aid to NGOs, Bank operations more commonly contracted them to provide services, build local capacity, and support monitoring of its programs.

Box 10. Combining the Demand and Supply Side in Local Governance Initiatives

Several countries have demonstrated that efforts to strengthen the demand and supply side of governance can be mutually reinforcing. Building on lessons from earlier community-driven development and decentralization efforts, these local governance initiatives combined fiscal and capacity building support for local executives and their constituents, with financial accountability and transparency measures. These were intended to develop local institutions that can effectively and accountably meet local service delivery needs.

- **Bangladesh's *Local Government Support Program*** has sought to empower its lowest tier of government through a nationwide program of district-based support. The program provides discretionary transfers and capacity-building support to 4,500 *Union Parishads*. It employs an accountability framework based on district-level progress reporting and monitoring, transparency measures, and audits. To date, it has helped complete over 12,000 annual audits, train nearly 50,000 personnel, and support 500 local-level peer learning sessions.
- **Cambodia's *Rural Infrastructure and Local Governance Project*** supported decentralized and participatory processes, as well as financing of priority public goods at the commune or *sangkat* level. The project uses an arm's length arrangement to reimburse the costs of commune-level investments, and thereby allows the Bank to channel funds through Cambodia's basic intergovernmental system while shielding it from fiduciary risks. To date, it has contributed to the development of 1,800 irrigation schemes, a few rural roads and bridges, and some social services.
- As part of **Guatemala's public financial management reforms**, a new framework for municipal financial management (SIAFMUNI) was implemented in more than 200 municipalities to improve both efficiency and transparency. In parallel, a citizen-oriented portal, *Consulta Ciudadana*, was established to offer user-friendly applications to facilitate access and interpretation of complex financial reports. Taken together, these measures have enabled citizens to access information about basic local government financial and procurement processes. Additional demand-side training efforts have been launched to empower citizens, some of whom expressed discomfort with the quality, accessibility, comprehensiveness, accuracy, and consistency of fiscal information.
- **The Liberian Agency for Community Empowerment** (LACE)—established in 2005 as an NGO reporting to the President—has managed cash-for-work, community infrastructure, and community forestry projects. Through its *Community Empowerment Project,* the agency has engaged local communities in the reconstruction of vital social infrastructure using community-driven and cash-for-work methods. The initial round of cash–for-work reached 17,000 people, and the second round targets 45,000 around the country, while the community infrastructure grants have reached 160 communities, with a total of 360 targeted for the third round. As these post-conflict efforts proceed, the agency has faced challenges similar to first-generation social funds in other African countries (for example, in Ethiopia, Malawi, and Zambia). Among those challenges is how to develop a longer-term strategy that interfaces with the country's decentralization policy.

Source: IEG desk review and country case studies

Service Delivery Sectors

7.14 **A central concern of Bank-country dialogue in the social and infrastructure sectors was public management constraints on service delivery.** In virtually all case countries, education sector dialogues focused on the predictability and adequacy of sector budgets (Cambodia, Moldova), recruitment and payment of teachers (Azerbaijan, Bangladesh), as well as strengthening ministries, agencies, and local institutions (for instance, Guatemala, Liberia, and Moldova). Similarly, in a number of countries, roads sector projects focused on separating ministry administration from road management and maintenance functions, strengthening staff incentives, and developing rules-based approaches to road asset management. However, the prospects of strengthening roads institutions (for example, Azerbaijan and Bangladesh) proved challenging due to the scale of investments and therefore the risks of capture. In such settings, "outsourcing" or ring-fencing of fiduciary functions were used to manage project-specific risks but not sectorwide risks (Cambodia, Liberia, and Moldova).

7.15 **The benefits of linking cross-cutting public sector reforms to sector-specific initiatives were underexploited.** According to regression analysis, projects that included cross-cutting public sector management components were 22 percent more likely to achieve sector capacity-building objectives. Similarly, projects with public disclosure mechanisms were 29 percent more likely to achieve these sector objectives (Appendix E, Table E.9). As noted above, country cases pointed to examples of these linkages, such as the tracking of sector expenditures and the procurement of textbooks in Azerbaijan, enhanced transparency of teacher selection in Bangladesh, and technical audits of random sections of roads in Moldova. Yet, the evaluation did not find examples of effective linkages between Bank-support for civil service reforms and sector workforce development plans.

7.16 **Ongoing GAC efforts often focused narrowly on fiduciary risks to Bank projects rather than on sector governance.** This approach was particularly evident in the roads sector, where large operations and lumpy investments increased procurement risks. By implication, the Bank's decision to scale down its involvement in response to cases of fraud and corruption (Bangladesh and Cambodia), while understandable, *de facto* limited its ability to have an impact on sectoral governance overall.

Investment Climate

7.17 **The investment climate in a number of countries was constrained by public sector bottlenecks, which the Bank sought to help remove.** Support to improve the operations and management of the relevant public agencies therefore was an essential ingredient of the Bank's engagement on private sector development. Efforts included customs modernization in Cambodia, as well as streamlining of licensing and registration procedures, and strengthening supreme audit agencies in Moldova. Results in Moldova included reduced costs to firms of obtaining authorizations, products, and manufactured goods certification. Support to strengthen regulations (for instance, for private participation in infrastructure in Guatemala) was also a viable entry point, but in this case was not successful. Such efforts had limited impact where informal and noncompetitive practices were prevalent and hard to detect (for instance, Azerbaijan).

7.18 **Bank support for "consultative" mechanisms between the private sector and the government needed to be calibrated to risks of capture.** In settings where private sector representation was diverse (for instance, Moldova), support for multistakeholder consultative arrangements was appropriate. In other settings where private sector groups were characterized by extreme capture (Azerbaijan), consultative arrangements magnified the authority of politically influential persons. In still others, where small groups played aggressive roles in articulating private sector policy preferences, the Bank served as an impartial broker with varying degrees of success. However, the sustainability of these mechanisms, independent of the Bank's role, was cause for concern and deserved earlier attention (Cambodia).

7.19 **Given the importance of transparency for market entrants, the Bank's advocacy of greater information disclosure proved important to the private sector.** This included advocacy support for independent CSOs, freedom-of-information acts and efforts to support dissemination of laws, policies, and statutes, as well as encouragement of periodic, public reviews of existing commercial regulations (from informal reviews undertaken by inspectorates, as in Cambodia, to more formal regulatory impact assessments in Moldova).

Project Fiduciary Measures

7.20 **Many Bank projects employed ring-fenced fiduciary measures and specialized reviews to manage fraud and corruption risks and associated reputational risks.** GAC measures such as the use of an independent procurement agent in Cambodia and the establishment of a Bank Operational Risk Mitigation Team in Bangladesh illustrated how the "zero tolerance" stance was being implemented on investment projects. While they served to safeguard Bank funds under investment projects, these measures tended to overemphasize procedural compliance rather than local capacity building (Box 11). Pair-wise correlations found no association between generic GAC-in-projects elements such as the ones discussed above and implementation progress (Appendix E, Table E.19).

Box 11. Using an Independent Procurement Agent on Bank Projects in Cambodia

Following a period of intensive—some claimed, unprecedented—scrutiny of the Cambodia portfolio starting in 2004, the Integrity Vice Presidency substantiated a number of allegations of fraud and corruption across seven implementing ministries. In the following CAS, the Bank hardened its stance on fiduciary risk management across all its projects. As a basis for reinstating suspended projects, it was agreed that the Government would use an Independent Procurement Agency (IPA) for IDA procurements.

Given the recurrence of Integrity Vice Presidency complaints (albeit related, in some cases, to procedural noncompliance), the IPA served two shorter term objectives: to safeguard Bank-funded tenders upstream of the procurement process, and to demonstrate Bank and government commitment to "fighting corruption." There is some evidence that the IPA has helped build the confidence of bidders on Bank-supported projects. It remains to be seen whether the arrangement will lead to submission of more bids and a reduction in prices.

More importantly, the IPA arrangement has a number of limitations:

- By design, it did not address downstream or contract management processes, which are also susceptible to fraud and corruption risks;
- The use of an IPA in a country with Cambodia's level of economic performance is not consistent with longer term institutional development goals. Most Bank and government technical staff (for example, those involved in implementing the road and trade projects) acknowledged that the IPA diluted incentives for institution building, particularly in a country that has made demonstrable progress on PFM reforms;
- The mechanism has served to shift the burden of managing reputational risks on IDA projects away from the government and to a third party;
- It was not set up with a clear and time-bound exit strategy. Given the government's ambivalence (and, in the case of some key Ministry of Economy and Finance officials, outright reticence) of moving to the use of country systems, the Bank has faced a difficult challenge of transitioning back to recipient-execution of the procurement processes.
- The IPA's influence has been limited to Bank projects. In other words, it has not had a spillover on public procurement practices more broadly.

Source: IEG desk review and Cambodia case study

7.21 **The ring-fencing of projects in some countries but not others was not risk-adjusted and demonstrated a lack of consistency in setting risk tolerances.** The case studies showed that the Bank did not always assess the risks of fraud and corruption in projects in a consistent manner. As a result, more stringent measures were recommended by the Integrity Vice Presidency and other units in countries that were *perceived* to be more vulnerable to these risks (Cambodia), while greater flexibility in the application of Bank rules was encouraged in others (Liberia). In some cases, these apparent differences in approach were explained by inconsistencies in the internal guidance provided by senior Bank management. More commonly, feedback received during field visits suggested that Bank operations in certain regions (Europe and Central Asia) had to meet a higher standard of "readiness" to use country systems than others (Sub-Saharan Africa). It is plausible that the ORAF would help promote greater consistency of risk assessments across countries, but this would also require that the Bank provide specific guidance on setting risk tolerances.

7.22 **Initiatives designed to manage the Bank's reputational risks relating to GAC were not necessarily the same as those that would help countries take calculated development risks.** Regression analysis found that the use of disclosure measures on projects was associated with an increased likelihood of complaints to the Integrity Vice Presidency (Appendix E, Table E.19). Increased incidence of complaints could erroneously create a perception that Bank projects are more vulnerable to fraud and corruption. At the same time, the use of disclosure measures was also associated with a greater likelihood that projects would achieve their public sector reform objectives—an effective means of managing development risks.

8. Conclusions and Recommendations

8.1 **This chapter presents the main conclusions of the evaluation and makes recommendations for future Bank engagement on governance and anticorruption**. The conclusions are based on findings on relevance, efficiency, and effectiveness of the 2007 GAC strategy. The recommendations focus on updating GAC principles, strategic prioritization, risk management and controls, product development, and change management.

Conclusions

8.2 **Governance and anticorruption has been central to the Bank's poverty reduction mandate for decades.** Better governed countries tend to formulate more growth-enhancing policies, improve service delivery to the poor, and more effectively regulate financial and product markets. The appeal of governance reform and the fight against corruption can resonate widely across diverse countries and social groups, as demonstrated by recent events in the Middle East and North Africa.

8.3 **The 2007 GAC strategy represented an important step in reaffirming the Bank's continuing commitment to helping develop effective and accountable states**. More than simply supporting institutional development in partner countries, GAC was to represent an *approach* to development. The approach recognized that, to be credible on governance issues, the Bank would have to ensure the integrity of its own operations, function more transparently as a development institution, and adopt more effective business practices. While the principles underlying the 2007 strategy were not new, the ambition of the initiative and senior management's engagement on these issues was unprecedented.

8.4 **The design of the strategy and Phase 1 implementation plan did not match this ambitious vision.** The strategy defined "GAC" and its expected outcomes too loosely to be coherent, and missed an opportunity to update the Bank's public sector reform and related business lines. Phase 1 efforts were focused on the Bank's own capacities and resources, its reputation as a development partner, and its fiduciary risks (in investment projects). It was based on the premise that a lack of commitment and capacity on the part of Bank staff hindered the achievement of GAC objectives. Feedback from operational staff and the findings of field visits suggested otherwise: lack of commitment on the part of partner countries themselves may pose the binding constraints on progress on GAC.

8.5 **Phase 1 efforts needed to more actively focus on pressing substantive and strategic issues facing GAC reformers in countries.** For instance, what lessons should developing countries draw from the 2008–09 global financial crisis for strengthening corporate governance and the integrity of their financial systems? How could public sector reforms be fashioned to meet the basic state-building needs of conflict-affected states? How could reformers use development assistance to address problems of *systemic* corruption? The GAC One-Year and Second-Year Progress Reports indicated that the Bank intended to focus on such issues. The fact that it has yet to do so is indicative of the Bank's internal focus.

8.6 **GAC implementation needed a stronger incentive and accountability framework for change management.** Even though it represented a major corporate initiative, the IP did not specify what the strategy would add to the Bank's already considerable body of governance work. It also did not seek to first align the Bank's existing and already growing base budget funding for governance work with new GAC priorities. Rather, the Phase 1 implementation plan identified a set of GAC change initiatives for which it sought additional funding. These efforts were resourced *at the margin* through incremental Bank budget allocations and the donor-funded *GPF.*

8.7 **Funding arrangements did not achieve their incentive objectives.** The intended effect of Bank budget increments—to increase Regional VPU spending on governance work—was muted. Regional spending on governance work increased but by considerably less than anticipated. A portion of the planned increments was deployed toward other priorities. Also, the distinct GPF allocation procedures—competitive selection by a Bank-donor committee—were outside the Bank's budget process and did not systematically identify strategic priorities or innovative efforts. Finally, incremental financing was not systematically linked to incremental GAC activities.

8.8 **Other institutional support for GAC implementation could usefully have been more streamlined and operationally oriented.** Earmarked financing encouraged the creation of a dedicated cadre of governance specialists, even though their roles and responsibilities overlapped with those of existing public sector workers; fiduciary risk management; and portfolio management cadres. Specialized GAC institutional arrangements, such as program secretariats housed in the PREM Anchor, GAC focal points in Regions and networks, and an apex GAC Council, ensured that the objectives and events received continuous management attention. Guidance concentrated on GAC-in-projects issues and emphasized the management of fiduciary risks on investment projects. Operational staff did not find these arrangements or the bulk of GAC guidance materials, with a few exceptions, to be particularly relevant to their work.

8.9 **Where GAC efforts focused on the quality of Bank operations, they gained some traction**. For instance, Phase 1 guidance and operational support resulted in some modest gains. In FY08–10, country programs receiving CGAC and Window support were more focused on institutional strengthening. Similarly, projects in those countries continued to have more risk-management measures relative to projects in other countries. At the same time, challenges remained: these country programs were less likely to achieve domestic accountability objectives and projects in these countries were less likely to support rules-based decision making.

8.10 **Overall, since the launch of the 2007 strategy, the Bank's operational response to GAC issues demonstrated continuity without systematic improvement as yet.** Pre- and post-GAC CASs were similarly selective in identifying entry points for a GAC dialogue. In many countries, the Bank sustained a medium-term dialogue on GAC issues such as public financial management, sector service delivery, and the investment climate. The signs of progress, mentioned above, cut across countries, including those that did not receive specialized GAC support: they witnessed an expansion in CAS commitments on institutional strengthening and project-level institutional analysis. The use of some country systems increased in countries with weaker institutions and in Africa.

8.11 **Important opportunities to managing risks and developing innovative operational solutions have yet to be seized.** There is still room for country programs and projects to improve measurement of governance results, to expand overall use of measures to foster the demand for good governance, and to deploy more systematically enhanced GAC measures to manage fiduciary and governance-related risks. The Bank's response in countries experiencing governance downturns has not been consistent. Bank teams continue to face operational challenges in helping countries address a number of GAC-related issues. What constitutes better practice approaches to developing affordable and attractive public sector pay systems, promoting institutional performance in the social and infrastructure sector, reducing administrative barriers to market entry, and promoting the demand for good governance (particularly in polarized settings)?

Can the Bank and countries make better choices about the financial instruments, metrics, and analytical inputs used to support these diverse GAC issues?

8.12 **For many Bank teams, these issues often pre-dated—but did not adequately inform—Phase 1 efforts.** Most experienced staff indicated that they had been dealing with these very issues for years before the 2007 strategy. A planned second phase of GAC can help address them with a renewed focus on operational solutions and a stronger country focus.

Recommendations

8.13 **A planned second phase of GAC can more fully deliver on its potential by focusing on developing operational solutions to meet the challenge of helping build *country governance capacities.*** The findings of this evaluation point to five sets of actions.

8.14 **Focus on helping countries make tangible and time-bound governance improvements,** while acknowledging and seeking to resolve trade-offs between:

- Committing Bank support for institution building over the long term *and* ensuring accountability for results (for example, in service delivery) in the short term.
- Supporting systemwide public sector reforms *and* supporting selective public management improvements in priority service delivery sectors.
- Helping governments respond to demand-side pressures *and* directly engaging non-state actors in order to motivate demand-side pressures.
- Upgrading of country systems through their deliberate use *and* safeguarding Bank funds from abuse.

8.15 **Update the Bank's approach to institutional strengthening.** Given the mixed record of state building and similar efforts, the Bank's approach to *institutional development* can be strengthened by:

- Leveraging innovations in financial instruments and building on lessons learned to strengthen business lines that warrant more immediate attention—civil service pay reform (particularly in fragile states); public management support for basic service delivery and the investment climate; public financial management of natural resource rents; and civil society capacity building.

- Strengthening Bank-country dialogue, primarily through better integration of political economy analysis into standard Bank economic and sector work (and less through the creation of confidential, free-standing political economy analysis products).
- Adapting actionable governance indicators more systematically to project results frameworks.

8.16 **Clarify the Bank's "zero tolerance" stance on corruption and improve operational controls.** Considerable efforts in improving GAC-related risk reviews were undertaken during Phase 1. However, these efforts have not yet resulted in a consistent, risk-based application of controls across Bank lending and trust-funded instruments. To address gaps and overlaps in controls, the Bank's "zero tolerance" stance needs to be clarified by:

- Developing a *harmonized* approach to reviewing and managing systems-level fiduciary and GAC risks across instruments—and not simply transaction-level risks in investment projects. The approach should provide for additional due diligence on operations with *specialized* risks.
- Providing guidance to operational teams on the appropriate use of different Bank financial instruments in different governance settings, consistent with the institution's overall risk appetite.
- Consistently defining risk tolerances for the levels and composition of lending as well as the use of country systems in different settings (for example, through lending scenarios) so that expectations of governance performance are clearly understood by country stakeholders and the Bank's shareholders.

8.17 **Clarify roles and accountabilities for setting GAC strategic priorities.** During Phase 1, new priorities were introduced year to year but not always with adequate follow through. Support for GAC implementation was, at times, selective rather than broad-based. To ensure that GAC is "everybody's business," the Bank needs to strengthen priority setting at three levels:

- At the country level, Bank country strategies should continue to serve as the primary mechanisms for reflecting the priorities and needs of clients on GAC issues. Donor-funded initiatives need to be appropriately aligned.
- At the level of the VPU, GAC work plans should be informed by demand in partner countries and should set priorities for overall resources use—both Bank budgets and trust funds. In

keeping with Bank policies on the integration of trust fund allocations with the budget process, decisions on allocations of trust funds to GAC activities should involve line management in VPUs.

- At the corporate level, the GAC Council should focus on institutionwide issues and risks and on benchmarking the *GAC responsiveness* of Bank operations.

8.18 **Align GAC implementation arrangements with Bank administrative and operational processes.** The change management benefits of earmarked financing, dedicated staffing, and ad hoc GAC institutional arrangements have been less than anticipated. GAC Phase 2 efforts can be strengthened and mainstreamed by:

- Consolidating current fragmented financing arrangements (that is, separate Bank budget and trust fund allocations) while improving monitoring of GAC activities.
- Rather than creating a separate cadre of GAC specialists, applying GAC competencies across existing Bank networks and career streams, and allow transferability of GAC-competent staff across networks.
- Streamlining specialized GAC institutional arrangements with a view to empowering line managers in VPUs to achieve GAC objectives.
- Supporting increased applied research on what works in various GAC areas.
- Developing a results framework that includes baseline indicators of Bank and country-level performance, sets targets, and integrates monitoring of *GAC responsiveness* into standard portfolio monitoring.

Appendix A
Methods and Data Set Description

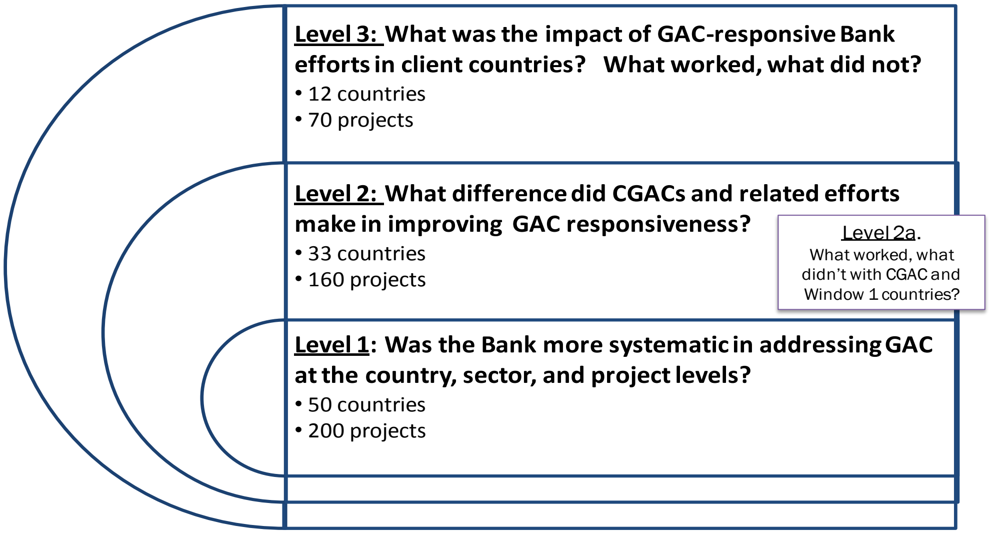
1. This appendix describes multiple analytical methods used for of the evaluation. These included desk reviews of governance and anticorruption (GAC) responsiveness; comparative case studies; sectoral and thematic analyses; statistical analysis; surveys, structured interviews, and facilitated discussions with stakeholders; and process and budget reviews.

Desk Review of GAC Responsiveness of Bank Country Programs and Projects

2. The evaluation included desk reviews of Bank Country Assistance Strategies (CASs), projects, and linkages to related economic and sector work (ESW) over the FY04–10 period to assess the effectiveness of the strategy in enhancing the *GAC-responsiveness* of Bank-country engagement during design and implementation. Using standardized questionnaires, the reviews covered both upstream design and downstream implementation processes. Therefore, they relied on CASs, CAS Completion Reports (CASCRs), Country Portfolio Performance Reviews, and related ESW, as well as Project Appraisal Documents (PADs), Implementation Status Reports (ISRs), Quality Assurance Group (QAG)analyses, Implementation Completion Reports (ICRs), and similar documentation for recipient-executed trust funds and World Bank Institute (WBI) activities. They also draw on Independent Evaluation Group (IEG) reports including Country Assistance Evaluations (CAEs), Country Program Evaluations (CPEs), CASCR reviews, ICR reviews, Project Performance Audit Reports (PPARs), as well as the Integrity Vice Presidency's Detailed Implementation Reviews (DIRs), other Integrity Vice Presidency analyses, and summary results of investigations.

3. The sampling methodology for the desk reviews was designed to support three levels of analysis and to ensure adequate representation of sample countries across a number of parameters including income level, governance performance, geographic region, and receipt of country GAC (CGAC) and Governance Partnership Facility (GPF) window support (Figure A.1). The methodology also sought to ensure representation of sample projects across geographic regions and sectors. The Level 1 analysis analyzed whether the Bank was more systematic in addressing GAC issues in countries, sectors, and projects since the launch of the strategy. Level 2 assessed whether CGAC/GPF window efforts contributed to improvements in GAC responsiveness. Level 3 involved field-based assessments of the results of GAC efforts.

Figure A.1. Three Levels of Analysis



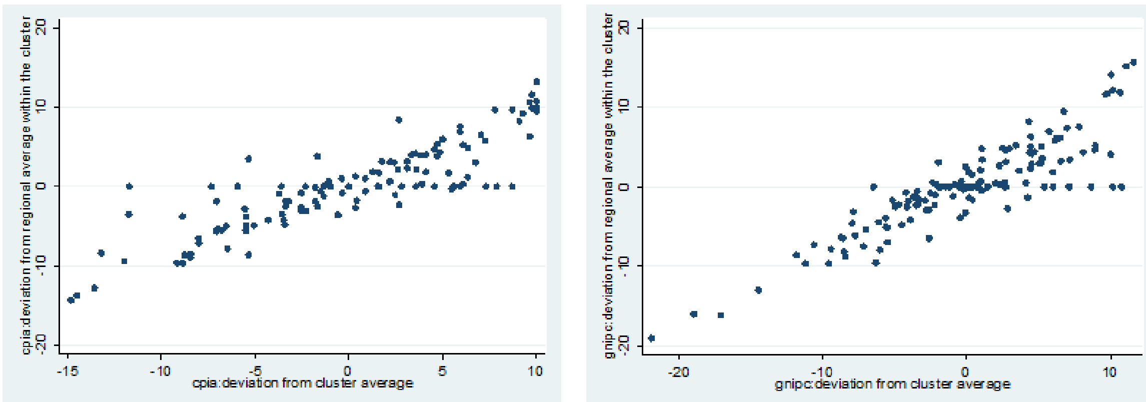
4. Level 1 Sampling. Level 1 analysis assessed whether the Bank has been more systematic and strategic in addressing GAC issues at the country, sector, and project levels since the launch of the strategy. To support this broad review of GAC-responsiveness of Bank operations during design and implementation, countries were selected randomly from clusters representing governance performance (as measured by their governance scores in the Country Policy and Institutional Assessment, or CPIA), per capita income levels (according to the World Bank country classification), and geographic region.[42] A sample of 50 out of a possible 143 borrowing countries—comprising 17 CGAC and Window One countries and 33 non-CGAC, non-Window One countries—was selected for desk review of GAC-responsiveness (Table A2). From these selected countries, a random sample of projects was chosen to ensure a pre-identified distribution by region and sector for desk review.[43] The resulting sample of 200 closed and active projects approved during FY04–10 was selected out of a total population of 806 International Bank for Reconstruction and Development (IBRD) or International Development Association (IDA)-financed projects and 452 trust fund projects.[44] Projects were selected randomly based on regional and sectoral distribution (Table A3).

5. Some inconsistencies with project lists were discovered during the project desk reviews. This led to re-sampling of part of the Level 1 project sample. First, eight trust fund projects were found to have approval dates outside the period of study (FY04–10); these were replaced with the projects that had the next highest random number in the population of 452 trust fund projects, keeping the regional and sectoral distribution intact. Second, nine projects were found to have both a trust fund and an IBRD or IDA component and so were considered duplicates; to avoid overlaps, these were replaced by projects with the next highest random number in the population , keeping the same regional and sector distribution of 122 IBRD/IDA lending projects and 78 trust fund projects.

6. The representativeness of the countries and projects relative to the CPIA governance score and gross national income (GNI) per capita of the whole population was tested and confirmed (Figure A.2). [45] Average GNI per capita and CPIA scores of each sample country do not deviate more than +/- 10 percent from regional averages within a cluster. For exam-

ple, Mali has an average CPIA governance score of 3.50 and GNI per capita of $460 where Sub-Saharan Africa Regional averages are 3.37 and $488 for CPIA scores and GNI per capita, respectively. Mali's deviation is +6 percent for CPIA score and -4 percent for GNI per capita. This holds for all Level 1 countries. A list of selected countries and projects is located in Tables A.2 and A.3.

Figure A.2. Level 1 Country Sample Representativeness by CPIA and GNI Per Capita



7. Level 2 Sampling. The Level 2 analysis assessed whether CGACs and similar efforts made a difference by contributing to improvements in GAC-responsiveness of Bank operations. Using the results of the Level 1 desk review, the Level 2 analysis involved a comparative analysis of Bank-country engagement in CGAC and Window 1 countries and matched pairs of non-CGAC, non-Window 1 countries. It also sought to assess the contribution of CGACs and Window 1-financed efforts to GAC responsiveness over time. To arrive at a Level 2 country sample, 33 low and lower middle income countries from the lowest three CPIA governance quintiles (consisting of CPIA governance scores between 1 and 3)—comprised of 17 CGAC and Window 1 countries, and 16 non-CGAC, non-Window 1 matched pairs—were drawn from the Level 1 country sample (Table A.2).[46] Representativeness of Level 2 countries was tested and confirmed and 160 projects in these 33 countries were drawn from the Level 1 project sample (Figure A.3).

Figure A.3. Level 2 Country Sample Representativeness by CPIA and GNI Per Capita

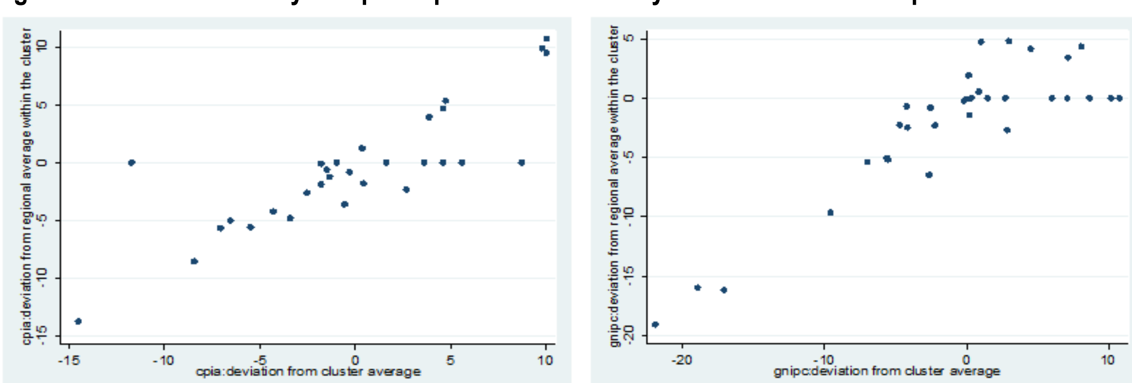


Table A.1. Sampling of CGAC and GPF Window Countries[47]

CGAC Countries (In italics)	*GPF WINDOW 1[a/]*	*GPF WINDOW 2[b/]*	*GPF WINDOW 3[c/]*
	AFRICA		
Burkina Faso	*Burkina Faso*	Angola	Africa
Burundi	*Cameroon*	*Cameroon*	
Cameroon	*DRC*	Cape Verde	
Congo, Democratic Republic of (DRC)	Ghana	Cote d'Ivoire	
Ethiopia	*Kenya*	Djibouti	
Kenya	Liberia	*DRC*	
Mali	Nigeria	The Gambia	
Swaziland	Sierra Leone	Ghana	
Zambia	Uganda	Guinea	
	Zambia	Guinea-Bissau	
		Kenya	
		Mali	
		Mauritania	
		Mozambique	
		Niger	
		Nigeria 5/	
		Rwanda	
		Senegal	
		Sierra Leone	
		Sudan 4/	
		Uganda	
		Zambia	
	EAST ASIA AND PACIFIC		
Cambodia	*Cambodia*	*Cambodia*	Asia
Indonesia	*Mongolia*	Indonesia [d/]	
Mongolia	Philippines	Lao PDR	
		Mongolia	
		Papua New Guinea	
		Philippines	
		Thailand	
		Timor-Leste	
	EUROPE AND CENTRAL ASIA		
Albania	*Albania*	Bosnia-Herzegovina	
Moldova	Tajikistan	Kosovo	
Ukraine		Kazakhstan	
Uzbekistan		Kyrgyz Republic	
		Russian Federation	
		Tajikistan	
		Turkey	
		Uzbekistan	
	LATIN AMERICA AND CARIBBEAN		
Guatemala	Haiti	Argentina [e/]	Latin America
Honduras		Brazil	
Paraguay		Chile	
Peru		Colombia	

(Continued on next page)

CGAC Countries (In italics)	GPF WINDOW 1[a/]	GPF WINDOW 2[b/]	GPF WINDOW 3[c/]
		Dominican Republic [e/]	
		Honduras [e/]	
		Jamaica	
		Mexico	
		Paraguay	
		Peru [d/]	
MIDDLE EAST AND NORTH AFRICA			
Iraq		Morocco	
Lebanon		Egypt	
Yemen		Jordan	
		West Bank and Gaza	
		Yemen	
SOUTH ASIA			
Bangladesh	Afghanistan	Afghanistan	Pakistan
Nepal	*Nepal*	*Bangladesh*	
Sri Lanka		India	
		Nepal	

Notes: CGAC countries in italics; Country = Country selected in IEG sample
a. Includes Grant Funding Request (GFR)2079 allocated to peer reviewers for Window 1.
b. Includes GFRs allocated regionally for country studies: GFR 3098 for Angola, Cameroon, Mongolia, Lao PDR, the DRC, Ghana, Niger and Nigeria; GFR 2976 (2998) allocated to Timor-Leste, Democratic Republic of Congo, Ghana, Guinea, Mauritania, Niger, Nigeria; GFR 1739 allocated to India, Indonesia, Mexico, Jordan, and Nepal; GFR 2174 to Kenya, Zambia, Democratic Republic of Congo (and eastern central Africa), Bangladesh, India (two states), Mexico, Chile, the Philippines and South Korea; GFRs 1698 and 1728 allocated to Europe and Central Asia; GFRs 1749, 2615 and 2716 allocated to Latin America and the Caribbean; GFR 2659 allocated to the Middle East and North Africa; GFR 1712 allocated to South Asia; and GFR 2702 allocated to Southern Africa.
c. Non-country specific. Nine GFRs coded “Global” for training and knowledge purposes or for regions.
d. Projects in these countries have two separate GFRs for the same project, a Bank-executed portion and a Recipient-executed GFR. They are GFRs 3579 and 2678 for South Sudan; GFRs 1804 and 216 for Indonesia; and GFRs 5052 and 2716 for Peru.
e. Countries with two separate GFRs for different projects. For Nigeria GFR 4027 (W1) and 1695 (W2); for Sierra Leone GFR 4001 (W1) GFR 2548 (W2); for Uganda GFRs 4028 (W1) and 2653 (W1); for the Dominican Republic GFR 2720 (W1) and 4129 (W2); for Argentina GFRs 1784 (W2) and 4235 (W2); and for Honduras GFRs 1749 (W2) and 2615 (W2).
Source: World Bank TFast Monitoring Tools as of October 2010.

Table A.2. List of Countries[48]

Level 1 Countries				
Angola	Chile	Jamaica	Morocco	Syria
Azerbaijan	Congo, Dem. Rep.	Jordan	Mozambique	Tanzania
Bangladesh	Costa Rica	Kazakhstan	Namibia	Thailand
Belarus	El Salvador	Kosovo	Nicaragua	Timor-Leste
Benin	Gabon	Latvia	Pakistan	Ukraine
Botswana	Guatemala	Lebanon	Panama	Uruguay
Burkina Faso	Guinea	Liberia	Paraguay	Uzbekistan
Burundi	Haiti	Malaysia	Poland	Venezuela
Cambodia	Indonesia	Mali	Romania	Vietnam
Chad	Iraq	Moldova	Sri Lanka	Yemen, Rep.

Level 2 Countries				
Azerbaijan	Chad	Iraq	Namibia	Timor-Leste
Bangladesh	Congo, Dem. Rep.	Kosovo	Nicaragua	Ukraine
Belarus	El Salvador	Liberia	Pakistan	Uzbekistan
Benin	Guatemala	Mali	Paraguay	Vietnam
Burkina Faso	Guinea	Moldova	Sri Lanka	Yemen, Rep.
Burundi	Haiti	Morocco	Syria	
Cambodia	Indonesia	Mozambique	Tanzania	

Case Study (Level 3) Countries				
Azerbaijan	Bangladesh	Cambodia	Guatemala	Liberia
Moldova				

Table A.3. List of Projects

Project ID	*Project Name*	*Project ID*	*Project Name*
P001807	MZ-Decentr Planning &Fin SIL (FY04)	P082498	RY-Social Fund for Development III
P040712	Water Management Improvement Project	P082516	ZR-Multisectoral HIV/AIDS (FY04)
P041396	INTEGRATED SOLAR COMBINED CYCLE POWER PROJECT	P082916	PUB FIN MGMT TA
P049892	PENSION & SOC ASST	P083045	Rural Productivity Project (GEF)
P050716	UY Non Comm. Disease Prevention	P083079	PK Banking Sector Dev. Policy Credit
P056201	MZ-PRSC 2 (FY06)	P083581	VN-Hanoi Urban Transport
P064910	SV Environmental Services Project	P083622	Second Programmatic Adjustment Loan Project
P065127	GN-Natl Rural Infrastructure (FY05)	P083882	Demobilization and Community Reintegration of Child Ex-Combatants -- Save the Children
P065270	POST-ACC RUR SPPRT	P083890	Economic Management TA Program (EMTAP)
P066051	VN - Forest Sector Development Project	P083894	Third Transition Support Program
P069896	Forests and Adjacent Lands Management Project	P083927	UY First Prog. Reform Implement. DPL
P070246	Energy Efficiency GEF Project	P083929	Punjab Municipal Services Improvement
P070653	UY Integr. Nat. Res. & Biodiveristy Mgmt	P084787	KH-Land Allocation for Soc.and Eco. Dev.
P070736	TZ-Loc Govt Supt SIL (FY05)	P085260	VN-EFA Support Program
P071103	KH-Poverty Reduction and Growth-1 (DPL)	P085539	CR (CRL)City-Port Integrated Infra.
P071207	KH-PROVL & RURAL INFRA	P085786	TZ-Soc Action Fund 2 SIL (FY05)
P071465	MZ-TFCA & Tourism Dev (FY06)	P085981	Agricultural Rehabilitation and Support Project (PRASAB)
P071591	Renewable Energy Development Project	P085988	Support the Demobilization, Reintegration and Recruitment Prevention of Child Ex-Combatants
P073135	Integrated Community-Based Ecosystem Management	P086308	RY-Second Vocational Training Project
P074073	TZ-PRSC2 (intermediate)	P086689	CL-Santiago Urban Transport TAL
P074414	Forest Sector Development Project - Supplemental Credit	P086791	Reaching Out of School Children Project
P074841	HNP Sector Program	P087734	IQ - Emergency Electricity
P075173	TH-HIGHWAYS MGMT	P087807	Mine Closure, Env & Socio-eco Reg (CRL)
P075233	VN-Gain Food fortification	P087945	Cambodia - Public Fin. Mgmt. & Accnt.
P075407	VN-Rural Transport 3	P087980	Liberia Post-Conflict Social Assessment
P076174	ID-Initiatives for Local Govern. Reform	P088045	BUS ENV TA
P076185	RY-Basic Education Development Program	P088181	Consolidation Support Program Policy Grant
P076234	RURAL INVSMT (AZRIP)	P088243	MA-Financial Sector DPL
P077306	Tax Administration Reform Project	P088362	VN-Avian Influenza Emergency Recovery Pr
P077317	GN-Elec. Sec. Eff. Impr. SIL (FY06)	P088498	CL -Tertiary Edu. Fin. for Results APL1
P078088	CL-Social Protection Adjustment Loan DDO	P088642	SV Social Protection & Local Dev (FISDL)
P078091	BF-Energy Access SIL	P089378	Balochistan SSIP
P078138	Community-Based Ecosystem Management Project	P089743	Comprehensive Capacity Building Program
P078707	Power Sector Development TA	P089989	NI Rural Telecom
P078891	NI PUBLIC SECTOR TA	P090340	Qual Educ in Rural Areas of MD
P078971	HEALTH SEC REF 2 (APL #2) (CRL)	P090501	Land Records Mgmt & Information Systems
P078990	NI - EDUCATION	P090690	PK PRSC II
P078995	BF-PRSC 5 DPL (FY05)	P090887	ADCP-II
P079259	COMM DEVT FUND 2	P091297	GN-APL 3 Urban Phase 2
P079314	SIF 2	P091299	JM Inner City Basic Services Project
P079320	THIRD AGRICULTURE REHABILITATION PROJECT	P091344	IQ-Emergency Private Sector Development
P079663	VN-Mekong Regional Health Support Proj	P091475	BI-Econ. Reform. Support (FY07)

(Continued on next page)

Project ID	Project Name	Project ID	Project Name
P079906	ID-Strategic Roads Infrastructure	P091747	VN-School Education Quality Assurance
P080074	VN-GEF-RURAL ENERGY 2	P091787	JO: Public Sector Reform Capacity Bldg.
P081558	AO-Social Action Fund SIL 3 (FY04)	P092019	ID Kecamatan Development Project 3B
P081616	FIN SERVS DEVT	P092484	Planning & Fin Mgt Capacity Building
P081950	Hazard Risk Mitigation & Emergency Preparedness GEF Project	P093132	Dam Safety and Water Resources Planning
P081964	BI-Demobilization & Reint Prj (FY04)	P093384	CR -Mainstreaming Market-Based Instrumnt
P093524	TP-Health sector support prog(TF054511/2) funded by EU	P105637	Fourth Development Policy Loan
P093640	HT CDD Project (PRODEP)	P105710	PA 1st Competitive & PubFinancMgmt DPL
P093812	TRANSPORT SECTOR SUPPORT PROJECT	P105715	KHRural Invest & Local Gov Add Financing
P093988	Dhaka Water Sup &San. Project	P106040	Program to Enhance Capacity in Social Accountability (PECSA)
P093991	ML-Educ Sect Invest Prog II (FY07)	P106161	Secondary Educ Qlty & Access Enhancement
P094042	BASIC EDUC	P106219	Moldova MDTF for Strategic Development of the Court of Accounts
P094086	Balochistan Education Support Project	P106355	MZ-Competitiveness & PS Dev
P094205	Sri Lanka Tsunami ERL	P106445	PA Hlth Equity & Performance Improvement
P094650	IQ - Emergency Water Supply	P106641	PA 2nd Program. DPL
P095128	EC GRANT - ID NTB-River Basin Water Resources Based Poverty Alleviation Project	P106857	MY-CF-Kota Kinabalu Composting Project
P095203	EXPORT DEVT 2	P106993	GT (AF) Integrated Fin Mgmt - Add Fin.
P095337	URBAN INFRASTRUCTURE	P107248	LR-Econ. Gov. & Institut. Ref. TAL (FY08
P095593	TP Energy Services Delivery Project	P107313	MZ-PRSC 5 (last)
P095873	TP-Education Sector Support	P107636	RY-Groundwater & Soil Conserv. Add. Fin
P095883	Reconstruction of Aceh Land Administration System Project	P107847	Provincial Roads Project
P095982	Electricity Distribution and Transmission	P108905	DRC - EMRRP Supp 2 ERL (FY08)
P096181	CLEAN UP & LAND RECLAMATION	P110197	Pakistan - Community-Based Rehabilitation of Persons with Disabilities
P096214	ROAD MAINTENANCE & REHAB 3	P110278	Adtl. Fin Education Sector Dev.Project
P096418	VN Land Administration Project	P110525	Multi-Donor Trust Fund to Support Public Financial Modernization in Vietnam
P097636	PK Punjab Education DPC-III	P110538	FERGHANA Valley Water Resources Mgt
P098273	Local Governance Support Project	P110576	Education For All-Fast Track Initiative Program
P098496	TZ-Sci.&Tech. High Educ. Prog-Ph.1 (FY08	P110956	LB - Urban Transport Dev Add'l Financing
P099099	IRRIG/DRAINAGE REHAB ADD FIN	P111018	ML-HEURA Additional Financing
P099110	Pakistan Earthquake ERC	P111414	Avian Influenza Prevention and Control Project
P099179	Yemen: Education for All - Calalytic Fund II	P111470	Education For All-Fast Track Initiative Program
P099295	Emergency Social Protection Project	P111592	MZ-Higher Educ Science & Techn. (FY10)
P099460	Vietnam PCB Management Project	P111757	Yemen Water for Urban centers- Output-based service provision by private operators
P099537	MDF Aceh - Partner Agency Implemented Projects in the Recovery of Communities in Aceh and Nias	P111849	Second Emergency Social Protection Implementation Support Project
P099924	CORP & PUB SEC ACCT - CAPSAP	P111956	GN-Public Fianancial Management-Sharing
P100084	KH-Avian Influenza Emergency Project	P112164	HT (AF) Electricity Loss Reduction Proje
P100156	JSDF-Thailand: Legal Aid Services for Poor and Vulnerable People	P112719	Bukhara & Ukhara & Samarkand Sewerage Project
P100327	Indonesia-Third Development Policy Loan	P112765	Development Policy Loan
P100330	BD Railway Reform Programmatic DevPolicy	P113235	BI - ERSGIII-Dev. Policy Loan DPL3
P100546	JO - Social Protection Enhancement	P113372	Poverty Reduction & Econ. Support Oper.
P100620	DRC- Forest and Nature Conservation SIL	P113450	LR - RRSP2-Budget Support
P100854	CL- Ministry of Public Works DPL	P113506	BI: Emerg Demob and Transitional Reint.
P101230	TZ-PRSC 7 (4th in 2nd series)	P113625	Guinea Food Crisis Response Development Policy Grant

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Project ID	Project Name	Project ID	Project Name
P101608	VN-Avian & Human Influenza Control &Prep	P114291	TZ : Accelerated Food Security Project
P101724	Vietnam PRSC 6	P114441	Price Vulnerability (Food Crisis) /former Product ID: P113225
P102018	DPL 1	P115173	CR Pub Fin & Compet. DPL/ DDO
P102541	Education Sector Dev.Support Credit III	P115264	Fast Track Initiative Grant for Basic Education
P103632	Establishment of the Fund for National Reconstruction	P115664	Emergency Monrovia Urban Sanitation Project (EMUS)
P104357	Yogyakarta and Central Java Earthquake Roof Structure Project	P115709	Financial Sector DPL (LATVIA)
P104497	DRC Em. Urban & Social Rehab ERL (FY07)	P115725	Education TF Support Program BOS-KITA
P104727	Liberia Public Financial Management Capacity Building	P116122	TH-Community Approaches in S Thailand
P104794	TP-Health Sector Strategic Plan Support	P116414	Morocco Cap Bldg and Mgmt to Improve Schooling for Poor JSDF
P104937	MA-SOLID WASTE SECTOR DPL	P116696	Tax Administration Reform Project
P104960	JO - Amman Solid Waste Management	P117005	LR: EIP - Additional Financing
P105002	National Program for Community Empower	P117248	Deepening MTBF and Strengthening Financial Accountability
P105155	ML-PASAOP Supplemental SIL (FY07)	P117558	Addressing Sexual Gender Based Violence in South Kivu
P105287	VN - PRSC 7	P117944	HT 3rd Econ. Governance Reform Operation
P105329	KH - GMS Power Trade Project	P118405	Moldova Regional Development

8. Level 3 Sampling. The Level 3 analysis aimed to determine the impact of GAC-responsive efforts in discrete specific areas of country governance performance through field-based case studies that built upon the desk review. Twelve countries originally selected as "candidates" for field visits were narrowed down to six countries following the desk reviews.

9. To identify candidate countries, a quasi-random selection of six CGAC and Window 1 countries was done such that proportional regional representation from lower and lower middle income clusters was ensured. The countries were drawn from the three most heavily represented regions in each income group (Sub-Saharan Africa, East Asia and the Pacific, and South Asia from the lower income cluster and Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa from the lower middle income cluster). Subsequently, for each selected CGAC and Window 1 country, a matching non-CGAC, non-Window 1 country from the same income cluster was identified with similar CPIA governance ratings. CGAC and GPF Window 1-financed countries identified for Level 3 analysis were Bangladesh, Cambodia, Guatemala, Iraq, Liberia, and Moldova. Matched pairs identified were Angola, Azerbaijan, Guinea, Morocco, Mozambique, and Pakistan respectively. The resulting Level 3 sample covered seven IDA, three IBRD, and two blend countries. The corresponding Level 3 project sample comprised 70 operations.

10. Based on the Level 1 desk review findings, and in line with evaluation questions, the evaluation identified those country programs with *documentary evidence of some degree of GAC-responsiveness* over the pre- and post-GAC periods (Table A.4). Therefore, those country programs without relevant documentation were eliminated: Angola, Morocco, and Pakistan, did not have CAS documents in the post-GAC period (FY08-2010), and Guinea did not have a country strategy during the evaluation period. Subsequently, countries that posed logistical difficulties within IEG's tight timetable were also dropped (Iraq and Mo-

zambique), even though they were found to be GAC responsive in the pre- and post-GAC periods. The resulting six case study countries were Azerbaijan, Bangladesh, Cambodia, Guatemala, Liberia, and Moldova. Field missions to these countries were undertaken between December 2010 and February 2011.

Table A.4. Desk Review Ratings for Level 3 "Candidate" Countries

*GAC Responsiveness**	*Pre-GAC (2004-07)*	*Post-GAC (2008-10)*
High/High + Improving		
1. Bangladesh	13	13
2. Moldova	11	12
Somewhat + Improving		
3. Cambodia	9	10
4. Guatemala	7	10
5. Iraq	9	10
Somewhat + No Improve/Deteriorating		
6. Liberia	10	10
7. Azerbaijan	12	10
8. Mozambique	10	10
Docs for only one period		
High but data in only one period		
9. Pakistan	11	N/A
10. Morocco	11	N/A
Somewhat but data in only one period		
11. Angola	9	N/A
No docs for either period		
12. Guinea	N/A	N/A

** GAC Responsiveness score out of a total of 15.*

11. **Desk Review Implementation.** Questionnaires were designed and used to evaluate country programs and projects in the Level 1 analysis. Each questionnaire consisted of questions on the content of governance and anti-corruption measures in country program and project documents as well as ratings to evaluate the extent to which country programs and projects incorporated GAC measures in their design and implementation.

12. The questionnaires were designed over a two-month period by two members of the IEG evaluation team. The project questionnaire was designed to build on the QAG 2009 GAC-in-Projects Benchmarking Survey as well as the logical framework used for this evaluation (see Figure 2.1).The questionnaires were peer-reviewed and pre-tested in May 2010. Out of existing Level 1 samples, five country program CASs and projects were randomly selected for pre-test.[49] Two team members evaluated a country program/project independently using the final draft of the questionnaires. Once completed, the results were matched and the team further elaborated on the questionnaire design based on findings of the pre-test.

13. The following documents were used for the desk review:

- *For country questionnaires (used for country program evaluation)*: all CAS documents as defined by Operations Policy and Country Services (OPCS), CASCRs for each CAS cycle, Country Portfolio Performance Reviews (CPPRs), CAEs, programmatic (serial)

Development Program Lending Implementation Completion Reports (DPL-ICR), and programmatic (serial) DPL-ICR Reviews by IEG.

- *For project questionnaires (used for project evaluation)*: PADs for all lending projects and the Trust Fund Agreement for all Trust Fund financed operations. For all closed projects, implementation was evaluated based on the ICR. For open documents, evaluators reviewed the last ISRs and where available the last Back-To-Office (Memorandum or Aide-Memoire for the last mission.[50]

14. The workload, which consisted of a review of 134 country programs in 44 countries[51] and 200 projects, was distributed equally among the eight IEG team members. Out of the 44 documented countries, Botswana, Chad, and Namibia only had one document. The rest of the countries had at least two documents (though not all of them supporting the post-GAC period). The maximum number of country documents in any one country was six (Bangladesh and Indonesia). Where documents only supported one of the periods, only the period's questionnaire, either pre- or post-GAC was filled out. For projects, there was an average of four documents per project, which yielded a catalogue of 1,118 project documents for all 200 projects. All projects had at least one document.

15. The desk review of country programs was undertaken between July and September 2010 and the review of projects was carried out between September and November 2010. To ensure data quality, evaluators in the IEG team used Survey Monkey to fill out questionnaires. To ensure consistency and quality, each completed country CAS and project questionnaires was peer reviewed by the task team leader and a senior team member. In addition to peer reviews, there was double data checking in data entry. Two team members reviewed data entry for each country and project questionnaire.

16. Intercoder reliability, or the extent to which independent coders evaluate a characteristic of a message or artifact and reach the same conclusion, is a concern which is necessary to address for producing valid and reliable data results in content analysis. To ensure intercoder reliability there was a pre-test of the survey instrument and the authors tested for intercoder reliability across the eight coders to ensure individual coders would produce reliable and consistent results. Questionnaires that did not produce consistent results were discussed in an iterative review process with coders and revised where appropriate so coding would be consistent, reliable, and ultimately valid. Coders participated in a two-day training on how to complete the questionnaire before the testing period.

17. Further, IEG was fully aware of potential reliability problems that might arise in sharing hypotheses with coders and made sure to provide coders with limited information about the details of the hypotheses before and during the evaluation period. The team involved two individuals in constructing the questionnaires used in the desk review who were not involved in the coding process. The peer review process of coders' findings further helped ensure reliability across coders.

Thematic Reviews

18. Four thematic analyses reviewed the evolution of Bank practice in the following areas: GAC issues in roads, primary education, accountability institutions, and political economy

analysis. Each thematic review included a review of the literature on GAC in the state of development practice. The initial literature appraisal identified issues and questions to be covered in the desk reviews of projects and relevant ESW. The subsequent analysis of each theme followed the methodologies described below.

19. **Political Economy Analysis Review**. This review covered the main currents in the political-economic literature, Bank guidance provided in the context of the GAC strategy, as well as the actual application of political economy analysis (PEA) in Bank economic and sector reports and freestanding PEA "inputs" to operational work.

20. For the review of ESW for political economic concerns, a review sample was selected. Based on the countries selected for Level-2 analysis in accordance with the approach paper for the larger GAC evaluation, all ESW for these countries from 2004 onwards was compiled. The final list consisted of 877 ESW reports covering 35 countries. This population of reports was then stratified according to pre-GAC or post-GAC timing (2004–07 versus 2008–10), Region (across the six World Bank Regions), and report type (core diagnostics consisting of Country Economic Memoranda, Public Expenditure Reviews, Development Policy Reviews). Taking into account these strata, a random sample of 17 documents was selected. The sample was balanced across Regions, between pre- and post-GAC periods, and between core and non-core reports.

Table A.5. Political Economy Analysis and Sector Work (PEA-ESW) Sample

Country	*Year*	*Report Type*	*Project ID*
Azerbaijan	FY09	Country Economic Memorandum (CEM)	P107278
Bangladesh	FY08	Poverty Assessment (PA)	P099963
Cambodia	FY06	Poverty Assessment (PA)	P085013
Haiti	FY06	Country Economic Memorandum (CEM)	P094865
Indonesia	FY09	Development Policy Review (DPR)	P102317
Iraq	FY08	Oil Sector Policy Note	P096434
Kosovo	FY08	Other Social Protection Study	P107761
Liberia	FY09	Public Expenditure Review (PER)	P107304
Mali	FY04	Other Infrastructure Study	P078247
Morocco	FY09	Other Public Sector Study	P112606
Mozambique	FY09	Food Prices Policy Note	P113442
Nicaragua	FY08	Institutional and Governance Review (IGR)	P101317
Pakistan	FY05	Country Financial Accountability Assessment (CFAA)	P091615
Paraguay	FY07	General Economy, Macroeconomics, and Growth Study	P090165
Sri Lanka	FY04	Development Policy Review (DPR)	P084614
Syrian Arab Republic	FY05	Investment Climate Assessment (ICA)	P078466
Uzbekistan	FY04	Public Expenditure Review (PER)	P079105

21. For the review of PEA inputs, a sample was drawn from the Political Economy Community of Practice's (PECoP) list of applied PEA completed since 2006 in 39 countries (another 4 are cross-national within regions, 2 are multi-regional or global. Of the 71 reports in that sample, 59—over 80 percent—were started after FY08. Forty one are country-level (or multi-country) analyses, another 38 are primarily sectoral-based PEA, and only 2 are project-specific risk assessments. The Africa and Latin America and Caribbean regions account for

over 50 percent of completed PEA, while the rest are spread across four other regions. From these 71, 15 were selected for in-depth review, based on regional representation (the sample covers all six World Bank Regions), timing, and country/sector balance.[52]

22. **Reviews of GAC-in-Sectors**. Three additional thematic reviews examined GAC in the following sectors/themes: *primary education, roads and highways,* and *domestic accountability institutions.* These reviews each had a similar framework. They reviewed the literature on GAC issues in the sector or thematic area, assessed the Bank's approach and guidance in the context of the GAC strategy, and summarized findings from IEG's desk review of GAC-responsiveness of projects in the relevant sector or thematic area. Findings and lessons were also drawn from the case studies.

Resourcing Review

23. **Funding and Staffing.** IEG's review of the resourcing of GAC included analysis of incremental Bank budgetary resources as well as donor funds supporting GAC work via the GPF. Data on trends in staffing and training also were analyzed.

24. For analysis, a sample of all approved GPF projects was selected, representative of the whole portfolio by regions and sectors, lending windows, grant size, and disbursement rate. Accordingly, the following filters were used: regions (by vice presidential unit), sectors (network vice presidential units), status (established trust funds only—77 of them as of June 22, 2010, when sampling was completed), amount (grants of above $500,000 should make roughly half of the sample), and have all three windows represented.

25. The main source for the population was a project database submitted by the GPF Secretariat. This was cross-checked with information available in the Bank's own Business Warehouse and on the GPF's official Web site. It should be noted that about one-third of commitments (amounting to around $20 million) in the GPF's official list were not considered as they were too recently approved and had low actual disbursements. This narrowed the population size to 56 projects with total commitments of $36 million, the population from which the sample was then drawn. To establish linkages with the GAC strategy, the sample needed to include all countries selected for the evaluation's Level 2 analysis. These include CGAC countries as defined by the GAC Council and all Window One countries. An overview of the 91 projects resulted in 13 projects to be channeled to Level 2 countries, including 2 where at least one Level 2 country was represented. These were included in the sample.

26. The rest of the sample was selected randomly out of the population of 56 projects less 13 CGACs and Window One, ensuring adequate representation of sectors and regions (as defined by central networks and regional vice presidencies), grant size (eliminating those grants under $0.5 million), disbursement rates and grant windows. Based on the principles laid out above, 30 actively disbursed projects were selected. Two tailed tests were conducted testing the difference in means between the sample and the population. The p-values produced showed no significant difference in CPIA Public Sector Module, income levels, and regional representation between the sample and population projects. [53]

27. **Process Reviews.** An important thrust of the GAC strategy was strengthening Bank internal controls. Therefore, as part of its evaluation of key Bank controls, IEG analyzed oper-

ational and GAC implementation progresses with a view to assessing the effectiveness of the Bank's risk management and internal change management efforts. This included reviews of Bank budgeting and GPF allocation processes, reviews of GAC implementation arrangements, and comparative analysis of existing process maps for IDA controls in development policy and investment lending.

Surveys, Structured Interviews, and Consultations

28. **IEG GAC Staff Survey.** A survey of staff was undertaken in October 2010 to determine attitudes and perceptions of the Bank's work on GAC issues. The survey was designed on the basis of the GAC strategy's First and Second Year Progress Reports, extensive consultations with operational and network staff across the Bank, feedback from attendants to a GPF Window One Workshop in Cape Town, South Africa, in October 2010, and minutes of GAC Council and Board meetings over 2009 and 2010.

29. Several iterations of this survey were tested with operational staff (including from South Asia, Sub-Saharan Africa, the Development Economics Vice Presidency, and East Asia and the Pacific). The team also undertook several review iterations to ensure consistency with the evaluation Approach Paper, as well as with early findings of desk reviews and thematic reviews (for example, of political economy analysis and GAC-in-sectors).

30. The survey targeted a broad cross-section of staff at technical levels, GF, and above who have served as task team members for 892 lending and trust-funded Bank operations approved between FY04 and FY10 from which the Level 1 sample of 200 project desk reviews was derived. Since these operations were undertaken in 50 countries, the target audience also includes staff (technical level and above) from Country Management Units in these 50 sample countries. The target audience covered staff mapped to headquarters and field offices, sector, and country management units, as well as families and networks. The survey was sent out to 1,942 staff members, 682 (35 percent) of whom responded.

31. The survey was launched on October 20 and was closed on November 30, 2010. As an immediate step, the representativeness test was carried out. Overall, the network, duty station and regional affiliation of those who responded (682 staff) versus population (1942 staff) followed the same structure there was no evidence of over-representation of respondents versus population.

32. **Structured Interviews.** Extensive interviews were conducted with current and former senior Bank officials, Bank teams at headquarters and in the field, development partners, as well as key country stakeholders to ascertain the rationale, trade-offs, and emerging implementation issues underpinning the 2007 GAC strategy. In addition, external surveys were reviewed to gauge perceptions of the Bank's work on GAC issues.

33. **Consultations.** The evaluation team held separate group consultations—one with the GPF donors on April 5, 2011, and a second with civil society organizations (CSOs) on April 19, 2011. The GPF donor consultation, held via videoconference, involved key representatives to the GPF Council from the Netherlands, Norway, and the United Kingdom. Through this consultation, IEG sought the donor views on the original intent of the GPF in the context of the GAC strategy, the strengths and weaknesses in the design of the GPF, and lessons

learned to date. Similar, the consultation with CSOs focused on their perspectives on progress made over the course of GAC implementation, as well as the experience with Bank engagement on the demand side of governance. In conjunction with IEG's in-person session with CSOs, a Web-based discussion platform was launched to gather written feedback, including from institutions around the world.

Appendix B
Resourcing of GAC Strategy—Funding and Staffing

Figure B.1. Regions' Spending on Governance Work—Change in FY08-10

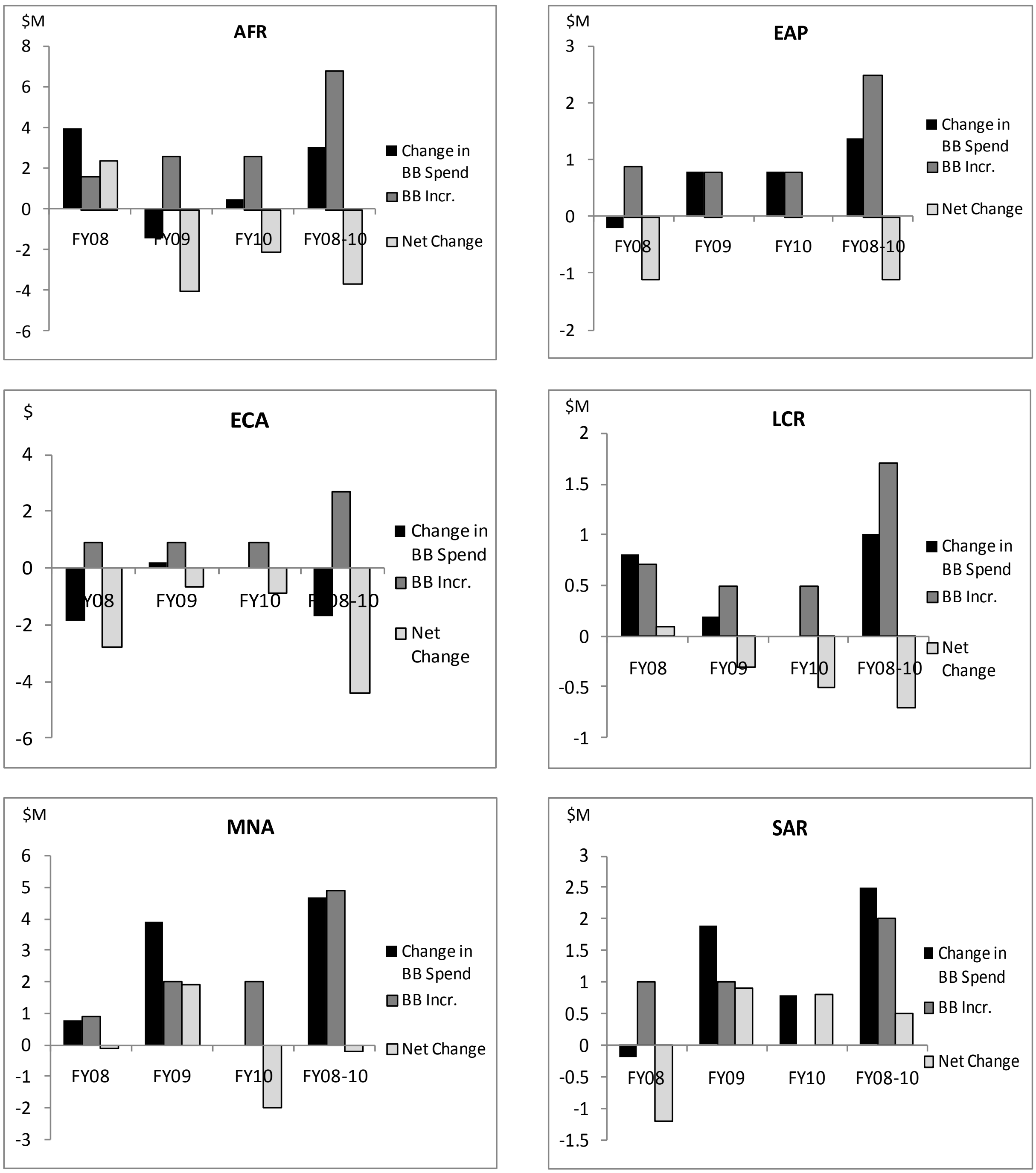


Table B.1. Fixed–Cost Ratios for Projects Funded by GPF

Fixed-Cost Ratio (%)	*Number of Projects*	*Percentage of Total Projects*
0	9	38%
1-25	9	38%
26-50	4	17%
51-75	2	8%
75-100	0	0%
	24	**100%**

Source: Project cost data from SAP cost analysis report.

Figure B.2. GPF Allocation of Grants by Region versus Global, as of December 2010

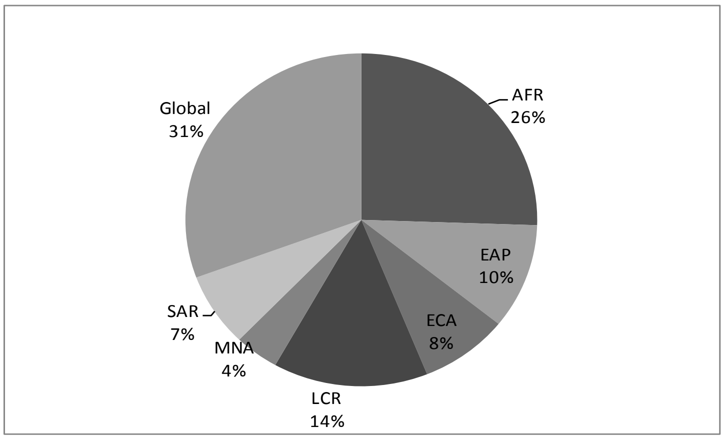
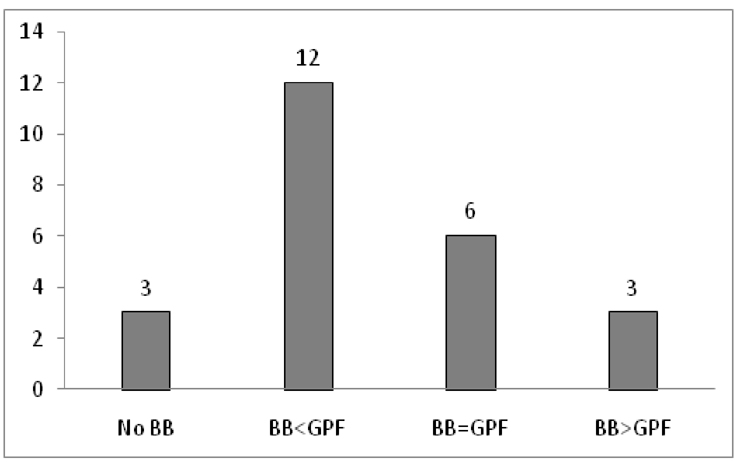


Figure B.3: Complementary Bank Budget Funding of GPF–Funded Projects (Number. of projects)



Dedicated GAC Staffing

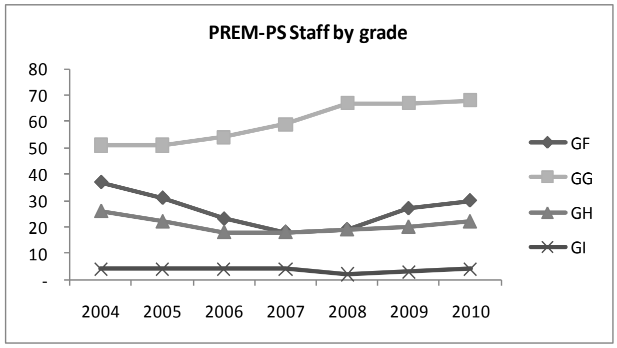
Table B.2. Planned and Actual GAC Staffing (GF and Above)—AFR, ECA, MNA, and SAR

Number. of Staff by Location	AFR[a/]		ECA[b/]		MNA[c/]		SAR[d/]	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Washington	1GH, 2GG, 1GF	2GH, 3GG, 2GF	--	--	2GG, 1GF, 1ETC	1GH, 1GG, 4ETC	1GH, 4GG	3GG
Field—Local [e/]	4GF	1GH, 2GG, 3GF	--	--		3GG	3GG, 3GG/GF, 2GF	3GH, 9GG, 1ETC
Field—International.[e/]	1GF, 6GG		--	--	1.5GG		1GH, 6GG	
Totals	**15**	**13**	--	--	**5.5**	**9**	**20**	**15**

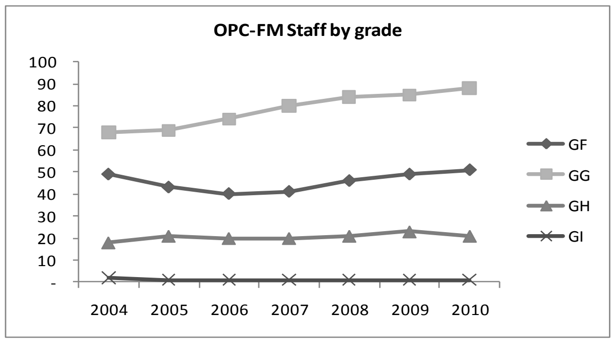
a/ Includes 1GG and 1GF who jointly manage the GAC program from Washington, and other staff who participate substantively in GAC program delivery and advice. Grade levels in "Actual" column assumed by IEGs, based on position titles: Lead PS Specialist—GH; Senior PS Specialist and Senior Economist—GG; PS Specialist, Governance Specialist, Operations Officer, and YP—GF.
b/ ECA specifically decided to make GAC work the responsibility of all its staff and, accordingly, did not create any dedicated positions for GAC.
c/ Includes only staff in MNSPS. Information for other MNA units was not readily available.
d/ SAR GAC staffing also includes 5 Program Assistants (GC) and 1 Operations Analyst (GE) in the field.
e/ Information provided by the Regions did not distinguish between Field—Local and Field—International Appointments.
Sources: GAC Secretariat and Regions.

Overall Staffing for PREMPS, OPCFM, and OPCPRC, FY04-10

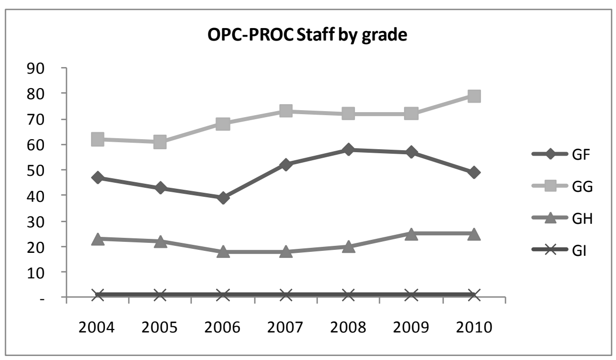
	IBRD Total Staff Mapped to PREM-PS				
	GF	*GG*	*GH*	*GI*	*Total*
2004	37	51	26	4	118
2005	31	51	22	4	108
2006	23	54	18	4	99
2007	18	59	18	4	99
2008	19	67	19	2	107
2009	27	67	20	3	117
2010	30	68	22	4	124



	IBRD Total Staff Mapped to OPC-FM				
	GF	*GG*	*GH*	*GI*	*Total*
2004	49	68	18	2	137
2005	43	69	21	1	134
2006	40	74	20	1	135
2007	41	80	20	1	142
2008	46	84	21	1	152
2009	49	85	23	1	158
2010	51	88	21	1	161

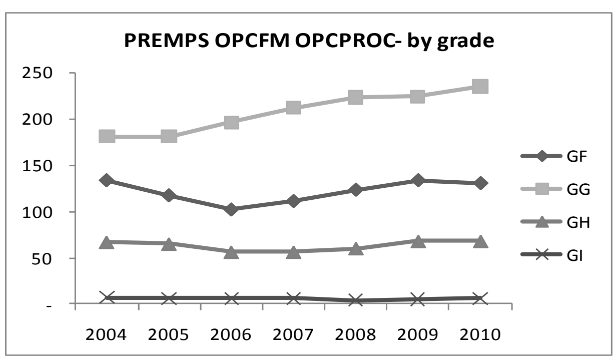


	IBRD Total Staff Mapped to OPC-PROC				
	GF	*GG*	*GH*	*GI*	*Total*
2004	47	62	23	1	133
2005	43	61	22	1	127
2006	39	68	18	1	126
2007	52	73	18	1	144
2008	58	72	20	1	151
2009	57	72	25	1	155
2010	49	79	25	1	154



	IBRD Total Staff Mapped to PREM-PS, OPC-FM & OPC-PROC				
	GF	*GG*	*GH*	*GI*	*Total*
2004	133	181	67	7	388
2005	117	181	65	6	369
2006	102	196	56	6	360
2007	111	212	56	6	385
2008	123	223	60	4	410
2009	133	224	68	5	430
2010	130	235	68	6	439

Source: Bank human resources data



Appendix C
Summary Findings on GAC Responsiveness

The ratings presented in the tables are based on desk review of Bank documents carried out by the IEG GAC Evaluation team.

Table C.1. Overall Ratings (CAS data)

	Pre GAC			Post GAC		
Please rate the extent to which the Bank's approach incorporates	**To a Great Extent**	**Somewhat**	**# of CAS/CPS reviewed**	**To a Great Extent**	**Somewhat**	**# of CAS/CPS reviewed**
Explicit assessments of governance and political economy constraints	59%	39%	41	59%	38%	37
Explicit choice of governance entry points	51%	49%	41	49%	51%	37
Mix of financial and knowledge instruments	29%	68%	41	38%	51%	37
Identification of results measures	18%	70%	40	24%	62%	37
Please rate the extent to which the CAS includes country strengthening for						
Core Public Sector Institutions	66%	34%	41	65%	35%	37
Sectoral state institutions	35%	60%	40	43%	57%	37
Domestic Accountability institutions	23%	52%	31	35%	35%	31
Civil Society and the Demand Side	14%	63%	35	9%	62%	34
The Investment Climate	34%	56%	41	35%	54%	37
Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes--Please rate the extent to which						
Portfolio Risks are regularly monitored by the Bank	44%	44%	41	51%	41%	37
Portfolio processes track the progress of governance reforms at sector and project levels	32%	56%	41	38%	46%	37
Portfolio reviews and results monitoring are regularly disclosed (proactively disseminated beyond implementing agencies)	17%	20%	41	22%	16%	37
Overall Rating of GAC Responsiveness in the CAS						
Portfoliowide fiduciary risk mitigation	15%	80%	41	22%	72%	36
Enhanced selectivity of Bank country strategies and programs	46%	46%	41	44%	53%	36
Improved signaling of GAC concerns and risks through Bank portfolio processes	32%	51%	41	25%	56%	36
Incorporated Smart design of programs and projects by countries	15%	42%	41	20%	43%	35
Focused on country institutional strengthening	17%	76%	41	47%	47%	36

Table C.2. Overall Ratings—Low-CPIA versus High-CPIA Countries (CAS data)

	Pre GAC						Post GAC					
	Low CPIA[54]			High CPIA			Low CPIA			High CPIA		
Please rate the extent to which the Bank's approach incorporates	To a Great Extent	Some-what	# of CAS/CPS reviewed	To a Great Extent	Some-what	# of CAS/CPS reviewed	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Some what	# of CAS/CPS reviewed
Explicit assessments of governance and political economy constraints	70%	30%	27	36%	57%	14	67%	33%	24	46%	46%	13
Explicit choice of governance entry points	56%	44%	27	43%	57%	14	50%	50%	24	46%	54%	13
Mix of financial and knowledge instruments	22%	78%	27	43%	50%	14	29%	63%	24	54%	31%	13
Identification of results measures	23%	65%	26	7%	79%	14	25%	58%	24	23%	69%	13
Please rate the extent to which the CAS includes country strengthening for												
Core Public Sector Institutions	63%	37%	27	71%	29%	14	63%	38%	24	69%	31%	13
Sectoral state institutions	31%	65%	26	43%	50%	14	42%	58%	24	46%	54%	13
Domestic Accountability institutions	30%	45%	20	9%	64%	11	40%	35%	20	27%	36%	11
Civil Society and the Demand Side	18%	68%	22	8%	54%	13	14%	73%	22	0%	42%	12
The Investment Climate	37%	52%	27	29%	64%	14	38%	50%	24	31%	62%	13
Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes--Please rate the extent to which												
Portfolio Risks are regularly monitored by the Bank	41%	48%	27	50%	36%	14	58%	42%	24	38%	38%	13
Portfolio processes track the progress of governance reforms at sector and project levels	37%	56%	27	21%	57%	14	46%	46%	24	23%	46%	13
Portfolio reviews and results monitoring are regularly dis-closed (proactively disseminated beyond implementing agencies)	19%	19%	27	14%	21%	14	25%	25%	24	15%	0%	13
Overall Rating of GAC Responsiveness in the CAS												
Portfoliowide fiduciary risk mitigation	11%	85%	27	21%	71%	14	17%	83%	24	33%	50%	12
Enhanced selectivity of Bank country strategies and pro-grams	48%	44%	27	43%	50%	14	50%	46%	24	33%	67%	12
Improved signaling of GAC concerns and risks through Bank portfolio processes	33%	56%	27	29%	43%	14	29%	67%	24	17%	33%	12
Incorporated Smart design of programs and projects by countries	11%	41%	27	21%	43%	14	22%	39%	23	17%	50%	12
Focused on country institutional strengthening	11%	85%	27	29%	57%	14	42%	58%	24	58%	25%	12

Table C.3. Overall Ratings—IDA versus IBRD Countries (CAS data)

	Pre GAC						Post GAC					
	IDA			IBRD			IDA			IBRD		
Please rate the extent to which the Bank's approach incorporates	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Some-what	# of CAS/CPS reviewed	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Some what	# of CAS/CPS reviewed
Explicit assessments of governance and political economy constraints	65%	35%	23	50%	44%	18	62%	38%	21	56%	38%	16
Explicit choice of governance entry points	48%	52%	23	56%	44%	18	48%	52%	21	50%	50%	16
Mix of financial and knowledge instruments	22%	78%	23	39%	56%	18	38%	57%	21	38%	44%	16
Identification of results measures	27%	68%	22	6%	72%	18	29%	62%	21	19%	63%	16
Please rate the extent to which the CAS includes country strengthening for												
Core Public Sector Institutions	70%	30%	23	61%	39%	18	67%	33%	21	63%	38%	16
Sectoral state institutions	17%	83%	23	59%	29%	17	43%	57%	21	44%	56%	16
Domestic Accountability institutions	26%	53%	19	17%	50%	12	37%	47%	19	33%	17%	12
Civil Society and the Demand Side	11%	63%	19	19%	63%	16	15%	65%	20	0%	57%	14
The Investment Climate	30%	65%	23	39%	44%	18	38%	52%	21	31%	56%	16
Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes--Please rate the extent to which												
Portfolio Risks are regularly monitored by the Bank	43%	52%	23	44%	33%	18	62%	38%	21	38%	44%	16
Portfolio processes track the progress of governance reforms at sector and project levels	30%	70%	23	33%	39%	18	48%	38%	21	25%	56%	16
Portfolio reviews and results monitoring are regularly disclosed (proactively disseminated beyond implementing agencies)	22%	22%	23	11%	17%	18	33%	19%	21	6%	13%	16
Overall Rating of GAC Responsiveness in the CAS												
Portfoliowide fiduciary risk mitigation	9%	91%	23	22%	67%	18	14%	86%	21	33%	53%	15
Enhanced selectivity of Bank country strategies and programs	39%	52%	23	56%	39%	18	33%	62%	21	60%	40%	15
Improved signaling of GAC concerns and risks through Bank portfolio processes	30%	65%	23	33%	33%	18	33%	57%	21	13%	53%	15
Incorporated Smart design of programs and projects by countries	13%	43%	23	17%	39%	18	20%	40%	20	20%	47%	15
Focused on country institutional strengthening	22%	78%	23	11%	72%	18	52%	48%	21	40%	47%	15

Table C.4. Overall Ratings—CGAC/Window versus Other Countries (CAS Data)

	Pre GAC						Post GAC					
	CGAC/Window			Others			CGAC/Window			Others		
Please rate the extent to which the Bank's approach incorporates	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Some what	# of CAS/CPS reviewed
Explicit assessments of governance and political economy constraints	68%	29%	28	38%	62%	13	65%	35%	23	50%	43%	14
Explicit choice of governance entry points	50%	50%	28	54%	46%	13	48%	52%	23	50%	50%	14
Mix of financial and knowledge instruments	25%	75%	28	38%	54%	13	39%	52%	23	36%	50%	14
Identification of results measures	19%	70%	27	15%	69%	13	30%	52%	23	14%	79%	14
Please rate the extent to which the CAS includes country strengthening for												
Core Public Sector Institutions	71%	29%	28	54%	46%	13	74%	26%	23	50%	50%	14
Sectoral state institutions	37%	59%	27	31%	62%	13	48%	52%	23	36%	64%	14
Domestic Accountability institutions	24%	52%	21	20%	50%	10	47%	42%	19	17%	25%	12
Civil Society and the Demand Side	17%	57%	23	8%	75%	12	14%	71%	21	0%	46%	13
The Investment Climate	32%	54%	28	38%	62%	13	43%	48%	23	21%	64%	14
Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes--Please rate the extent to which												
Portfolio Risks are regularly monitored by the Bank	39%	46%	28	54%	38%	13	52%	48%	23	50%	29%	14
Portfolio processes track the progress of governance re-forms at sector and project levels	36%	50%	28	23%	69%	13	35%	52%	23	43%	36%	14
Portfolio reviews and results monitoring are regularly dis-closed (proactively disseminated beyond implementing agencies)	18%	18%	28	15%	23%	13	22%	22%	23	21%	7%	14
Overall Rating of GAC Responsiveness in the CAS												
Portfoliowide fiduciary risk mitigation	14%	82%	28	15%	77%	13	18%	82%	22	29%	57%	14
Enhanced selectivity of Bank country strategies and pro-grams	36%	54%	28	69%	31%	13	36%	59%	22	57%	43%	14
Improved signaling of GAC concerns and risks through Bank portfolio processes	29%	57%	28	38%	38%	13	23%	68%	22	29%	36%	14
Incorporated Smart design of programs and projects by countries	11%	46%	28	23%	31%	13	23%	50%	22	15%	31%	13
Focused on country institutional strengthening	18%	75%	28	15%	77%	13	55%	45%	22	36%	50%	14

Table C.5. Overall Ratings—Fragile versus Non-Fragile Countries (CAS Data)

	Pre GAC						Post GAC					
	Fragile[55]			Non Fragile			Fragile					
Please rate the extent to which the Bank's approach incorporates	**To a Great Extent**	**Somewhat**	**# of CAS/CPS reviewed**	**To a Great Extent**	**Somewhat**	**# of CAS/CPS reviewed**	**To a Great Extent**	**Somewhat**	**# of CAS/CPS reviewed**	**To a Great Extent**	**Some what**	**# of CAS/CPS reviewed**
Explicit assessments of governance and political economy constraints	78%	22%	9	53%	44%	32	75%	25%	8	55%	41%	29
Explicit choice of governance entry points	56%	44%	9	50%	50%	32	38%	63%	8	52%	48%	29
Mix of financial and knowledge instruments	11%	89%	9	34%	63%	32	13%	88%	8	45%	41%	29
Identification of results measures	33%	56%	9	13%	74%	31	0%	63%	8	31%	62%	29
Please rate the extent to which the CAS includes country strengthening for:												
Core Public Sector Institutions	67%	33%	9	66%	34%	32	50%	50%	8	69%	31%	29
Sectoral state institutions	0%	100%	9	45%	48%	31	38%	63%	8	45%	55%	29
Domestic Accountability institutions	14%	43%	7	25%	54%	24	33%	33%	6	36%	36%	25
Civil Society and the Demand Side	13%	63%	8	15%	63%	27	13%	63%	8	8%	62%	26
The Investment Climate	33%	44%	9	34%	59%	32	38%	25%	8	34%	62%	29
Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes--Please rate the extent to which												
Portfolio Risks are regularly monitored by the Bank	22%	67%	9	50%	38%	32	63%	38%	8	48%	41%	29
Portfolio processes track the progress of governance reforms at sector and project levels	22%	67%	9	34%	53%	32	25%	50%	8	41%	45%	29
Portfolio reviews and results monitoring are regularly disclosed (proactively disseminated beyond implementing agencies)	11%	33%	9	19%	16%	32	25%	13%	8	21%	17%	29
Overall Rating of GAC Responsiveness in the CAS												
Portfoliowide fiduciary risk mitigation	0%	100%	9	19%	75%	32	0%	100%	8	29%	64%	28
Enhanced selectivity of Bank country strategies and programs	11%	67%	9	56%	41%	32	13%	75%	8	54%	46%	28
Improved signaling of GAC concerns and risks through Bank portfolio processes	33%	56%	9	31%	50%	32	25%	63%	8	25%	54%	28
Incorporated Smart design of programs and projects by countries	11%	22%	9	16%	47%	32	14%	29%	7	21%	46%	28
Focused on country institutional strengthening	0%	100%	9	22%	69%	32	38%	63%	8	50%	43%	28

Table C.6. Overall Ratings—by Region (CAS Data)

Please rate the extent to which the Bank's approach incorporates						
	Pre GAC			Post GAC		
Explicit assessments of governance and political economy constraints	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	64%	36%	11	73%	27%	11
EAP	75%	25%	4	50%	50%	4
ECA	63%	38%	8	56%	44%	9
LCR	50%	40%	10	38%	50%	8
MNA	60%	40%	5	100%	0%	3
SAR	33%	67%	3	50%	50%	2

Please rate the extent to which the Bank's approach incorporates						
	Pre GAC			Post GAC		
Explicit choice of governance entry points	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	64%	36%	11	45%	55%	11
EAP	50%	50%	4	75%	25%	4
ECA	75%	25%	8	56%	44%	9
LCR	40%	60%	10	38%	63%	8
MNA	40%	60%	5	0%	100%	3
SAR	0%	100%	3	100%	0%	2

Please rate the extent to which the Bank's approach incorporates						
	Pre GAC			Post GAC		
Mix of financial and knowledge instruments	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	36%	64%	11	55%	45%	11
EAP	50%	50%	4	50%	50%	4
ECA	38%	63%	8	33%	56%	9
LCR	10%	80%	10	0%	63%	8
MNA	20%	80%	5	33%	67%	3
SAR	33%	67%	3	100%	0%	2

Please rate the extent to which the Bank's approach incorporates						
	Pre GAC			Post GAC		
Identification of results measures	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	27%	73%	11	18%	73%	11
EAP	50%	50%	4	50%	50%	4
ECA	13%	88%	8	22%	78%	9
LCR	0%	60%	10	0%	63%	8
MNA	0%	80%	5	33%	33%	3
SAR	50%	50%	2	100%	0%	2

Please rate the extent to which the CAS includes country strengthening for						
	Pre GAC			Post GAC		
Core public sector Insti-tutions	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	55%	45%	11	64%	36%	11
EAP	100%	0%	4	75%	25%	4
ECA	63%	38%	8	56%	44%	9
LCR	80%	20%	10	88%	13%	8
MNA	20%	80%	5	33%	67%	3
SAR	100%	0%	3	50%	50%	2

Please rate the extent to which the CAS includes country strengthening for						
	Pre GAC			Post GAC		
Sectoral state institu-tions	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Some-what	# of CAS/CPS reviewed
AFR	0%	100%	11	45%	55%	11
EAP	50%	50%	4	75%	25%	4
ECA	50%	50%	8	44%	56%	9
LCR	33%	44%	9	25%	75%	8
MNA	40%	60%	5	33%	67%	3
SAR	100%	0%	3	50%	50%	2

(Continued on next page)

Please rate the extent to which the CAS includes country strengthening for						
	Pre GAC			Post GAC		
Domestic accountability institutions	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	9%	64%	11	40%	20%	10
EAP	50%	50%	4	50%	50%	4
ECA	40%	60%	5	29%	43%	7
LCR	0%	29%	7	14%	43%	7
MNA	0%	100%	1	100%	0%	1
SAR	67%	33%	3	50%	50%	2

Please rate the extent to which the CAS includes country strengthening for						
	Pre GAC			Post GAC		
Civil society and the demand side	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Some-what	# of CAS/CPS reviewed
AFR	10%	50%	10	9%	36%	11
EAP	50%	50%	4	25%	75%	4
ECA	20%	60%	5	0%	71%	7
LCR	11%	67%	9	0%	71%	7
MNA	0%	75%	4	0%	100%	3
SAR	0%	100%	3	50%	50%	2

Please rate the extent to which the CAS includes country strengthening for						
	Pre GAC			Post GAC		
The Investment climate	To a Great Extent	Some-what	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	36%	64%	11	45%	45%	11
EAP	50%	50%	4	50%	50%	4
ECA	38%	63%	8	33%	67%	9
LCR	10%	70%	10	0%	75%	8
MNA	40%	20%	5	67%	0%	3
SAR	67%	33%	3	50%	50%	2

Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes						
	Pre GAC			Post GAC		
Portfolio risks are regu-larly monitored by the Bank	To a Great Extent	Some what	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	36%	64%	11	55%	36%	11
EAP	50%	50%	4	75%	25%	4
ECA	75%	13%	8	44%	56%	9
LCR	30%	40%	10	25%	50%	8
MNA	40%	40%	5	100%	0%	3
SAR	33%	67%	3	50%	50%	2

Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes						
	Pre GAC			Post GAC		
Portfolio processes track the progress of governance reforms at sector and project levels	To a Great Extent	Somewhat	# of CAS/CPS re-viewed	To a Great Extent	Some-what	# of CAS/CPS reviewed
AFR	36%	64%	11	36%	36%	11
EAP	50%	50%	4	75%	25%	4
ECA	38%	50%	8	33%	67%	9
LCR	10%	60%	10	13%	50%	8
MNA	40%	40%	5	67%	33%	3
SAR	33%	67%	3	50%	50%	2

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APPENDIX C
SUMMARY FINDINGS ON GAC RESPONSIVENESS

Overall Rating of signaling of GAC concerns and risks through Bank portfolio processes						
Portfolio reviews and results monitoring are regularly disclosed (proactively disseminated beyond implementing agencies)	Pre GAC			Post GAC		
	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	9%	27%	11	27%	18%	11
EAP	50%	50%	4	75%	0%	4
ECA	25%	0%	8	11%	33%	9
LCR	0%	20%	10	0%	0%	8
MNA	20%	0%	5	0%	0%	3
SAR	33%	33%	3	50%	50%	2

Overall Rating of GAC Responsiveness in the CAS						
Portfoliowide fiduciary risk mitigation	Pre GAC			Post GAC		
	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	0%	91%	11	9%	82%	11
EAP	25%	75%	4	50%	50%	4
ECA	13%	88%	8	33%	67%	9
LCR	20%	70%	10	13%	75%	8
MNA	20%	80%	5	0%	100%	2
SAR	33%	67%	3	50%	50%	2

Overall Rating of GAC Responsiveness in the CAS						
Enhanced selectivity of Bank country strategies and programs	Pre GAC			Post GAC		
	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	27%	64%	11	18%	73%	11
EAP	50%	50%	4	50%	50%	4
ECA	75%	25%	8	89%	11%	9
LCR	40%	50%	10	38%	63%	8
MNA	40%	40%	5	0%	100%	2
SAR	67%	33%	3	50%	50%	2

Overall Rating of GAC Responsiveness in the CAS						
Improved signaling of GAC concerns and risks through Bank portfolio processes	Pre GAC			Post GAC		
	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	27%	64%	11	18%	55%	11
EAP	75%	25%	4	75%	25%	4
ECA	25%	63%	8	22%	67%	9
LCR	20%	30%	10	13%	50%	8
MNA	40%	60%	5	0%	100%	2
SAR	33%	67%	3	50%	50%	2

Overall Rating of GAC Responsiveness in the CAS						
Incorporated Smart design of programs and projects by countries	Pre GAC			Post GAC		
	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	9%	55%	11	20%	50%	10
EAP	50%	25%	4	50%	25%	4
ECA	0%	50%	8	22%	33%	9
LCR	10%	30%	10	0%	50%	8
MNA	20%	20%	5	0%	50%	2
SAR	33%	67%	3	50%	50%	2

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Overall Rating of GAC Responsiveness in the CAS						
	Pre GAC			Post GAC		
Focused on country institutional strengthening	To a Great Extent	Somewhat	# of CAS/CPS reviewed	To a Great Extent	Somewhat	# of CAS/CPS reviewed
AFR	18%	82%	11	45%	45%	11
EAP	50%	50%	4	75%	25%	4
ECA	0%	88%	8	44%	56%	9
LCR	20%	60%	10	50%	38%	8
MNA	0%	100%	5	0%	100%	2
SAR	33%	67%	3	50%	50%	2

Table C.7. Overall Ratings (Project Data)

	Pre GAC			Post GAC		
To what extent does the project design respond to Governance and PE constraints in the following ways?	**To a Great Extent**	**Somewhat**	**# of Projects reviewed**	**To a Great Extent**	**Somewhat**	**# of Projects reviewed**
Project design adapted to informal/actual reality	37%	55%	122	41%	50%	78
Strengthening management of relevant public agencies	40%	53%	122	47%	46%	78
Support for rule-based decision-making and accountability	31%	50%	121	37%	54%	78
Proactive measures to include disadvantaged groups	34%	32%	119	37%	23%	78
Please rate the extent to which the Bank's approach incorporated smart design in the following areas:						
Quality of governance and political economy analysis	15%	61%	115	25%	53%	76
Quality of enhanced fiduciary aspects	22%	62%	115	30%	62%	74
Demand-side of governance	31%	44%	115	20%	50%	76
Use of country systems	23%	43%	111	32%	38%	69
Quality of institutional strengthening	23%	69%	116	23%	72%	75
Results orientation	24%	61%	117	25%	60%	76
Overall Smart Design rating	40%	54%	122	45%	51%	78

Table C.8. Overall Ratings—Low-CPIA versus High-CPIA Countries (Project Data)

	Pre GAC						Post GAC					
	Low CPIA			High CPIA			Low CPIA			High CPIA		
To what extent does the project design respond to Governance and PE constraints in the following ways?	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed
Project design adapted to informal/actual reality	40%	55%	82	30%	55%	40	39%	50%	44	44%	50%	34
Strengthening management of relevant public agencies	44%	51%	82	33%	58%	40	48%	43%	44	47%	50%	34
Support for rule-based decision-making and accounta-bility	38%	51%	81	18%	50%	40	30%	59%	44	47%	47%	34
Proactive measures to include disadvantaged groups	36%	32%	81	32%	32%	38	41%	18%	44	32%	29%	34
Please rate the extent to which the Bank's approach incorporated smart design in the following areas:												
Quality of governance and political economy analysis	19%	59%	79	5%	63%	38	19%	57%	42	33%	48%	33
Quality of enhanced fiduciary aspects	29%	60%	78	8%	66%	38	33%	58%	40	27%	67%	33
Demand-side of governance	35%	48%	79	22%	36%	36	17%	55%	42	24%	44%	34
Use of country systems	27%	44%	78	12%	42%	33	41%	30%	37	22%	47%	32
Quality of institutional strengthening	28%	67%	79	14%	73%	37	27%	66%	41	18%	79%	34
Results orientation	28%	61%	79	16%	61%	38	24%	64%	42	26%	56%	34

Table C.9. Overall Ratings—IDA versus IBRD Countries (Project Data)

	Pre GAC						Post GAC					
	IDA			IBRD			IDA			IBRD		
To what extent does the project design respond to Governance and PE constraints in the following ways?	To a Great Extent	Some-what	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed
Project design adapted to informal/actual reality	30%	61%	83	51%	41%	39	38%	57%	42	44%	42%	36
Strengthening management of relevant public agen-cies	39%	58%	83	44%	44%	39	45%	43%	42	50%	50%	36
Support for rule-based decision-making and accoun-tability	30%	50%	82	33%	51%	39	38%	52%	42	36%	56%	36
Proactive measures to include disadvantaged groups	31%	40%	81	42%	16%	38	45%	26%	42	28%	19%	36
Please rate the extent to which the Bank's approach incorporated smart design in the following areas:												
Quality of governance and political economy analysis	12%	62%	81	19%	58%	36	13%	60%	40	40%	46%	35
Quality of enhanced fiduciary aspects	20%	62%	79	27%	62%	37	33%	54%	39	26%	71%	34
Demand-side of governance	25%	52%	81	47%	26%	34	18%	60%	40	22%	39%	36
Use of country systems	22%	47%	79	25%	34%	32	30%	41%	37	34%	34%	32
Quality of institutional strengthening	21%	72%	81	29%	63%	35	20%	73%	40	26%	71%	35
Results orientation	17%	70%	81	39%	39%	36	28%	63%	40	22%	58%	36

Table C.10. Overall Ratings—CGAC/Window versus Other Countries (Project Data)

	Pre GAC						Post GAC					
	CGAC/Window			Others			CGAC/Window			Others		
To what extent does the project design respond to Governance and PE constraints in the following ways?	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed
Project design adapted to informal/actual reality	40%	53%	83	31%	59%	39	41%	48%	56	41%	55%	22
Strengthening management of relevant public agencies	37%	55%	83	46%	49%	39	50%	46%	56	41%	45%	22
Support for rule-based decision-making and accountabil-ity	38%	44%	82	18%	64%	39	32%	57%	56	50%	45%	22
Proactive measures to include disadvantaged groups	38%	31%	80	28%	33%	39	34%	27%	56	45%	14%	22
Please rate the extent to which the Bank's approach incorporated smart design in the following areas:												
Quality of governance and political economy analysis	18%	59%	80	8%	65%	37	23%	58%	53	32%	41%	22
Quality of enhanced fiduciary aspects	31%	58%	78	5%	71%	38	37%	55%	51	14%	77%	22
Demand-side of governance	34%	43%	79	25%	47%	36	20%	48%	54	18%	55%	22
Use of country systems	25%	41%	75	17%	47%	36	35%	31%	48	24%	52%	21
Quality of institutional strengthening	22%	71%	78	26%	66%	38	22%	76%	54	24%	62%	21
Results orientation	25%	59%	79	21%	63%	38	20%	63%	54	36%	55%	22

Table C.11. Overall Ratings—Fragile versus Non-fragile Countries (Project Data)

	Pre GAC						Post GAC					
	Fragile		Non Fragile				Fragile			Non Fragile		
To what extent does the project design respond to Governance and PE constraints in the following ways?	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some what	# of Projects reviewed
Project design adapted to informal/actual reality	35%	52%	23	37%	56%	99	50%	30%	10	40%	53%	68
Strengthening management of relevant public agencies	35%	61%	23	41%	52%	99	50%	30%	10	47%	49%	68
Support for rule-based decision-making and accounta-bility	14%	50%	22	35%	51%	99	30%	40%	10	38%	56%	68
Proactive measures to include disadvantaged groups	27%	36%	22	36%	31%	97	40%	40%	10	37%	21%	68
Please rate the extent to which the Bank's approach incorporated smart design in the following areas:												
Quality of governance and political economy analysis	14%	45%	22	15%	64%	95	33%	33%	9	24%	56%	66
Quality of enhanced fiduciary aspects	18%	59%	22	23%	63%	94	14%	71%	7	32%	61%	66
Demand-side of governance	13%	65%	23	36%	39%	92	22%	56%	9	19%	49%	67
Use of country systems	4%	43%	23	27%	43%	88	0%	50%	8	36%	36%	61
Quality of institutional strengthening	18%	68%	22	24%	69%	94	44%	44%	9	20%	76%	66
Results orientation	5%	82%	22	28%	56%	95	33%	44%	9	24%	63%	67

Table C.12. Overall Ratings—Investment Lending versus DPOs (Project Data)

	Pre GAC						Post GAC					
	Investment Lending			Development Policy Operations			Investment Lending			Development Policy Operations		
To what extent does the project design respond to Governance and PE constraints in the following ways?	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Some-what	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects re-viewed	To a Great Extent	Some-what	# of Projects reviewed
Project design adapted to informal/actual reality	36%	56%	104	47%	47%	17	41%	48%	58	42%	53%	19
Strengthening management of relevant public agencies	38%	55%	104	53%	41%	17	50%	43%	58	42%	58%	19
Support for rule-based decision-making and ac-countability	26%	52%	103	65%	35%	17	29%	59%	58	58%	42%	19
Proactive measures to include disadvantaged groups	35%	32%	101	35%	35%	17	34%	24%	58	42%	21%	19
Please rate the extent to which the Bank's approach incorporated smart design in the following areas:												
Quality of governance and political economy analy-sis	11%	61%	99	35%	59%	17	20%	52%	56	44%	56%	18
Quality of enhanced fiduciary aspects	19%	65%	99	44%	44%	16	28%	63%	54	39%	56%	18
Demand-side of governance	32%	44%	98	25%	50%	16	25%	42%	57	6%	72%	18
Use of country systems	16%	45%	94	63%	31%	16	22%	41%	51	65%	29%	17
Quality of institutional strengthening	21%	71%	99	38%	56%	16	21%	74%	57	29%	71%	17
Results orientation	20%	63%	99	47%	47%	17	23%	61%	57	33%	61%	18

Table C.13. Overall Ratings—By Region (Project Data)

To what extent does the project design respond to Governance and PE constraints in the following ways?													
	Pre GAC			Post GAC				Pre GAC			Post GAC		
Project design adapted to informal/actual reality	To a Great Extent	Somewhat	# of project reviewed	To a Great Extent	Some-what	# of Projects re-viewed	**Strengthening management of relevant public agencies**	To a Great Extent	Some-what	# of project reviewed	To a Great Extent	Some-what	# of project re-viewed
AFR	19%	63%	27	28%	61%	18	AFR	15%	78%	27	39%	44%	18
EAP	43%	52%	23	43%	57%	7	EAP	43%	52%	23	71%	29%	7
ECA	53%	47%	19	62%	31%	13	ECA	53%	42%	19	54%	46%	13
LCR	45%	45%	22	53%	42%	19	LCR	55%	32%	22	53%	42%	19
MNA	33%	58%	12	36%	36%	11	MNA	33%	58%	12	45%	55%	11
SAR	32%	63%	19	20%	80%	10	SAR	47%	53%	19	30%	60%	10

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Support for rule-based decision-making and accountability	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Some what	Post GAC # of Projects reviewed	Proactive measures to include disadvantaged groups	Pre GAC To a Great Extent	Pre GAC Some-what	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Some-what	Post GAC # of Projects reviewed
AFR	26%	41%	27	39%	50%	18	AFR	38%	31%	26	33%	39%	18
EAP	36%	41%	22	57%	29%	7	EAP	32%	50%	22	57%	14%	7
ECA	26%	74%	19	38%	62%	13	ECA	21%	37%	19	46%	15%	13
LCR	32%	55%	22	37%	63%	19	LCR	43%	14%	21	32%	21%	19
MNA	17%	42%	12	27%	36%	11	MNA	17%	25%	12	18%	27%	11
SAR	47%	53%	19	30%	70%	10	SAR	47%	32%	19	50%	10%	10

Please rate the extent to which the Bank's approach incorporated smart design in the following areas:

Quality of governance and political economy analysis	Pre GAC To a Great Extent	Pre GAC Some-what	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Some-what	Post GAC # of Projects reviewed	Quality of enhanced fiduciary aspects	Pre GAC To a Great Extent	Pre GAC Some-what	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Some-what	Post GAC # of Projects reviewed
AFR	4%	52%	27	19%	63%	16	AFR	11%	63%	27	38%	56%	16
EAP	9%	68%	22	14%	43%	7	EAP	10%	62%	21	17%	83%	6
ECA	11%	83%	18	31%	69%	13	ECA	22%	78%	18	46%	46%	13
LCR	30%	35%	20	42%	42%	19	LCR	38%	43%	21	21%	74%	19
MNA	9%	73%	11	30%	20%	10	MNA	10%	90%	10	11%	78%	9
SAR	26%	63%	19	0%	80%	10	SAR	42%	53%	19	40%	40%	10

Demand-side of governance	Pre GAC To a Great Extent	Pre GAC Some-what	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Some-what	Post GAC # of Projects reviewed	Use of country systems	Pre GAC To a Great Extent	Pre GAC Some what	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Some-what	Post GAC # of Projects reviewed
AFR	30%	33%	27	19%	56%	16	AFR	11%	41%	27	40%	27%	15
EAP	27%	55%	22	14%	43%	7	EAP	29%	33%	21	0%	43%	7
ECA	39%	39%	18	31%	54%	13	ECA	27%	40%	15	45%	18%	11
LCR	40%	35%	20	26%	37%	19	LCR	33%	33%	21	26%	58%	19
MNA	11%	56%	9	9%	36%	11	MNA	0%	63%	8	25%	25%	8
SAR	32%	58%	19	10%	80%	10	SAR	26%	63%	19	44%	44%	9

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Quality of institutional strengthening	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Somewhat	Post GAC # of Projects reviewed
AFR	8%	73%	26	13%	81%	16
EAP	22%	74%	23	29%	57%	7
ECA	18%	82%	17	23%	77%	13
LCR	43%	48%	21	39%	56%	18
MNA	20%	70%	10	18%	73%	11
SAR	32%	68%	19	10%	90%	10

Results orientation	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Somewhat	Post GAC # of Projects reviewed
AFR	15%	62%	26	31%	56%	16
EAP	22%	65%	23	57%	43%	7
ECA	17%	72%	18	15%	77%	13
LCR	40%	50%	20	32%	47%	19
MNA	9%	55%	11	9%	64%	11
SAR	37%	58%	19	10%	80%	10

Table C.14. Overall Ratings—by Network (Project Data)

To what extent does the project design respond to Governance and PE constraints in the following ways?

Project design adapted to informal/actual reality	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Somewhat	Post GAC # of Projects reviewed
FPD	33%	58%	12	0%	70%	10
GOV/EPOL	19%	76%	21	40%	60%	20
HD	48%	48%	27	41%	47%	17
NFRA	37%	44%	27	64%	29%	14
SDV	37%	57%	30	53%	42%	19

Strengthening management of relevant public agencies	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Somewhat	Post GAC # of Projects reviewed
FPD	33%	58%	12	30%	60%	10
GOV/EPOL	52%	38%	21	50%	50%	20
HD	41%	59%	27	59%	41%	17
NFRA	37%	56%	27	64%	36%	14
SDV	40%	53%	30	32%	42%	19

Support for rule-based decision-making and accountability	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Somewhat	Post GAC # of Projects reviewed
FPD	25%	67%	12	11%	67%	9
GOV/EPOL	43%	48%	21	60%	40%	20
HD	26%	48%	27	29%	65%	17
NFRA	30%	52%	27	21%	64%	14
SDV	30%	50%	30	47%	42%	19

Proactive measures to include disadvantaged groups	Pre GAC To a Great Extent	Pre GAC Somewhat	Pre GAC # of Projects reviewed	Post GAC To a Great Extent	Post GAC Somewhat	Post GAC # of Projects reviewed
FPD	8%	17%	12	11%	22%	9
GOV/EPOL	10%	38%	21	25%	10%	20
HD	48%	48%	27	47%	18%	17
NFRA	40%	28%	25	21%	43%	14
SDV	50%	23%	30	63%	21%	19

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Please rate the extent to which the Bank's approach incorporated smart design in the following areas:

	Pre GAC			Post GAC		
Quality of governance and political economy analysis	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed
FPD	23%	54%	13	13%	50%	8
GOV/EPOL	5%	74%	19	38%	52%	21
HD	24%	59%	29	8%	54%	13
NFRA	9%	65%	23	27%	53%	15
SDV	13%	53%	30	28%	56%	18

	Pre GAC			Post GAC		
Quality of enhanced fiduciary aspects	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed
FPD	29%	57%	14	13%	75%	8
GOV/EPOL	21%	68%	19	38%	62%	21
HD	26%	67%	27	27%	64%	11
NFRA	13%	57%	23	27%	67%	15
SDV	27%	57%	30	33%	50%	18

	Pre GAC			Post GAC		
Demand-side of governance	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed
FPD	8%	46%	13	25%	38%	8
GOV/EPOL	17%	61%	18	5%	67%	21
HD	41%	38%	29	14%	43%	14
NFRA	27%	45%	22	27%	33%	15
SDV	43%	37%	30	33%	56%	18

	Pre GAC			Post GAC		
Use of country systems	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed
FPD	9%	45%	11	14%	57%	7
GOV/EPOL	32%	47%	19	50%	35%	20
HD	20%	48%	25	25%	50%	12
NFRA	26%	43%	23	23%	23%	13
SDV	23%	33%	30	29%	35%	17

	Pre GAC			Post GAC		
Quality of institutional strengthening	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed
FPD	8%	83%	12	25%	75%	8
GOV/EPOL	32%	58%	19	30%	65%	20
HD	34%	59%	29	14%	86%	14
NFRA	22%	65%	23	13%	80%	15
SDV	17%	80%	30	28%	61%	18

	Pre GAC			Post GAC		
Results orientation	To a Great Extent	Somewhat	# of Projects reviewed	To a Great Extent	Somewhat	# of Projects reviewed
FPD	7%	79%	14	13%	63%	8
GOV/EPOL	16%	58%	19	29%	67%	21
HD	24%	72%	29	29%	50%	14
NFRA	22%	57%	23	7%	80%	15
SDV	41%	41%	29	39%	44%	18

Appendix D
Detailed Desk Review Findings for Country Programs and Projects

CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS reviewed	% Yes
1. Are the following governance constraints diagnosed in the CAS?				
Property Rights and Rule-based Governance	41	76%	37	78%
Quality of Budgetary and Financial Management	41	95%	37	95%
Efficiency of Revenue Mobilization	41	83%	37	81%
Quality of Public Administration	41	95%	37	92%
Transparency, Accountability, and Corruption in the Public Sector	41	88%	37	86%
Gender Equality	41	59%	37	65%
Equity of Public Resource Use	41	73%	37	73%
Building Human Resources	41	83%	37	92%
Social Protection and Labor	41	71%	37	73%
Policies and Institutions for Environmental Sustainability	41	71%	37	73%
Business Regulatory Environment	41	85%	37	97%
Political Stability	39	33%	36	28%
2. Is governance one of the pillars of the CAS?	41	95%	36	86%
3. Based on the CAS—Does the country have the following mechanisms to support the GAC objectives?				
PRSP or Other Defined Strategy	41	90%	37	89%
Policy, Law and/or Regulation	41	63%	37	65%
Organizations responsible for implementing governance reform	41	49%	37	62%
4. Is core public sector management identified as an entry point in the CAS?	41	100%	37	100 %
5. Which of the following specific entry points are identified?				
Public Financial Management (PFM)	41	100%	37	92%
Administration and Civil Service Reform (CSR)	41	68%	36	50%
Revenue Management	41	73%	36	64%
Decentralization	41	56%	36	64%
Anti-corruption	41	56%	36	53%
Sectoral capacity-service delivery	41	88%	37	97%
6. Which of the following instruments are used to support core public sector management as an entry point?				
Other	41	24%	36	19%
DPL	41	39%	36	28%

CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS reviewed	% Yes
Programmatic DPL	41		36	44%
IL	41	80%	37	68%
Programmatic IL	41	24%	37	24%
Risk Management (e.g. Guarantees and Hedging insurance pools)	40	15%	37	3%
TA	41	93%	37	92%
ESW	41	90%	37	95%
Trust fund support	41	51%	37	65%
7. Is strengthening domestic accountability institutions identified as an entry point in the CAS?	41	68%	37	68%
Legislative institutions	28	39%	25	44%
External Audit function	27	56%	25	60%
Judiciary	27	74%	25	40%
Ombudsman	27	4%	25	0%
Global initiatives (e.g. AML/CTF, STAR)	27	11%	25	24%
Public Procurement (Offices in charge regulations and/or appeals review bodies)	27	41%	25	36%
Media	27	15%	25	32%
Right to Information	28	29%	25	28%
8. Which of the following instruments are used to support strengthening domestic accountability institutions as an entry point?				
DPL	27	19%	25	28%
Programmatic DPL	27	30%	25	44%
IL	27	74%	25	64%
Programmatic IL	26	8%	25	4%
Risk Management (e.g. Guarantees and Hedging insurance pools)	27	0%	25	0%
TA	28	68%	25	84%
ESW	28	79%	25	84%
Trust fund support	26	46%	25	56%
Other	26	23%	25	32%

CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS re-viewed	% Yes
9. Are promoting civil society and strengthening the demand side identified as entry points in the CAS?	41	68%	37	70%
10. Which of the following specific entry points are identified?				
Promoting Civil Society and Demand side includes promoting:	26	88%	24	83%
Civil Society Organizations	28	93%	26	77%
Organized Private Sector	28	25%	26	23%
Professional Associations	28	14%	26	0%
Consultative mechanisms (tripartite council, Business-government dialogues)	26	23%	26	31%
11.Which of the following instruments are used to support promoting civil society and strengthening the demand side as an entry point?				
Other	28	29%	26	27%
DPL	28	11%	26	8%
Programmatic DPL	28	11%	26	15%
IL	28	54%	26	50%
Programmatic IL	28	11%	26	8%
Risk Management (e.g. Guarantees and Hedging insurance pools)	27	4%	26	0%
TA	28	61%	26	73%
ESW	28	64%	26	58%
Trust fund support	27	22%	26	58%
12. Is strengthening the investment climate identified as an entry point in the CAS?	41	100%	37	97%
13. Which of the following specific entry points are identified?				
Private sector development (privatization, SOE restructuring, private participation in infrastructure, enterprise support, financial linkages, etc.)	41	85%	36	86%
Regulatory reform (licensing & permits, customs, labor, corporate taxation)	41	78%	36	86%
Corporate governance	41	44%	36	33%
Land and real estate markets	41	39%	36	31%
Extractive industries	41	34%	36	33%
14. Which of the following instruments are used to support strengthening the investment climate?				
Other	40	15%	36	22%
DPL	41	29%	36	22%
Programmatic DPL	41	32%	36	36%

CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS re-viewed	% Yes
IL	41	61%	36	69%
Programmatic IL	41	10%	36	3%
Risk Management (e.g. Guarantees and Hedging insurance pools)	41	17%	36	19%
TA	41	80%	36	86%
ESW	41	90%	36	83%
Trust fund support	41	29%	36	33%
ESW	41	90%	36	83%
Trust fund support	41	29%	36	33%
15. Was the justification for GAC entry points the result of political economy and governance analysis?	41	93%	37	86%
16. Is any governance and political economy analysis planned in the current CAS strategy?				
Social assessments	40	48%	36	47%
Poverty and Social Impact Assessment	41	68%	37	54%
Public Expenditure Review	40	68%	37	68%
Country Economic Memorandum	41	56%	37	49%
Institutional Governance Review	41	10%	36	17%
Technical Assistance Activity	41	73%	37	62%
Self-standing political economy analysis (PEA)	41	2%	36	14%
Country Procurement Assessment Review (CPAR)	41	66%	37	27%
Country Financial Accountability Assessment (CFAA)	41	68%	36	19%
17. Was governance and political economy analysis implemented using any of the following instruments?				
Social assessments	24	67%	9	78%
Poverty and Social Impact Assessment	29	90%	10	60%
Public Expenditure Review	33	88%	14	86%
Country Economic Memorandum	26	65%	10	60%
Institutional Governance Review	10	40%	4	50%
Technical Assistance Activity	28	93%	9	78%
Self-standing political economy analysis	9	22%	2	0%
Country Procurement Assessment Review	28	68%	9	78%
Country Financial Accountability Assessment	30	60%	9	56%
18. Does the CAS propose to use any of the following country systems in programs and projects?				

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CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS reviewed	% Yes
Financial management (on-budget, fiscal calendar, provision for O&M/recurrent at appropriate levels, budget execution)	41	32%	37	35%
Audit	41	17%	37	19%
Procurement (NCB-National Competitive Bidding)	41	22%	37	19%
Civil service and personnel rules (e.g. mainstreaming of project management units)	41	15%	37	19%
Local government, e.g. Intergovernmental transfers	41	20%	37	27%
19. Were the following country systems actually used in programs and projects during implementation?				
Financial management (on-budget, fiscal calendar, provision for O&M/recurrent at appropriate levels, budget execution)	16	75%	10	50%
Audit	13	54%	8	25%
Procurement (NCB-National Competitive Bidding)	19	47%	8	25%
Civil service and personnel rules (e.g. mainstreaming of project management units)	12	50%	7	29%
Local government, e.g. Intergovernmental transfers	14	57%	8	38%
20. Were GAC issues addressed through the following coordination mechanisms?				
Harmonized/ multidonor serial budget support	41	41%	36	42%
Sectorwide approaches	41	39%	36	44%
Shared analytic work	41	85%	36	67%
Multi-donor trust fund	41	39%	36	50%
Joint portfolio reviews	41	32%	36	33%
Information sharing	41	93%	36	83%
21. Are the following risks cited in the CAS?				
Political stability	41	83%	37	70%
Security	41	46%	37	35%
State institutions and capacity	41	83%	37	86%
Fraud and Corruption	41	46%	37	59%
Fiduciary risk management	41	68%	37	70%
22. Does the CAS include any of the following Risk Management Measures?				
Early warning system	41	10%	37	14%
Joint financial management review with donors	41	32%	37	27%
Risk reviews	41	15%	37	14%
Governance filters	41	5%	37	5%
Anti-corruption action plans	41	27%	37	27%
Partial/full disengagement plan	40	15%	37	5%
Lending Scenarios	41	51%	37	32%

CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS reviewed	% Yes
23. Were any of the following Risk Mitigation Measures implemented?				
Early warning system	39	5%	15	7%
Joint financial management evaluation management review with donors	39	26%	15	33%
Risk reviews	39	8%	15	0%
Governance filters	39	3%	15	0%
Anti-corruption action plans	39	23%	15	13%
Partial/full disengagement plan	39	8%	15	0%
Adoption of lending scenarios	39	26%	15	7%
24. Did any unanticipated events affect the GAC aspects of the CAS?	41	39%	37	22%
25. Were GAC entry points relating to PSM mentioned in the CAS results framework (for instance, PFM, CSR, revenue administration, etc.)?	41	98%	37	100%
26. If yes, which of the following types of indicators were identified for PSM-related entry points?				
Process	41	76%	37	68%
Actionable	41	78%	37	86%
Institutional Outcome	41	34%	37	35%
27. Of CASs that identified indicators, what share collected data?				
Process indicators	31	94%	25	40%
Actionable indicators	32	94%	32	31%
Institutional Outcome indicators	14	79%	13	38%
None (CASs which didn't identify any indicators for at least one sub-entry point under Core PSM)	34	97%	34	41%
28. Were GAC entry points relating to Domestic Accountability institutions mentioned in the CAS results framework (for instance, Legislative, External Audit, Judiciary, Global Initiatives, etc.)?	39	51%	36	67%
29. If yes, which of the following types of indicators were identified for Domestic Accountability institutions-related entry points?				
Process indicators	41	27%	37	32%
Actionable indicators	41	41%	37	38%
Institutional Outcome indicators	41	10%	37	14%
None (that is, indicators were not identified for an entry point mentioned in the CAS)	41	49%	37	68%

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APPENDIX D
DETAILED DESK REVIEW FINDINGS FOR COUNTRY PROGRAMS AND PROJECTS

CAS Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of CAS/CPS reviewed	% Yes	# of CAS/CPS re-viewed	% Yes
30. Of CASs that identified indicators, what share collected data?				
Process indicators	11	55%	12	33%
Actionable indicators	17	65%	14	14%
Institutional Outcome indicators	4	50%	5	0%
31. Were GAC entry points relating to Civil society and Demand side mentioned in the CAS results framework (for instance, CSOs, organized private sector, professional associations etc.)?	38	47%	36	47%
32. If yes, which of the following types of indicators were identified for promoting civil society and demand-side related entry points				
Process indicators	41	32%	37	27%
Actionable indicators	41	22%	37	19%
Institutional Outcome indicators	41	5%	37	8%
None (that is, indicators were not identified for an entry point mentioned in the CAS)	41	44%	37	46%
33. Of CASs that identified indicators, what share collected data?				
Process indicators	13	69%	10	40%
Actionable indicators	9	44%	7	29%
Institutional Outcome indicators	2	0%	3	33%
34. Of CASs that identified indicators, what share collected data?				
Process indicators	13	69%	10	40%
Actionable indicators	9	44%	7	29%
Institutional Outcome indicators	2	0%	3	33%
35. Were GAC entry points relating to Investment Climate mentioned in the CAS Results Matrix (for instance PSD, Regulatory reform, corporate governance, extractive industry etc.)?	40	90%	37	92%
37. If yes, which of the following types of indicators were identified for Investment Climate related entry points				
Process indicators	41	56%	37	57%
Actionable indicators	41	73%	37	73%
Institutional Outcome indicators	41	24%	37	22%
None (that is, indicators were not identified for an entry point mentioned in the CAS)	41	85%	37	92%
38. Of CASs that identified indicators, what share collected data?				
Process indicators	23	91%	21	38%
Actionable indicators	30	83%	27	44%
Institutional Outcome indicators	10	70%	8	13%

Project Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
1. Does the project address:				
Domestic Accountability Institutions	122	28%	78	23%
Primary Education	122	19%	78	12%
Roads and Highways	122	16%	78	13%
2. Does the project address the following Core Public Sector Management entry points?				
Public Financial Management (PFM)	122	37%	78	46%
Administration and Civil Service Reform (CSR)	121	18%	78	27%
Revenue Management	122	20%	78	32%
Decentralization	121	39%	78	27%
Sectoral capacity-service delivery	122	84%	78	77%
Anti-corruption	119	17%	78	27%
3. Does the project address the following Domestic Accountability entry points?				
Legislative institutions	121	7%	77	8%
External Audit function	121	12%	78	27%
Judiciary	121	3%	77	12%
Ombudsman	121	2%	77	3%
Global initiatives (e.g. AML/CTF, STAR)	121	3%	77	3%
Public Procurement (Offices in charge regulations and/or appeals review bodies)	122	11%	78	17%
Media	121	16%	76	8%
Right to Information	122	11%	77	9%
4. Does the project address the following demand- side entry points?				
Civil Society Organizations	122	55%	77	40%
Organized Private Sector	121	18%	78	21%
Professional Associations	121	10%	76	12%
Consultative mechanisms (tripartite council, Business-government dialogues)	105	12%	77	19%
5. Does the project address the following Investment Climate entry points?				
Private sector development (privatization, SOE restructuring, private participation in infrastructure, financial linkages, etc.)	122	44%	78	47%
Regulatory reform (licensing & permits, customs, labor, corporate taxation)	118	19%	77	29%
Corporate governance	121	7%	78	17%
Land and real estate markets	121	12%	78	14%
Extractive industries	122	6%	77	8%
6. Is the project based on an analysis of formal institutions (e.g. organizational structures, decision-making rules, staff skills and capacity, and reporting and accountability arrangements)?	121	83%	78	90%

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Project Questionnaire- IEG desk review findings	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
7. Does the analysis mention any of the following informal institutions:				
Relevant historical legacies	120	50%	77	64%
Cultural practices, norms, or other traditions influencing project	121	36%	77	29%
Informal relations (conflict, cooperation) among different levels of government	120	32%	77	35%
Social, regional, ethnic, religious, or linguistic relations (including inequality, conflict, cooperation, etc.)	119	44%	74	38%
Electioneering and/or electoral cycles	117	15%	75	13%
Rent-seeking	120	26%	76	38%
8. Do the project documents mention the following stakeholders:				
Project beneficiaries	121	89%	78	91%
Adversely affected persons	122	48%	77	53%
Policy-makers/decision makers	121	86%	77	87%
Donors	122	90%	78	83%
Staff of implementing agencies	122	89%	78	81%
Civil society organizations	121	64%	78	65%
Private sector	121	62%	78	68%
9. Did governance and political economy analysis draw on the following ESW?				
Social assessments	121	31%	78	31%
Poverty and Social Impact Assessment	121	26%	78	40%
Public Expenditure Review	121	23%	78	28%
Country Economic Memorandum	121	15%	78	21%
Institutional Governance Review	121	12%	78	4%
Technical Assistance activity	121	51%	78	47%
Self-standing political economy analysis (PEA)	120	1%	78	1%
10. Does the project include the following financial design features?				
Subprojects (e.g. challenge grants)	122	42%	78	31%
Results-based financing	122	16%	78	5%
Incremental O&M financing	121	36%	78	32%
Budget support	120	22%	78	26%
Complementary DPL and IL (implemented in parallel)	122	28%	77	22%
Other	121	89%	78	91%
11. Was the project restructured during implementation?	112	29%	60	7%

Project Questionnaire- IEG desk review findings	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
12. Why was the project restructured during implementation?				
Fiduciary risks	29	7%	3	0%
Political factors	27	15%	3	33%
Institutional factors	31	29%	3	67%
Technical reasons	27	59%	3	33%
13. Were the following measures to minimize risk of misuse of funds included:				
Arrangements for technical/program audit (in addition to FM audits)	122	32%	78	23%
Arrangements for random post-audits	122	25%	78	22%
Arrangements for on-site field verification	122	34%	78	29%
Transparency for fiduciary aspects	122	46%	78	45%
Governance and anti-corruption action plan	122	7%	77	26%
Special arrangements for high value/high risk contracts	121	7%	77	13%
Arrangements for a communication plan	122	36%	76	41%
M&E of GAC Measures	122	34%	77	44%
14. Were the following measures to minimize risk of misuse of funds implemented:				
Arrangements for technical/program audit (in addition to FM audits)	80	35%	33	21%
Arrangements for random post-audits	86	27%	32	16%
Arrangements for on-site field verification	80	40%	33	27%
Transparency for fiduciary aspects	85	51%	34	44%
Governance and anti-corruption action plan	78	10%	33	18%
Special arrangements for high value/high risk contracts	77	6%	32	6%
Arrangements for a communication plan	86	36%	30	20%
M&E of GAC Measures	88	40%	32	28%
15. Is there a self-standing PIU or not?	122	61%	78	62%
16. Does the project propose to use country systems?	74	55%	48	50%
17. Does the project propose to use the following country systems?				
On-budget	74	55%	49	67%
Fiscal calendar	74	47%	49	65%
Provision for O&M/recurrent at appropriate levels	74	47%	49	45%

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Project Questionnaire- IEG desk review findings	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
Existing intergovernmental transfers	74	45%	48	44%
Budget execution	74	62%	49	63%
Civil service and personnel rules	74	65%	48	77%
Audit	75	59%	49	71%
NCB Procurement (Note: The issue is whether procurement is allowed with minimal changes to normal country procedures, or else whether substantial changes are required by the Bank, through a side letter or something else).	74	68%	49	61%
18. Did the project use the following country systems?				
On-budget	45	80%	26	88%
Fiscal calendar	43	74%	24	88%
Provision for O&M/recurrent at appropriate levels	45	73%	20	55%
Existing intergovernmental transfers	41	73%	22	64%
Budget execution	45	89%	22	86%
Civil service and personnel rules	54	83%	32	78%
NCB Procurement	51	80%	24	83%
Audit	49	88%	24	79%
19. Does the project propose to support institutional strengthening in the following areas:				
Cross-cutting: Budget systems (FM and procurement)	121	41%	78	51%
Cross-cutting: HR systems	121	23%	77	23%
Specific ministries, agencies, departments, or organizations	121	84%	78	81%
Local governments	120	46%	77	36%
Community organizations	122	50%	77	39%
Monitoring and Evaluation	122	65%	77	75%
20. Did the project support institutional strengthening in the following areas:				
Cross-cutting: Budget systems (FM and procurement)	76	57%	37	68%
Cross-cutting: HR systems	65	35%	26	31%
Specific ministries, agencies, departments, or organizations	95	92%	44	89%
Local governments	75	64%	29	62%
Community organizations	78	64%	28	61%
Monitoring and Evaluation	84	81%	40	80%
21. Does the project identify the need for the following supplemental supervision requirements for fiduciary aspects of the project:				
Resources allocated to supervise GAC measures	108	6%	64	17%

Project Questionnaire- IEG desk review findings	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
Decentralized or outsourced supervision including unannounced site visits	113	26%	70	23%
Integrated Procurement, FM and Technical Reviews	109	20%	68	16%
Higher percentage of ex-post reviews for high risk projects	109	14%	67	10%
Plan for enhanced supervision by the Bank/Development partners	113	25%	71	37%
Other	111	28%	67	31%
22. Were any of the following supplemental supervision requirements for fiduciary aspects used during project implementation:				
Resources allocated to supervise GAC measures	82	7%	35	17%
Decentralized or outsourced supervision including unannounced site visits	85	25%	42	19%
Integrated Procurement, FM and Technical Reviews	80	24%	36	14%
Higher percentage of ex-post reviews for high risk projects	82	12%	34	6%
Plan for enhanced supervision by the Bank/Development partners	86	24%	38	32%
Other	80	29%	38	32%
23. Are the following measures for user/beneficiary participation in decision-making and implementation included in project design:				
Institutional arrangements for beneficiary participation, such as PTAs, WUAs, community forest associations, etc.	122	46%	77	45%
Beneficiary or CSO involvement in decision-making over sub-project selection or resource utilization	121	45%	77	36%
Beneficiary or CSO verification before payments made at local level	122	11%	75	4%
Capacity building for stakeholder participation	122	51%	78	41%
Provisions for beneficiary/user feedback to impact program redesign or reallocation of resources during implementation	122	28%	76	29%
Other	121	21%	74	22%

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Project Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
24. Does the project provide disclosure of information in any or all of the following ways?				
Measures to comply with national Right-to-Information rules	87	3%	62	0%
Provisions for public disclosure of project documents by the borrower (including procurement audit documents, audit reports, budgets, project progress information, performance scorecards, etc.)	96	31%	61	48%
Communication plan that explicitly identifies channel(s) for public disclosure of project information	106	42%	66	47%
Identification of indicators to monitor effectiveness of transparency mechanisms (for example, feedback received)	105	37%	67	27%
25. Does the project require complaints and grievance redress mechanisms?	122	30%	78	32%
If Yes, are the following included in the project design:				
Formal mechanisms for grievance redress, e.g. Appeals Committee, Ombudsman, Complaints Office, etc.?	36	92%	22	95%
Does the grievance redress agency have the authority to take or demand remedial action?	13	54%	15	73%
Are formal grievance redress mechanisms obliged to take action on all complaints?	16	69%	12	75%
Does project design include mechanisms to maintain records of complaints received and action taken?	26	77%	15	73%
Is the grievance redress agency obliged to provide written feedback to the petitioner on actions taken?	14	50%	10	60%
26. Does the project include provisions for monitoring and beneficiary feedback?	120	70%	78	67%
27. Does the design include the following mechanisms to support beneficiary monitoring of the project?				
Public service delivery survey	86	33%	52	27%
Citizens report card	87	7%	51	0%
Social audit	87	6%	51	2%
Participatory public expenditure tracking survey	87	3%	51	6%
Consumer satisfaction survey	86	33%	52	27%
Continuous Social Impact Assessment (CSIA)	87	13%	51	8%
Third-party monitoring	85	36%	51	33%
Citizen charters/boards	87	15%	51	8%
28. Does the project's results framework include any of the following generic GAC elements?				
Governance and Political Economy Analysis	121	24%	78	36%

Project Questionnaire- IEG desk review findings

	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects re-viewed	% Yes
Fiduciary Aspects	121	42%	78	49%
Demand-side Measures	121	63%	78	49%
29. Were GAC entry points relating to PSM mentioned in the project results framework (for instance, PFM, CSR, revenue administration, etc.)?	120	83%	76	83%
30. If yes, which of the following types of indicators were identified for PSM-related entry points?				
Process	101	69%	61	75%
Actionable	101	79%	61	77%
Institutional Outcome	101	33%	61	36%
31. Of projects that identified indicators, what share collected data?				
Process indicators	101	60%	61	41%
Actionable indicators	101	70%	61	51%
Institutional Outcome indicators	101	31%	61	20%
32. Were GAC entry points relating to Domestic Accountability institutions mentioned in the project results framework (for instance, Legislative, External Audit, Judiciary, Global Initiatives, Media etc.)?	118	26%	77	23%
33. If yes, which of the following types of indicators were identified for Domestic Accountability institutions-related entry points?				
Process indicators	31	48%	18	61%
Actionable indicators	31	48%	18	56%
Institutional Outcome indicators	31	32%	18	17%
34. Of projects that identified indicators, what share collected data?				
Process indicators	31	48%	18	33%
Actionable indicators	31	39%	18	33%
Institutional Outcome indicators	31	29%	18	6%
35. Were GAC entry points relating to Civil society and Demandside mentioned in the project results framework (for instance, CSOs, organized private sector, professional associations etc.)?	118	56%	77	34%

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Project Questionnaire- IEG desk review findings				
	Pre GAC		Post GAC	
	# of Projects reviewed	% Yes	# of Projects reviewed	% Yes
36. If yes, which of the following types of indicators were identified for promoting civil society and demand-side related entry points				
Process indicators	65	60%	27	52%
Actionable indicators	65	55%	27	59%
Institutional Outcome indicators	65	25%	27	26%
37. Of projects that identified indicators, what share collected data?				
Process indicators	65	48%	27	30%
Actionable indicators	65	43%	27	41%
Institutional Outcome indicators	65	20%	27	22%
38. Were GAC entry points relating to Investment Climate mentioned in the project Results Matrix	116	36%	77	43%
39. If yes, which of the following types of indicators were identified for Investment Climate related entry points				
Process indicators	44	64%	31	74%
Actionable indicators	44	70%	31	58%
Institutional Outcome indicators	44	23%	31	29%
40. Of projects that identified indicators, what share collected data?				
Process indicators	44	57%	31	35%
Actionable indicators	44	59%	31	29%
Institutional Outcome indicators	44	18%	31	26%
41. Based upon information and data provided to you--Please rate the extent to which risks of misuse of funds (graft, fraud, corruption, leakage) are identified in the PAD?				
To a great extent	26	21%	28	36%
Somewhat	65	54%	38	49%
Not at all	30	25%	11	14%
42. What is the project's risk rating for Financial Management?				
High	20	20%	16%	21%
Substantial	17	17%	16%	23%
Moderate	5	50%	27	38%
Low	15	15%	4	6%
43. What is the project's risk rating for Procurement?				
High	46	42%	28	39%
Substantial	16	15%	15	21%
Moderate	33	30%	19	27%
Low	14	13%	9	13%
44. What is the project's risk rating for Overall Risks?				
High	17	18%	14	19%
Substantial	24	25%	27	37%
Moderate	50	52%	27	37%
Low	6	6%	5	7%

Appendix E
Econometric Analysis

1. This appendix uses data collected in the desk review (refer to Appendix A) and from World Bank databases to answer three overarching questions:

- What factors were associated with the aid selectivity of World Bank lending commitments?
- What factors were associated with the responsiveness of World Bank country programs and projects to various GAC elements?
- What factors were associated with the number of risk review measures in projects?

2. Two techniques were used to analyze the data. First, frequencies and cross-tabulations were used to assess correlations between ratings of GAC responsiveness and key variables. Pearson's Chi-2 significance tests were conducted for cross-tabulations and are reported in the main text. Frequencies for all ratings and data collected in the desk review are in appendixes C and D. Second, OLS, Logit, and appropriate multivariate regressions were used to analyze factors related to GAC responsiveness and aid effectiveness. All models report marginal effects of regression outcomes.

Evaluating Aid Selectivity

The basic aid-architecture estimation takes the following format:

$$\ln(A)_{\mathrm{i,t}} = \beta_0 + \beta_1(CPIA)_{i,t-1} + \beta_2\ln(GNI)_{i,t-1} + \beta_3\ln(Population)_{i,t-1} + \beta_4(\mathbf{x}) + \mu_t + \varepsilon_{i,t} \qquad (1)$$

where A is the specific aid allocation, measured as the natural log of the annual commitments or disbursements to country *i* in year *t* in 2008 constant dollars, *CPIA* is the governance-cluster CPIA score, *GNI* (Atlas method) in 2008 constant dollars, and *Population* is the total population, **x** is a vector of additional controls, μ represents cross-country invariant time-fixed effects, and ε is a random disturbance. Among the controls used: indicators of human rights protection and a measure of democracy in alternative estimations. In subsequent estimations, a binary variable coded 1 if the country received a development policy loan (DPL), 0 otherwise, is added. All dependent variables are lagged once to limit the risk that allocations are influencing any of these variables in the same year. The period under investigation is 2004–2010 for all estimations. All constant-dollar figures are converted from current dollars using the US CPI.

Evaluating GAC Responsiveness

3. GAC Responsiveness models assess how five sets of variables are associated with GAC Responsiveness.

$$Y_i = \alpha_i + \beta_1 Postgac_i + \beta_2\gamma_i + \beta_3\theta_i + \beta_3\varepsilon_i + \beta_3\varphi_i + \beta_3\delta_i + \mu_i \qquad (2)$$

In which:

Postgac = A dummy variable for whether or not the project is in the Post-GAC period;
γ = Upstream design variables;
θ = Financial design variables;
ε = Project Entry points; and
δ= Project-specific control variables

4. In addressing question one, tables E.5–, E.14 and E.17 explore what factors are associated with different measures of GAC responsiveness (Ratings for selectivity, smart design of project, risk management intensity, use of country systems, institutional strengthening, and political economy factors in country programs and projects). All hypotheses associated with these variables are two-tailed. Appendix E, table E.18 provides explanations for the operationalization of independent variables used in the multivariate analyses. One control variable of particular interest is the association between CGAC/Window countries and GAC responsiveness. Each table explores this relationship using a control variable and interaction term to see if CGAC/Window countries are associated with more GAC responsiveness in the post-GAC period. Models that include the CGAC/Window*Post-GAC interaction term report marginal effects of OLS regressions for ease of interpreting the interaction.

Risk Management Intensity

5. Risk management measures are assessed by looking at the count of risk management measures designed and implemented in projects—a variable called the *risk management intensity*. A list of risk management measures counted in operationalizing the risk management intensity are available in Table E.15. The risk management measures were selected in accordance with the QAG Benchmarking Survey and the DPL Readiness Framework. Counted measures included links to specified ESW, mitigation measures, supplemental supervision measures, disclosure measures, and grievance mechanisms.

6. Tables E.16a and E.16b assess the risk management intensity of project design and implementation. Risk management intensity can further be seen as a measure of GAC responsiveness—the degree to which projects incorporate and implement risk management measures.

7. Table E.16a displays four models using Poisson and Negative binomial repressions to assess factors associated with risk management intensity. Because there is significant evidence of overdispersion in Model (1) assessing factors associated with risk management intensity in project design (G^2= 38.16, p < 0.01), a negative binomial regression model (Model 2) is preferred to the Poisson regression model. Similarly, in assessing factors associated

with the risk management intensity of project implementation (Model 3), there is significant evidence of overdispersion (G^2= 7.10, p < 0.01) in the Poisson model. Hence, a negative binomial regression model (Model 4 below) is preferred.

8. Further in assessing factors associated with risk management intensity of project design (Models 1 and 2 of Table E16a), the negative binomial regression model improves upon the under prediction of zeros in the Poisson regression model by increasing the conditional variance without changing the conditional mean. To further highlight the significance of variables such as the DPL, the zero-inflated count regression model is presented in table E.16b. A Vuong test of the Zero-inflated negative binomial regression versus the standard negative binomial regression is significant (z = 1.32 Pr>z = 0.0927). The significant positive value supports the use of the Zero-inflated negative binomial over the negative binomial regression.

9. Table E.16b shows estimates of a Zero-Inflated Negative Binomial regression model responding to the failure of the Poisson regression model to account for dispersion and excess zeroes by changing the mean structure to allow zeros to be generated by two distinct processes. To make this clearer, the Poisson model and Negative binomial regression models assume that every project has a positive probability of including at least one risk management measure. Substantively, this may be unrealistic because some projects—such as DPLs that are based on prior actions—may not necessarily have the same kinds of risk management measures as ILs. The zero-inflated count model allows for this possibility, and in the process, it increases the conditional variance and the probability of zero counts.

10. Let A = 1 if a project has a risk management measure, else A = 0. Whether or not a project includes at least one risk management measure is a binary outcome that can be modeled using a Logit or a Probit:

$$\varphi_i = Pr(A_i = 1|z_i) = F(z_i\gamma) \quad (3)$$

where φ_i is the probability of having at least one risk management measure for individual i. The z variables are inflation variables because they serve to inflate the number of 0s as shown below. To illustrate assume that two variables affect the probability of an individual being having a risk management measure and that we model this with a Logit equation:

$$\varphi_i = \frac{\exp(y_0+y_1z_1+y_2z_2)}{1+\exp(y_0+y_1z_1+y_2z_2)} \quad (4)$$

If we had an observed variable indicating whether or not a project had at least one risk management measure, this would be a standard binary regression model. But because having at least one risk management measure is a latent variable, we do not know what kinds of projects actually include at least one risk management measure.

11. Among those projects that are not always zero, the probability of each count (including zeros) is determined by a negative binomial regression. We condition both on A=0 in the equation that follows:

$$Pr(\gamma_i \,|\, x_i, A_i = 0) = \frac{\Gamma(y_i+\alpha^{-1})}{y_i!\Gamma(\alpha^{-1}+\mu_i}\left(\frac{\alpha^{-1}}{\alpha^{-1}+\mu_i}\right)^{\alpha^{-1}}\left(\frac{\mu_i}{\alpha^{-1}+\mu_i}\right)^{y_i} \qquad (5)$$

where $\mu_i = \exp(x_i\beta)$. Model 4 in the below table reports marginal effects in accordance with Models 1-3, and the subsequent table presents the output of the full regression.

12. Model 1 in E.16b presents the coefficients. Column 2 presents the coefficients of the inflated model, and column 3 presents the lnalpha. Column 4 presents the interpreted marginal effects as presented in the previous table. The inflated model controls for whether or not projects are DPLs and the level of risks in a project as we might suspect that less risky projects would have fewer risk management measures in the first place. Neither of these variables are statistically are significant, but allow us to control for these possible occurrences.

13. Two potential limitations with this model are recognized:

(a) A count model is just that—a count of the number of measures mentioned. The model says nothing about the substance of the measures. One measure implemented well can be better than 10 measures implemented poorly, and we do not dispute that. We use the risk management intensity variable merely to highlight the number of measures included, and we find that ILs have more than DPLs in our sample of projects.

(b) Implementation data are difficult to capture using project documents. We are aware of the limitations, but believe it was important to capture this data when we are able to do so. Therefore, the implementation data are not as representative as the data captured on project design, but can still highlight trends. In this case, the trends on implementation are not so different than those of project design.

14. This appendix explores the depth of associations between key independent variables and the dependent variables. Descriptive statistics are provided in Appendixes C and D. This evaluation does not assert causality between variables; hence, it is not the purpose of this appendix to analyze the “impact” of any specific variables on GAC responsiveness. Potential endogeneity problems that exist between variables are recognized.

Table E.1. Selectivity by Aid Flow

	(1) Total World Bank (disburse-ments)	(2) Total IDA (commit-ments)	(3) Total IDA (disburse-ments)	(4) Total IDA Trust Funds (commit-ments)	(5) Total IDA Trust Funds (disburse-ments)	(6) Total IBRD (disburse-ments)	(7) Total IBRD Trust Funds (commit-ments)	(8) Total IBRD Trust Funds (disburse-ments)	(9) Non WB (disburse-ments)
CPIA $_{t-1}$	**1.8684****	**0.8395*****	**3.4468*****	1.4747	**6.6355*****	**2.1891***	**2.6925****	**2.0016***	0.0014
	(0.7401)	**(0.1554)**	**(0.9487)**	(1.9575)	**(1.5825)**	**(1.2348)**	**(1.2673)**	**(1.1183)**	(0.0280)
GNI $_{t-1}$	**-2.1149*****	**-0.0820**	**-1.0965*****	-1.5866	**-6.8000*****	**1.7758***	**-5.8164*****	**-4.8994*****	**-0.0688*****
	(0.3484)	**(0.0893)**	**(0.4115)**	(0.9985)	**(1.0812)**	**(0.9123)**	**(1.0372)**	**(0.7972)**	**(0.0144)**
Population $_{t-1}$	**3.6555*****	**0.8073*****	**1.8023*****	**4.9684*****	**9.1238*****	0.4727	**8.0605*****	**7.2705*****	**0.0682*****
	(0.3419)	**(0.0698)**	**(0.3470)**	**(0.8985)**	**(1.1472)**	(0.9553)	**(1.0351)**	**(0.8311)**	**(0.0124)**
Human Rights $_{t-1}$	0.3131	-0.0285	0.1655	0.7120*	**0.8668***	0.1669	-0.0924	0.5075	0.0020
	(0.2413)	(0.0290)	(0.1629)	(0.3749)	**(0.4633)**	(0.4661)	(0.4487)	(0.3453)	(0.0083)
Observations	765	355	336	345	329	505	505	477	350
Countries	132	75	65	65	65	92	92	92	119
Adjusted R^2	0.2832	0.7889	0.2729	0.4022	0.5091	0.2840	0.3897	0.4479	0.1220

Notes: Estimation is by pooled OLS with country-clustering of standard errors (in parentheses). IDA and IBRD regressions are restricted to those country-years that borrowers are IDA or IBRD eligible. Human Rights score is based on the updated Cingranelli-Richards Index (CIRI) of human rights, an additive index constructed from Torture, Extrajudicial Killing, Political Imprisonment, and Disappearance indicators, ranging from 0 (no government respect for these four rights) to 8 (full government respect for these four rights). See David L. Cingranelli and David L. Richards, "Measuring the Level, Pattern, and Sequence of Government Respect for Physical Integrity Rights," *International Studies Quarterly* 43, 2 (1999): 407 – 418. Aid amounts and GNI (Atlas method) are in constant 2008 dollars, converted using the US CPI. Aid, GNI, and population are in natural logs. Time dummies and an intercept are included but not reported. * p < 0.10, ** p < 0.05, *** p < 0.01.

Table E.2. Selectivity of Trust Funds

	(1) RETFs (commit-ments)	(2) FIFs (commit-ments)	(3) BETFs (commit-ments)	(4) RETFs (dis-burse-ments)	(5) FIFs (disburse-ments)	(6) BETFs (dis-bursements)
CPIA $_{t-1}$	**0.9406***	**1.5632*****	**0.9641***	0.8001	0.0631	**0.9889***
	(0.5259)	**(0.5663)**	**(0.5590)**	(0.6714)	(0.0579)	**(0.5662)**
GNI $_{t-1}$	**-1.3161*****	**-2.7094*****	**-1.8380*****	**-2.1327*****	-0.0791	**-1.8481*****
	(0.2089)	**(0.3956)**	**(0.2389)**	**(0.3395)**	(0.0746)	**(0.2829)**
Population $_{t-1}$	**2.4434*****	**2.7443*****	**3.0411*****	**3.2843*****	0.0473	**3.1063*****
	(0.3018)	**(0.4052)**	**(0.2492)**	**(0.3518)**	(0.0459)	**(0.2628)**
Human Rights $_{t-1}$	0.3171**	0.2563	-0.0009	0.0744	-0.0314	0.0094
	(0.1429)	(0.1767)	(0.1781)	(0.2202)	(0.0288)	(0.1759)
Observations	752	765	737	765	765	765
Countries	132	132	132	132	132	132
Adjusted R^2	0.3407	0.2844	0.4313	0.2524	0.0140	0.3702

Notes: Estimation is by pooled OLS with country-clustering of standard errors (in parentheses). IDA and IBRD regressions are restricted to those country-years that borrowers are IDA or IBRD eligible. Human Rights score is based on the updated Cingranelli-Richards Index (CIRI) of human rights. Aid amounts and GNI (Atlas method) are in constant 2008 dollars, converted using the US CPI. Aid, GNI, and population are in natural logs. Time dummies and an intercept are included but not reported. * p < 0.10, ** p < 0.05, *** p < 0.01. RETFs = recipient-executed trust funds; BETFs = Bank-executed trust funds; FIFs = financial intermediary funds.

Table E.3a. Selectivity of IDA Allocations

	(1)	(2)	(3)	(4)	(5)	(6)
	Commitments (1) – (3)			Disbursements (4) – (6)		
CPIA $_{t-1}$	**0.7121*** (0.1546)**	**0.7373*** (0.2006)**	**0.7044*** (0.2269)**	**3.1093*** (0.8923)**	**4.4427*** (1.3732)**	**4.8024*** (1.6143)**
GNI $_{t-1}$	-0.0339 (0.0935)	-0.0340 (0.0939)	-0.0776 (0.0975)	**-0.9754** (0.3962)**	**-1.0286** (0.4048)**	**-0.7565** (0.3598)**
Population $_{t-1}$	**0.7324*** (0.0756)**	**0.7340*** (0.0763)**	**0.8366*** (0.0894)**	**1.5770*** (0.3239)**	**1.7645*** (0.3784)**	**1.2034*** (0.3007)**
Human Rights $_{t-1}$	-0.0466 (0.0280)	-0.0455 (0.0281)		0.1040 (0.1659)	0.1742 (0.1763)	
DPL $_t$	**0.4104*** (0.0851)**	0.5731 (0.6320)	0.2195 (0.6751)	**1.1651** (0.4597)**	**11.4378*** (4.2200)**	**11.3470** (4.4080)**
DPL × CPIA $_{t-1}$		-0.0519 (0.1934)	0.0498 (0.2125)		**-3.3362** (1.3226)**	**-3.3761** (1.3994)**
Polity $_{t-1}$			-0.0089 (0.0117)			0.0006 (0.0370)
Observations	355	355	324	513	513	473
Countries	75	75	65	71	71	65
Adjusted R2	0.8039	0.8034	0.7726	0.2654	0.2759	0.2570

Notes: Estimation is by pooled OLS with country-clustering of standard errors (in parentheses). Human Rights score is based on the updated Cingranelli-Richards Index (CIRI). Polity Score is based on the Polity IV Project democracy score. Aid amounts and GNI (Atlas method) are in constant 2008 dollars, converted using the US CPI. Aid, GNI, and population are in natural logs. Time dummies and an intercept are included but not reported. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table E.3b. Selectivity of Concessional Finance

	(1)	(2)	(3)	(4)	(5)
	IDA commitments + RETFs + FIFs	RETFs + FIFs to IDA countries	IDA commitments + RETFs	IBRD disbursements + RETFs + FIFs	RETFs + FIFs to IBRD countries (disbursements)
CPIA $_{t-1}$	0.0326 (1.0474)	0.0952 (1.1864)	-0.0336 (1.0493)	1.2425 (1.3656)	0.7820 (0.6757)
GNI $_{t-1}$	-0.9607 (0.6468)	-1.0569 (0.7059)	-0.7201 (0.5882)	0.7485 (0.9772)	**-2.1318*** (0.4734)**
Population $_{t-1}$	**2.5471*** (0.5966)**	**2.3899*** (0.6762)**	**2.4339*** (0.5808)**	**2.3565** (1.0270)**	**3.3002*** (0.5255)**
Human Rights $_{t-1}$	-0.0519 (0.2459)	0.2228 (0.2759)	0.0431 (0.2176)	0.6626 (0.4463)	**0.4974** (0.2057)**
DPL $_t$	**1.3929** (0.5885)**	**1.4871** (0.6346)**	**1.3729** (0.5891)**	**9.5960*** (1.3259)**	**1.3703*** (0.4200)**
Observations	355	345	355	496	496
Countries	75	65	75	92	92
Adjusted R2	0.3449	0.2565	0.3521	0.4774	0.2938

Notes: Estimation is by pooled OLS with country-clustering of standard errors (in parentheses). (1) and (2) are restricted to those country-years that borrowers are IDA eligible, (3) and (4) to those that are IBRD-eligible. Human Rights score is based on the updated Cingranelli-Richards Index (CIRI). Aid amounts and GNI (Atlas method) are in constant 2008 dollars, converted using the US CPI. Aid, GNI, and population are in natural logs. Time dummies and an intercept are included but not reported. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. RETFs = recipient-executed trust funds; BETFs = Bank-executed trust funds; FIFs = financial intermediary funds.

Table E.4 RETFs and FIFs to IDA Countries

	(1)	(2)	(3)	(4)
	RETF commitments to IDA countries	FIF commitments to IDA countries	RETF disbursements to IDA countries	FIF Disbursements to IDA countries
CPIA $_{t-1}$	0.3790 (1.1902)	0.1541 (0.1494)	0.6688 (0.7539)	**5.3629***** **(0.9993)**
GNI $_{t-1}$	-0.9414 (0.6141)	-0.2718 (0.2419)	**-1.1006***** **(0.3926)**	**-5.2851***** **(0.7487)**
Population $_{t-1}$	**2.5281***** **(0.6271)**	0.1504 (0.1365)	**2.3467***** **(0.5801)**	**4.8047***** **(0.5460)**
Human Rights $_{t-1}$	0.3779 (0.2458)	-0.0764 (0.0674)	**0.3950**** **(0.1951)**	0.3070 (0.3184)
Observations	345	345	339	345
Countries	65	65	65	65
Adjusted R2	0.2507	0.0322	0.4160	0.3488

Notes: Estimation is by pooled OLS with country-clustering of standard errors (in parentheses). (1) and (2) are restricted to those country-years that borrowers are IDA eligible, (3) and (4) to those that are IBRD-eligible. Human Rights score is based on the updated Cingranelli-Richards Index (CIRI). Aid, GNI, and population are in natural logs. Time dummies and an intercept are included but not reported. * p < 0.10, ** p < 0.05, *** p < 0.01. RETFs = recipient-executed trust funds; FIFs = financial intermediary funds.

Table E.5. Factors Associated with Selectivity in the Country Assistance Strategy

1 = CAS incorporates "To a Great Extent," 0 = CAS does not	Mean	Total # of CAS/CPS reviewed
Explicit assessments of governance and political economy constraints	0.59	78
Explicit choice of governance entry points	0.50	78
Mix of financial and knowledge instruments	0.33	78
Identification of results measures	0.21	77

	(1) Political Economy Constraints	(2) Governance Entry Points	(3) Mix of Financial Instruments	(4) Results
Post-GAC	0.138	0.0145	-0.0930	-0.0380
	(0.211)	(0.199)	(0.133)	(0.110)
Plans to use of Country Systems	-0.00391	-0.0594	0.0277	0.0679
	(0.144)	(0.144)	(0.118)	(0.0880)
CPIA > 3.5[56]	-0.242	0.100	0.194	-0.130
	(0.191)	(0.180)	(0.135)	(0.109)
DPL	-0.140	**0.551***	**-0.629****	**-0.995*****
	(0.494)	**(0.320)**	**(0.242)**	**(0.268)**
IL	-0.196	-0.302	-0.0284	0.0800
	(0.241)	(0.237)	(0.158)	(0.150)
Trust Fund	0.167	-0.164	**-0.281***	**-0.272****
	(0.210)	(0.231)	**(0.153)**	**(0.113)**
TA/ESW	-0.0189	-0.0388	0.252**	**0.216***
	(0.132)	(0.142)	(0.113)	**(0.113)**
Post-Conflict State	-0.00285	-0.0193	**-0.329****	-0.139
	(0.192)	(0.202)	**(0.125)**	(0.160)
EAP	-0.147	0.0948	-0.126	-0.0160
	(0.272)	(0.270)	(0.214)	(0.236)
ECA	-0.138	-0.0895	-0.220	-0.120
	(0.201)	(0.203)	(0.156)	(0.142)
LCR	-0.162	0.131	**-0.584*****	**-0.285****
	(0.172)	(0.176)	**(0.130)**	**(0.111)**
MNA	-0.0245	0.283	-0.130	-0.0497
	(0.225)	(0.235)	(0.180)	(0.169)
SAR	-0.412	0.210	-0.0163	0.331
	(0.313)	(0.343)	(0.311)	(0.311)
CGAC/Window Country	0.231	-0.0550	-0.0321	0.0306
	(0.194)	(0.193)	(0.152)	(0.127)
CGAC/Window Country * Post-GAC	-0.159	0.0315	0.250	0.129
	(0.252)	(0.249)	(0.181)	(0.165)
Constant	0.937	0.241	1.120***	1.153***
	(0.618)	(0.452)	(0.288)	(0.395)
Observations	78	78	78	77
R-squared	0.155	0.116	0.378	0.365

Models report OLS[57] with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.6. Entry Points Indentified in the CAS

Entry Point Identified in the CAS = 1, 0 = Not Identified	% Identified	Total # of CAS/CPS re-viewed
CAS had a PSM Entry Point	100%	78
CAS had a Domestic Accountability Entry Point	69%	78
CAS had a Civil Society or Demand-side Entry Point	28%	78
CAS had a Investment Climate Entry Point	98%	78

	(1) Domestic Accoun-tability Institutions	(2) Civil Society and the De-mand Side	(3) Strengthening the Investment Climate
DPL	-0.332	**-0.340***	-0.0662
	(0.218)	**(0.203)**	(0.0716)
IL	0.272	**0.659*****	0.00441
	(0.205)	**(0.172)**	(0.00916)
Trust Fund Support	0.00683	-0.000811	-0.0196
	(0.188)	(0.190)	(0.0270)
ESW	**0.310*****	0.160	0.0322
	(0.102)	(0.111)	(0.0339)
CPIA > 3.5	-0.106	**-0.313***	-0.0252
	(0.153)	**(0.160)**	(0.0295)
CGAC/Window Country	0.0605	-0.0735	-0.00674
	(0.161)	(0.205)	(0.0170)
Post-GAC	-0.159	-0.0741	-0.0759
	(0.199)	(0.203)	(0.0771)
Post-Conflict	0.0294	0.0187	0.0161
	(0.120)	(0.133)	(0.0218)
EAP	0.137	0.214	-0.0232
	(0.123)	(0.130)	(0.0266)
ECA	-0.254	-0.224	-0.0120
	(0.160)	(0.171)	(0.0209)
LCR	-0.193	0.0647	-0.0628
	(0.150)	(0.153)	(0.0634)
MNA	**-0.471****	-0.0460	-0.00272
	(0.232)	(0.204)	(0.00945)
SAR	0.0649	0.179	-0.0361
	(0.139)	(0.131)	(0.0399)
CGAC/Window Country * Post-GAC	0.255	0.159	0.0758
	(0.223)	(0.229)	(0.0774)
Constant	0.714**	0.441	1.059***
	(0.325)	(0.300)	(0.0656)
Observations	78	78	78
R-squared	0.312	0.299	0.090

Models report OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.7. Proposed Use of Country Systems in the CAS

Use of Country Systems 1= Planned, 0 = Not Planned	**% Planned**	**Total # of CAS/CPS reviewed**
Plans to Use Country System (of any kind)	41%	78
Financial management (on-budget, fiscal calendar, provision for O&M/recurrent at appropriate levels, budget execution)	33%	78
Audit	18%	78
Procurement (NCB-National Competitive Bidding)	21%	78
Civil service and personnel rules (e.g. mainstreaming of project management units)	17%	78
Local government, e.g. Intergovernmental transfers	23%	78

	Use of Country Systems (of any kind)	PFM	Audit	Procurement	Civil Service & Personnel Rules	Local Government
CPIA > 3.5	**0.298***	**0.279***	0.107	**0.248***	0.000995	0.0271
	(0.158)	**(0.149)**	(0.128)	**(0.133)**	(0.112)	(0.130)
Post-GAC	-0.114	-0.117	-0.0430	-0.159	-0.0459	0.0659
	(0.187)	(0.184)	(0.118)	(0.135)	(0.111)	(0.141)
DPL in Portfolio	-0.00913	-0.0602	0.317	**0.552****	**0.844*****	-0.280
	(0.294)	(0.424)	(0.195)	**(0.259)**	**(0.254)**	(0.232)
IL in Portfolio	0.331	0.305	0.0298	0.124	0.0855	-0.00841
	(0.257)	(0.255)	(0.148)	(0.149)	(0.155)	(0.162)
Trust Fund	0.0211	-0.0256	-0.0414	**-0.191***	-0.0211	0.113
	(0.199)	(0.165)	(0.137)	**(0.101)**	(0.123)	(0.190)
TA/ESW	-0.109	-0.0744	-0.0355	-0.0134	**-0.119***	-0.0887
	(0.115)	(0.119)	(0.104)	(0.0858)	**(0.0703)**	(0.103)
Post-Conflict Country	-0.151	-0.163	**-0.333*****	-0.138	**-0.304****	**-0.390*****
	(0.166)	(0.151)	**(0.120)**	(0.146)	**(0.137)**	**(0.119)**
EAP	0.365	-0.148	-0.124	0.171	**0.426***	0.250
	(0.250)	(0.193)	(0.182)	(0.252)	**(0.237)**	(0.196)
ECA	-0.197	**-0.266***	**-0.329****	-0.0563	**-0.276****	**-0.325****
	(0.164)	**(0.157)**	**(0.142)**	(0.156)	**(0.133)**	**(0.133)**
LCR	-0.0581	-0.120	**-0.329****	**-0.330*****	**-0.306****	-0.158
	(0.164)	(0.153)	**(0.130)**	**(0.119)**	**(0.116)**	(0.150)
MNA	0.139	0.153	-0.0146	0.0553	0.0621	0.0373
	(0.250)	(0.245)	(0.173)	(0.167)	(0.180)	(0.186)
SAR	**0.479***	0.461	0.213	**0.595****	-0.107	0.0504
	(0.274)	(0.280)	(0.282)	**(0.253)**	(0.228)	(0.278)
CGAC/Window Country	-0.0310	-0.0645	0.000826	-0.102	-0.123	-0.00941
	(0.179)	(0.169)	(0.142)	(0.118)	(0.116)	(0.134)
CGAC/Window Country * Post-GAC	0.168	0.249	0.104	0.168	0.114	0.0351
	(0.227)	(0.221)	(0.162)	(0.173)	(0.152)	(0.183)
Constant	0.0519	0.135	0.0298	-0.368	-0.479	0.642*
	(0.437)	(0.507)	(0.282)	(0.373)	(0.360)	(0.323)
Observations	78	78	78	78	78	78
R-squared	0.282	0.273	0.296	0.371	0.354	0.324

OLS with Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.8. Achievement of Entry Point Objectives in the CAS

Project with Entry Point Achieved its Objective = 1, 0 = Project with Entry Point Did not Achieve Objective	% Achieved	Total # of CAS/CPS w/Entry Point
Achieved PSM Objective	59%	78
Achieved Domestic Accountability Objective	30%	52
Achieved CSO or Demand-side Objective	28%	54
Achieved Investment Climate Objective	52%	77

	Achieved PSM Objective	Achieved Domestic Accountability Objective	Achieved CSO or Demand-side Objective	Achieved Investment Climate Objective
DPL used to support entry point	**0.195****	-0.143	-0.0263	0.156
	(0.0968)	(0.142)	(0.204)	(0.115)
IL used to support entry point	0.0455	0.183	**0.386*****	-0.0328
	(0.149)	(0.181)	**(0.122)**	(0.0963)
TA and/or ESW used to support entry point	**-0.377****	0.0214	**0.232***	0.180
	(0.166)	(0.235)	**(0.134)**	(0.166)
Trust Fund used to support entry point	-0.0273	0.117	**-0.238***	**0.228***
	(0.120)	(0.142)	**(0.133)**	**(0.127)**
High CPIA	-0.0130	0.110	-0.210	-0.105
	(0.138)	(0.182)	(0.179)	(0.142)
CGAC/Window country	0.124	0.281	0.0222	-0.106
	(0.135)	(0.216)	(0.210)	(0.134)
Post-GAC	**-0.451****	-0.101	-0.186	**-0.474*****
	(0.173)	(0.233)	(0.155)	**(0.102)**
Post-Conflict	0.168	**0.333***	-0.00766	**0.350****
	(0.143)	**(0.177)**	(0.143)	**(0.157)**
EAP	0.0639	-0.0508	-0.00703	-0.368
	(0.189)	(0.197)	(0.166)	(0.235)
ECA	0.0188	**-0.288***	-0.117	-0.0375
	(0.152)	**(0.160)**	(0.164)	(0.162)
LCR	-0.0127	-0.111	-0.0183	-0.146
	(0.130)	(0.248)	(0.157)	(0.148)
MNA	-0.114	-0.509	0.251	-0.0872
	(0.201)	(0.379)	(0.231)	(0.220)
SAR	-0.0701	0.0343	0.0811	-0.0835
	(0.127)	(0.233)	(0.214)	(0.199)
CGAC/Window country * Post-GAC	-0.213	**-0.439***	-0.280	0.0172
	(0.197)	**(0.258)**	(0.188)	(0.276)
Constant	0.708**	-0.364	0.223	0.156
	(0.279)	(0.410)	(0.302)	(0.115)
Observations	78	52	54	77
R-squared	0.487	0.459	0.520	0.356

OLS with Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.9. Factors Associated with Achievement of Project Objectives

Project with Entry Point Achieved its Objective = 1, 0 = Project with Entry Point Did not Achieve Objective	% Achieved	Total # of Projects
Achieved PSM Objective	33%	108
Achieved Strengthening Secoral Capacity Objective	32%	109

	(1) Achieved Public Sector Management Objective	(2) Achieved Public Sector Management Objective	(3) Achieved Strengthening Sectoral Capacity Objective	(4) Achieved Strengthening Sectoral Capacity Objective
Strengthening Sectoral Capacity Entry Point	0.0734	0.0646		
	(0.160)	(0.158)		
Has cross-cutting PSM entry point			**0.215***	**0.190***
			(0.112)	**(0.102)**
DPL	**0.625*****	**0.453*****	0.0974	0.111
	(0.172)	(0.152)	(0.182)	(0.139)
Post-GAC	-0.127	-0.0807	0.00835	-0.0104
	(0.0957)	(0.213)	(0.139)	(0.214)
ESW	-0.00589	-0.00237	0.158	0.105
	(0.141)	(0.113)	(0.133)	(0.102)
Beneficiary feedback	0.109	0.0772	**0.228***	0.160
	(0.126)	(0.142)	**(0.125)**	(0.133)
Public disclosure	**0.320*****	**0.262*****	**0.286****	**0.225****
	(0.110)	(0.0942)	**(0.112)**	**(0.101)**
PIU	0.0660	0.0560	-0.206	-0.0423
	(0.130)	(0.109)	(0.163)	(0.109)
UCS	-0.262	-0.138	-0.205	-0.161
	(0.168)	(0.115)	(0.206)	(0.113)
FPD	0.415*	0.206	0	**-0.195***
	(0.248)	(0.212)	(0)	(0.115)
GOV/EPOL	**0.451****	**0.263****	-0.0279	-0.0376
	(0.183)	(0.129)	(0.163)	(0.136)
HD	-0.0789	-0.0135	0.211	0.174
	(0.118)	(0.118)	(0.185)	(0.130)
INFRA	-0.0420	-0.0467	0.0389	0.0294
	(0.115)	(0.121)	(0.170)	(0.143)
High CPIA in Country	**-0.195****	-0.185	**-0.270***	**-0.282****
	(0.0856)	(0.118)	**(0.149)**	**(0.111)**
ECA	0.125	0.0294	-0.0886	-0.0686
	(0.204)	(0.167)	(0.184)	(0.166)
EAP	-0.0205	-0.0764	0.0457	0.0507
	(0.174)	(0.123)	(0.222)	(0.137)
MNA	-0.0942	-0.0859	0	-0.0922
	(0.142)	(0.177)	(0)	(0.141)
LCR	0.321	0.146	0.107	-0.00454
	(0.233)	(0.168)	(0.213)	(0.165)
SAR	-0.162*	**-0.254***	-0.234*	-0.232
	(0.0848)	(0.150)	(0.141)	(0.169)
Project in Post-Conflict Country	**-0.283*****	**-0.335****	**-0.365*****	**-0.406*****
	(0.0780)	(0.144)	**(0.0864)**	**(0.127)**
CGAC	-0.0311	-0.0819	0.0473	-0.00191
	(0.113)	(0.119)	(0.161)	(0.132)
CGAC/Window country * Post-GAC		0.00840		-0.00779
		(0.238)		(0.247)
Constant		0.159		0.124
		(0.225)		(0.224)
Observations	111	110	111	111
R-squared		0 .360		0.313
Log Likelihood	-47.621		-47.621	
Pseudo R-squared	0.283		0.283	

Models 1 and 3 report marginal effects of Logits with robust standard errors in parentheses ; Modes 2 and 4 report OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.10. Factors Associated with IEG's Rating of Project Fit to Informal/Political Economy Reality

IEG Rating "To a Great Extent" = 1, 0 = Not (Project rated as "Somewhat" or "Not at all")	% Achieved	Total # of Projects
Project Fit to Informal/Political Economy Reality "To a Great Extent"	39%	200

	(1) Fit Informal/PE Reality	(2) Fit Informal/PE Reality
Post-GAC	0.0190	0.0382
	(0.0801)	(0.113)
ESW	**0.184***	0.130
	(0.102)	(0.0827)
Analysis of Formal Institutions	0.0305	0.0175
	(0.141)	(0.0912)
Analysis of Informal Institutions	**0.231*****	**0.162****
	(0.0805)	**(0.0716)**
Includes Disclosure Provisions	**0.200****	**0.186*****
	(0.0892)	**(0.0701)**
Has a PIU	**-0.282*****	**-0.208*****
	(0.0967)	**(0.0795)**
Uses Country Systems	**-0.177***	**-0.141***
	(0.106)	**(0.0764)**
Demand-side Entry Point	**0.168****	**0.151****
	(0.0766)	**(0.0639)**
DPL	0.0832	0.0660
	(0.148)	(0.112)
Trust Fund	0.0116	-0.00435
	(0.0918)	(0.0722)
CPIA (continuous)	-0.116	-0.0922
	(0.0947)	(0.0783)
FPD	**-0.243*****	-0.175
	(0.0885)	(0.111)
GovEPOL	-0.158	-0.140
	(0.105)	(0.100)
HD	0.0225	0.00506
	(0.124)	(0.0962)
INFRA	-0.0171	-0.00721
	(0.114)	(0.0940)
ECA	**0.453*****	**0.327*****
	(0.150)	**(0.115)**
EAP	**0.299***	**0.198***
	(0.161)	**(0.107)**
MNA	0.277	0.148
	(0.169)	(0.119)
LAC	**0.510*****	**0.353*****
	(0.120)	**(0.0993)**
SAR	0.0198	-0.00809
	(0.155)	(0.108)
Post-Conflict Country	-0.142	-0.121
	(0.120)	(0.128)
CGAC/Window Country	0.139	0.126
	(0.0886)	(0.0856)
CGAC/Window Country * Post-GAC		-0.0274
		(0.141)
Constant		0.243
		(0.348)
Observations	200	200
R-squared		0.30
Log Likelihood	-96.931	
Pseudo R-Squared	0.273	

Model 1 reports marginal effects of Logits with robust standard errors in parentheses ; Model 2 reports OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.11 Factors Associated with IEG's Rating of Strengthening Management of Relevant Public Agencies

IEG Rating "To a Great Extent" = 1, 0 = Not (Project rated as "Somewhat" or "Not at all")	% Achieved	Total # of Projects
Strengthening Management of Relevant Public Agencies	43%	200

	(1) Strengthening Management of Relevant Public Agencies	(2) Strengthening Management of Relevant Public Agencies
Post-GAC	0.0598	-0.0728
	(0.0842)	(0.139)
Subprojects	**0.295*** **	**0.264*** **
	(0.0888)	**(0.0848)**
Entry Pt: Domestic Accountability	**0.220** **	**0.184** **
	(0.0869)	**(0.0838)**
Entry Pt: Demand side	0.0721	0.0618
	(0.0907)	(0.0785)
DPL	0.0447	0.0398
	(0.124)	(0.110)
Trust Fund	-0.0671	-0.0553
	(0.0824)	(0.0721)
CPIA (continuous)	-0.0550	-0.0269
	(0.108)	(0.0911)
FPD	0.0350	0.0440
	(0.163)	(0.122)
GovEPOL	0.126	0.115
	(0.136)	(0.116)
HD	**0.256** **	**0.213** **
	(0.111)	**(0.0951)**
INFRA	0.0790	0.0556
	(0.120)	(0.0973)
ECA	**0.307** **	**0.245** **
	(0.131)	**(0.120)**
EAP	0.199	0.168
	(0.142)	(0.120)
MNA	0.195	0.140
	(0.141)	(0.118)
LCR	**0.320*** **	**0.266** **
	(0.121)	**(0.109)**
SAR	-0.00478	0.000539
	(0.151)	(0.124)
Post-Conflict Country	-0.0621	-0.0328
	(0.147)	(0.132)
CGAC/Window Country	0.0169	-0.0440
	(0.0958)	(0.0976)
CGAC/Window Country * Post-GAC		0.174
		(0.164)
Constant		0.128
		(0.361)
Observations	200	200
R-squared		0.195
Log Likelihood	-115.822	
Pseudo R-Squared	0.152	

Model 1 reports marginal effects of a Logit with robust standard errors in parentheses ; Model 2 reports an OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.12. Factors Associated with IEG's Rating of Support for Rule-based Decision-Making and Accountability

IEG Rating "To a Great Extent" = 1, 0 = Not (Project rated as "Somewhat" or "Not at all")	**% Achieved**	**Total # of Projects**
Support for Rule-Based Decision Making and Accountability "To a Great Extent"	34%	200

	(1) Support for Rule-based Decision-making	(2) Support for Rule-based Decision-making
Post-GAC	0.0164	**0.236***
	(0.0837)	**(0.131)**
Subprojects	**0.256*****	**0.200****
	(0.0942)	**(0.0808)**
Results Based Financing	**0.281****	**0.229****
	(0.122)	**(0.107)**
Entry Pt: Domestic Accountability	**0.160****	**0.167****
	(0.0813)	**(0.0768)**
DPL	**0.355*****	**0.281*****
	(0.112)	**(0.0980)**
Trust Fund	0.0240	0.0211
	(0.0765)	(0.0626)
CPIA (continuous)	**-0.163***	**-0.145***
	(0.0989)	**(0.0736)**
FPD	-0.141	-0.170
	(0.103)	(0.105)
GovEPOL	0.0256	-0.0170
	(0.125)	(0.116)
HD	-0.0222	-0.0321
	(0.108)	(0.0887)
INFRA	-0.143	-0.126
	(0.0876)	(0.0881)
ECA	-0.0146	-0.0279
	(0.136)	(0.115)
EAP	0.0668	0.0105
	(0.149)	(0.112)
MNA	-0.0512	-0.0476
	(0.142)	(0.108)
LCR	-0.00683	-0.0311
	(0.118)	(0.0961)
SAR	-0.134	-0.154
	(0.109)	(0.118)
Post-Conflict Country	**-0.252*****	**-0.267****
	(0.0840)	**(0.113)**
CGAC/Window Country	0.0791	**0.177****
	(0.0914)	**(0.0839)**
CGAC/Window Country * Post-GAC		**-0.314****
		(0.154)
Constant		0.607*
		(0.309)
Observations	199	199
R-squared		0.265
Log Likelihood	-100.772	
Pseudo R-Squared	0.207	

Model 1 reports marginal effects of a Logit with robust standard errors in parentheses ; Model 2 reports an OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.13. Factors Associated with IEG's Rating of Proactive Measures to Include Disadvantaged Groups

IEG Rating "To a Great Extent" = 1, 0 = Not (Project rated as "Somewhat" or "Not at all")	% Achieved	Total # of Projects
Support for Rule-Based Decision Making and Accountability "To a Great Extent"	36%	200

	(1) Proactive Measures to Include Disadvantaged Groups	(2) Proactive Measures to Include Disadvantaged Groups
Post-GAC	0.0680	0.146
	(0.0802)	(0.126)
ESW	**0.252*** **	**0.189*** **
	(0.0669)	**(0.0678)**
Beneficiary Feedback	**0.239*** **	**0.183*** **
	(0.0666)	**(0.0634)**
Subprojects	**0.307*** **	**0.228*** **
	(0.101)	**(0.0801)**
DPL	**0.0727**	**-0.00473**
	(0.133)	(0.0883)
Trust Fund	0.0150	0.0111
	(0.0814)	(0.0677)
Risk Exposure	**0.132** **	**0.120** **
	(0.0599)	**(0.0470)**
CPIA (continuous)	-0.00714	-0.0397
	(0.102)	(0.0871)
FPD	**-0.260*** **	**-0.286*** **
	(0.0558)	**(0.104)**
GovEPOL	**-0.282*** **	**-0.287*** **
	(0.0618)	**(0.0830)**
HD	0.0874	0.0495
	(0.112)	(0.100)
INFRA	-0.101	-0.103
	(0.0894)	(0.101)
ECA	**-0.173* **	-0.159
	(0.0973)	(0.121)
EAP	-0.102	-0.110
	(0.103)	(0.116)
MNA	-0.132	-0.104
	(0.105)	(0.101)
LCR	-0.0309	-0.0527
	(0.117)	(0.104)
SAR	-0.0972	-0.0996
	(0.116)	(0.118)
Post-Conflict Country	-0.0898	-0.132
	(0.123)	(0.115)
CGAC/Window Country	-0.0642	-0.00271
	(0.0893)	(0.0985)
CGAC/Window Country * Post-GAC		-0.128
		(0.149)
Constant		0.359
		(0.330)
Observations	193	193
R-squared		0.320
Log Likelihood	-86.703	
Pseudo R-Squared	0.308	

Model 1 reports marginal effects of a Logit with robust standard errors in parentheses ; Model 2 reports an OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.14 Factors Associated with Proposed Institutional Strengthening in Projects

Project Proposed Institutional Strengthening = 1, 0 = Did not Propose	% Proposed	Total # of Projects
Cross-cutting: Budget systems (FM and procurement)	45%	195
Cross-cutting: HR systems	23%	194
Specific ministries, agencies, departments, or organizations	84%	195
Local governments	42%	193
Community organizations	46%	195
Monitoring and Evaluation	69%	195

	(1) Budget systems	(2) Budget systems	(3) HR sys-tems	(4) HR sys-tems	(5) Specific agencies	(6) Specific agencies	(7) Local Govt	(8) Local Govt	(9) CSOs	(10) CSOs	(11) M&E	(12) M&E
Post-GAC	0.0379	-0.0380	-0.0706	-0.148	-0.0496	-0.234**	-0.125	-0.0465	-0.0279	0.0944	0.161**	0.0749
	(0.0945)	(0.134)	(0.0621)	(0.118)	(0.0339)	(0.110)	(0.0833)	(0.128)	(0.0956)	(0.117)	(0.0676)	(0.119)
ESW	0.323***	0.230**	0.0891	0.0681	0.0846	0.0723	0.0246	0.00551	-0.167	-0.110	0.220**	0.180**
	(0.112)	(0.0895)	(0.0712)	(0.0696)	(0.0542)	(0.0662)	(0.117)	(0.0874)	(0.125)	(0.0742)	(0.103)	(0.0857)
Analysis of Formal Institutions	0.176	0.142	0.0845	0.0725	0.00459	0.110	0.103	0.0563	0.0741	-0.00741	0.122	0.110
	(0.203)	(0.144)	(0.105)	(0.113)	(0.0623)	(0.118)	(0.142)	(0.108)	(0.162)	(0.118)	(0.137)	(0.125)
Analysis of Informal Institutions	-0.109	-0.0960	0.0382	-0.00211	0.0491	0.0478	0.169	0.118	-0.00104	0.000524	-0.0680	-0.0492
	(0.153)	(0.101)	(0.101)	(0.0855)	(0.0634)	(0.0793)	(0.108)	(0.0944)	(0.152)	(0.102)	(0.0892)	(0.0977)
Includes Beneficiary Feedback	-0.0411	-0.0231	-0.295***	-0.182**	-0.0431	-0.0897	0.202**	0.147*	0.468***	0.361***	0.285***	0.256***
	(0.102)	(0.0698)	(0.112)	(0.0793)	(0.0311)	(0.0609)	(0.102)	(0.0868)	(0.0832)	(0.0751)	(0.103)	(0.0857)
Includes Disclosure Provisions	-0.0994	-0.0602	0.0370	0.0373	0.118**	0.161***	0.167*	0.155*	0.153	0.119	0.0151	0.0135
	(0.101)	(0.0681)	(0.0690)	(0.0662)	(0.0483)	(0.0610)	(0.0911)	(0.0824)	(0.0999)	(0.0733)	(0.0813)	(0.0742)
Has a PIU	0.127	0.0918	-0.153**	-0.123*	0.0292	0.0232	-0.142	-0.106	-0.192*	-0.117	-0.0190	-0.0189
	(0.0917)	(0.0739)	(0.0755)	(0.0668)	(0.0436)	(0.0626)	(0.103)	(0.0787)	(0.112)	(0.0752)	(0.0837)	(0.0742)
Uses Country Systems	0.172*	0.132*	0.0364	0.0342	0.137*	0.168**	0.0554	0.0298	-0.0712	-0.0538	0.240**	0.202***
	(0.0939)	(0.0743)	(0.0717)	(0.0657)	(0.0789)	(0.0654)	(0.103)	(0.0812)	(0.0969)	(0.0729)	(0.0954)	(0.0750)
DPL	0.169	0.106	0.0189	0.0416	-0.199	-0.176**	-0.0960	-0.0774	-0.374***	-0.268**	-0.166	-0.111
	(0.152)	(0.116)	(0.119)	(0.115)	(0.161)	(0.0891)	(0.124)	(0.118)	(0.0848)	(0.107)	(0.163)	(0.117)
Trust Fund	-0.124	-0.0880	-0.175**	-0.164**	-0.0458	-0.0825	0.00173	-0.00338	0.157	0.0948	-0.0506	-0.0382
	(0.101)	(0.0756)	(0.0732)	(0.0664)	(0.0396)	(0.0530)	(0.0868)	(0.0708)	(0.0968)	(0.0676)	(0.0880)	(0.0704)
Risk Exposure	0.0284	0.0322	-0.0565	-0.0525	-0.0148	-0.00769	0.0520	0.0443	0.0594	0.0471	0.0236	0.0186
	(0.0687)	(0.0555)	(0.0456)	(0.0492)	(0.0295)	(0.0383)	(0.0635)	(0.0512)	(0.0705)	(0.0447)	(0.0645)	(0.0486)
CPIA (continuous)	-0.101	-0.0719	-0.0734	-0.0703	0.0550	0.115*	0.00809	-0.0109	-0.0620	-0.0449	-0.0914	-0.0640
	(0.110)	(0.0804)	(0.0874)	(0.0791)	(0.0352)	(0.0591)	(0.103)	(0.0790)	(0.122)	(0.0762)	(0.0941)	(0.0840)
FPD	-0.316***	-0.231*	0	-0.312***	0.0706***	0.175**	-0.344***	-0.327***	-0.387***	-0.389***	-0.0954	-0.0869
	(0.119)	(0.122)	(0)	(0.0794)	(0.0266)	(0.0822)	(0.0847)	(0.120)	(0.0744)	(0.114)	(0.159)	(0.129)
GovEPOL	0.498***	0.397***	0.176	0.179*	0.0525*	0.128	-0.230**	-0.211**	-0.338***	-0.295***	-0.0636	-0.0540
	(0.110)	(0.104)	(0.124)	(0.103)	(0.0288)	(0.0850)	(0.0941)	(0.102)	(0.0874)	(0.0941)	(0.125)	(0.112)
HD	0.0571	0.0331	0.0141	0.0152	0.0857***	0.150**	0.0723	0.0407	-0.0502	-0.0518	0.181**	0.148*
	(0.125)	(0.0957)	(0.0905)	(0.0885)	(0.0295)	(0.0709)	(0.120)	(0.0952)	(0.113)	(0.0916)	(0.0735)	(0.0783)
INFRA	0.0339	0.00757	-0.163**	-0.153*	-0.0139	-0.0367	-0.0666	-0.0586	-0.0174	-0.0355	-0.0401	-0.0480
	(0.134)	(0.0989)	(0.0773)	(0.0888)	(0.0392)	(0.0757)	(0.119)	(0.102)	(0.125)	(0.0924)	(0.103)	(0.0874)
ECA	0.213	0.178	0.443***	0.256**	0.0492	0.102	0.110	0.0811	-0.208	-0.0926	0.0908	0.0589
	(0.142)	(0.116)	(0.166)	(0.114)	(0.0348)	(0.0837)	(0.151)	(0.114)	(0.141)	(0.122)	(0.101)	(0.101)
EAP	-0.281**	-0.199*	-0.00208	-0.0139	0.0331	0.123	-0.0166	-0.0387	-0.245**	-0.194	0.0918	0.0795
	(0.125)	(0.117)	(0.131)	(0.102)	(0.0404)	(0.103)	(0.146)	(0.124)	(0.124)	(0.128)	(0.105)	(0.109)
MNA	-0.204	-0.134	0.0570	0.0422	0.0405	0.0869	-0.190	-0.153	-0.247**	-0.173	0.0594	0.0537
	(0.136)	(0.112)	(0.123)	(0.0984)	(0.0283)	(0.0948)	(0.149)	(0.113)	(0.108)	(0.105)	(0.0986)	(0.109)
LCR	0.0139	0.00737	0.0399	0.00418	-0.0325	-0.0832	0.111	0.0546	-0.233**	-0.156*	-0.0291	-0.0271
	(0.141)	(0.103)	(0.121)	(0.0829)	(0.0617)	(0.0917)	(0.139)	(0.112)	(0.113)	(0.0928)	(0.119)	(0.108)
SAR	-0.331***	-0.262**	0.0189	-0.00147	0.0696**	0.121	-0.0444	-0.0540	-0.00472	-0.0200	-0.181	-0.114
	(0.105)	(0.121)	(0.127)	(0.117)	(0.0314)	(0.0794)	(0.133)	(0.119)	(0.177)	(0.118)	(0.178)	(0.128)
Post-Conflict Country	0.179	0.126	-0.000923	-0.0118	-0.0192	0.00118	-0.289**	-0.280**	-0.0800	-0.0556	-0.142	-0.0851
	(0.170)	(0.129)	(0.121)	(0.115)	(0.0656)	(0.0993)	(0.113)	(0.120)	(0.188)	(0.146)	(0.168)	(0.115)
CGAC/Window Country	0.00178	-0.0216	0.0718	-0.00342	0.0949	0.0117	-0.0453	-0.0211	-0.0499	-0.000894	0.0381	-0.00802
	(0.110)	(0.105)	(0.0821)	(0.0977)	(0.0724)	(0.0775)	(0.116)	(0.109)	(0.137)	(0.103)	(0.0964)	(0.0947)
CGAC/Window Country * Post-GAC		0.0874		0.137		0.246*		-0.0503		-0.153		0.0931
		(0.156)		(0.142)		(0.131)		(0.157)		(0.143)		(0.145)
Constant		0.389		0.556		0.0784		0.378		0.745**		0.409
		(0.375)		(0.352)		(0.296)		(0.335)		(0.331)		(0.338)
Observations	195	195	194	194	195	195	193	193	195	195	195	195
Pseudo/R-squared	0.282	0.326	0.240	0.391	0.332	0.337	0.261	0.296	0.002	0.389	0.004	0.273
Log Likelihood	-96.402		-75.540		-58.167		-97.255		-87.236		-91.922	

Models 1,3,5,7,9 and 11 report marginal effects of a Logit with robust standard errors in parentheses ; Models 2,4,6,8,10 and 12 report an OLS with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.15 Risk Management Measures included in Risk Management Intensity Count

Risk Management	Measures	Design	Mean	Implementation	Observations	Mean
ESW	Public Expenditure Review	X	0.25			
	Institutional Governance Review	X	0.09			
	CPAR	X	0.17			
	CFAA	X	0.23			
	ROSC	X	0.05			
Risk Mitigation Measures	Arrangements for technical/program audit (in addition to FM audits)	X	0.29	X	187	0.19
	Arrangements for random post-audits	X	0.24	X	189	0.15
	Arrangements for on-site field verification	X	0.33	X	188	0.22
	Transparency for fiduciary aspects	X	0.46	X	190	0.31
	Governance and anti-corruption action plan	X	0.15	X	186	0.08
	Special arrangements for high value/high risk contracts	X	0.10	X	186	0.04
	Arrangements for a communication plan	X	0.38	X	186	0.20
	M&E of GAC Measures	X	0.38	X	186	0.24
Supplemental Supervision	Resources allocated to supervise GAC measures	X	0.09	X	192	0.06
	Decentralized or outsourced supervision including unannounced site visits	X	0.23	X	192	0.15
	Integrated Procurement, FM and Technical Reviews	X	0.17	X	193	0.12
	Higher percentage of ex-post reviews for high risk projects	X	0.11	X	193	0.06
	Plan for enhanced supervision by the Bank/Development partners	X	0.27	X	192	0.17
Disclosure	Measures to comply with national Right-to-Information rules	X	0.02			
	Provisions for public disclosure of project documents by the borrower (including procurement audit documents, audit reports, budgets, project progress information, performance scorecards, etc.)	X	0.30			
	Communication plan that explicitly identifies channel(s) for public disclosure of project information	X	0.38			
	Identification of indicators to monitor effectiveness of transparency mechanisms (for example, feedback received)	X	0.29			
Grievance Mechanisms	Formal mechanisms for grievance redress, e.g. Appeals Committee, Ombudsman, Complaints Office, etc.?	X	0.27			
	Does the grievance redress agency have the authority to take or demand remedial action?	X	0.09			
	Are formal grievance redress mechanisms obliged to take action on all complaints?	X	0.10			
	Does project design include mechanisms to maintain records of complaints received and action taken?	X	0.16			
	Is the grievance redress agency obliged to provide written feedback to the petitioner on actions taken?	X	0.07			

N=200 for all design measures and as specified for all implementation measures

Table E.16a. Factors Associated with the Risk Management Intensity

	Total	
Risk Management Intensity	**Mean**	**# of Projects**
Total Number of Risk Management Measures Included in a Project's Design (min = 0, max = 18)	4.82	198
Total Number of Risk Management Measures Included in a Project's Implementation (min = 0, max = 12)	2.31	72

	(1) Poisson Design	(2) NBRM Design	(3) Poisson Implementation	(4) NBRM Implementation
Analysis of Formal Institutions	**2.250*** **	**2.070*** **	0.592	0.593
	(0.556)	**(0.528)**	(0.439)	(0.504)
Analysis of Informal Institutions	**2.169*** **	**2.135*** **	0.641	0.652
	(0.439)	**(0.451)**	(0.447)	(0.435)
DPL	**-1.819*** **	**-1.724*** **	**-1.593*** **	**-1.704*** **
	(0.468)	**(0.487)**	**(0.524)**	**(0.441)**
Post-GAC	0.594	0.621	0.132	0.142
	(0.910)	(0.844)	(0.962)	(1.178)
Trust Fund Project	0.506	0.654	0.178	0.245
	(0.396)	(0.459)	(0.386)	(0.470)
High FM Risk	**1.550*** **	**1.757** **	0.977	0.896
	(0.574)	**(0.756)**	(1.093)	(1.373)
High Procurement Risk	0.387	0.485	0.102	-0.0681
	(0.402)	(0.474)	(0.607)	(0.667)
High Overall Risk	-0.298	-0.234	0.0270	0.382
	(0.480)	(0.587)	(0.607)	(0.985)
CAS w/ Risk Management Measures	0.00545	-0.368	-0.518	-0.640
	(0.465)	(0.494)	(0.907)	(0.726)
Risk Exposure	0.496**	0.456	0.361	0.495
	(0.228)	(0.313)	(0.317)	(0.302)
Project received INT Complaint	0.881**	0.922	0.343	0.219
	(0.437)	(0.564)	(0.479)	(0.634)
FPD	**-1.512*** **	**-1.723*** **	-0.104	-0.109
	(0.452)	**(0.519)**	(0.805)	(0.728)
GovEPOL	**-1.424*** **	**-1.484*** **	-0.706	-0.600
	(0.465)	**(0.498)**	(0.523)	(0.544)
HD	-0.321	-0.334	-0.525	-0.625
	(0.496)	(0.548)	(0.379)	(0.460)
INFRA	0.380	0.278	-0.641	-0.635
	(0.502)	(0.588)	(0.465)	(0.520)
CPIA (continuous)	0.106	0.213	**0.863** **	**0.852* **
	(0.525)	(0.479)	**(0.422)**	**(0.493)**
ECA	**2.689*** **	**2.843*** **	2.691	2.991
	(0.863)	**(1.022)**	(1.903)	(1.874)
EAP	**1.520* **	**1.583* **	0.921	0.953
	(0.892)	**(0.936)**	(1.050)	(1.163)
MNA	-0.697	-0.636	0.0957	-0.0208
	(0.711)	(0.708)	(0.802)	(0.806)
LCR	1.102	0.763	-0.202	-0.490
	(0.888)	(0.728)	(0.960)	(0.625)
SAR	**2.186** **	**2.488** **	2.154	2.426
	(0.926)	**(1.038)**	(1.842)	(2.136)
Post-Conflict Country	1.482*	1.543	0.927	0.986
	(0.820)	(0.978)	(1.333)	(1.101)
CGAC/Window Country	**0.995* **	**0.950* **	**0.936* **	**1.031* **
	(0.524)	**(0.556)**	**(0.506)**	**(0.543)**
CGAC/Window Country * Post-GAC	-0.305	-0.230	-0.970	-1.035
	(0.973)	(0.938)	(0.840)	(0.843)
Observations	198	198	71	71
R-squared/pseudo R-squared	0.248	.196	0.294	0.160
alpha		0.196		0.243
		(.0496)		(0.136)

Marginal Effects presented. Models 1 and 3 are Poisson Regressions . Models 2 and 4 are Negative Binomial Regressions; Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1 (i) Appendix E, table 18 for explanations of independent variables

Table E.16b. Factors Associated with the Risk Management Intensity

Zero-Inflated Negative Binomial Regression

	(1) Design (Coefficients)	(2) inflate	(3) lnalpha	(4) Marginal Effects
Analysis of Formal Institutions	0.622***			**2.193****
	(0.203)			**(0.969)**
Analysis of Informal Institutions	0.548***			**2.014****
	(0.173)			**(0.888)**
DPL	-0.530***	0.0828		**-1.964****
	(0.157)	(0.934)		**(0.785)**
Post-GAC	0.145			0.641
	(0.197)			(0.913)
Trust Fund Project	0.116			0.511
	(0.101)			(0.485)
High FM Risk	0.346***	-17.38		1.709
	(0.128)	(5866)		(23.33)
High Procurement Risk	0.0655	-1.441		0.288
	(0.105)	(1.248)		(1.984)
High Overall Risk	-0.0872	-17.32		-0.352
	(0.135)	(6692)		(15.57)
CAS w/ Risk Management Measures	0.0181			0.0784
	(0.112)			(0.482)
Risk Exposure	0.151**			**0.656***
	(0.0723)			**(0.393)**
Project received INT Complaint	0.160			0.729
	(0.115)			(0.604)
FPD	-0.415**			**-1.544***
	(0.186)			**(0.802)**
GovEPOL	-0.358**			**-1.405***
	(0.150)			**(0.729)**
HD	-0.0656			-0.279
	(0.130)			(0.554)
INFRA	0.0988			0.441
	(0.128)			(0.610)
CPIA (continuous)	0.0376			0.163
	(0.112)			(0.488)
ECA	0.497***			**2.583****
	(0.152)			**(1.312)**
EAP	0.320*			1.558
	(0.170)			(1.079)
MNA	-0.187			-0.755
	(0.193)			(0.773)
LCR	0.268*			1.259
	(0.158)			(0.928)
SAR	0.479***			**2.483***
	(0.165)			**(1.346)**
Post-Conflict Country	0.318*			1.544
	(0.176)			(1.098)
CGAC/Window Country	0.227			0.943
	(0.142)			(0.659)
CGAC/Window Country * Post-GAC	-0.0747			-0.319
	(0.230)			(0.972)
Constant	-0.0282	-2.018***	-2.174***	
Observations	198	198	198	198
R-squared/pseudo R-squared				
Log Likelihood	-461.4354			-461.4354
alpha	0.111			0.111
	(0.040)			(0.040)

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Table E.17 Factors Associated with Overall GAC Responsiveness

Overall GAC Responsiveness Score	Mean	Total # of Projects
Overall GAC Responsiveness Score (min=6, max= 18)	11.63	196
Project is GAC Responsive "To a Great Extent"	0.42	196

	(1) GAC Rating 1-18	(2) GAC Rating 1-18	(3) GAC Responsive = 1, 0 = Not	(4) GAC Responsive = 1, 0 = Not
Post-GAC	0.316	-0.215	0.140	0.00730
	(0.403)	(0.671)	(0.103)	(0.158)
ESW	**0.875****	**0.886****	**0.297*****	**0.292*****
	(0.405)	**(0.407)**	**(0.0829)**	**(0.0824)**
Includes Beneficiary Feedback	**1.175****	**1.164****	**0.333*****	**0.334*****
	(0.453)	**(0.454)**	**(0.0837)**	**(0.0831)**
Uses Country Systems	**1.572*****	**1.603*****	**0.327*****	**0.333*****
	(0.394)	**(0.387)**	**(0.0809)**	**(0.0801)**
Subprojects	**1.420*****	**1.467*****	**0.367*****	**0.377*****
	(0.411)	**(0.423)**	**(0.120)**	**(0.121)**
DPL	-0.223	-0.196	-0.116	-0.111
	(0.884)	(0.903)	(0.150)	(0.150)
Trust Fund	**-0.742***	**-0.766***	0.0740	0.0586
	(0.431)	**(0.422)**	(0.111)	(0.108)
Risk Exposure	**0.830*****	**0.846*****	**0.220*****	**0.228*****
	(0.314)	**(0.314)**	**(0.0674)**	**(0.0686)**
Entry Pt: Domestic Accountability	**1.409*****	**1.362*****	**0.391*****	**0.389*****
	(0.429)	(0.453)	**(0.122)**	**(0.123)**
Entry Pt: Demand side	0.346	0.365	0.101	0.105
	(0.456)	(0.464)	(0.107)	(0.109)
CPIA (continuous)	-0.0496	-0.0101	0.0121	0.0202
	(0.410)	(0.404)	(0.124)	(0.119)
FPD	-0.397	-0.344	-0.162	-0.164
	(0.579)	(0.598)	(0.107)	(0.105)
GovEPOL	-0.360	-0.277	0.0162	0.0244
	(0.622)	(0.622)	(0.157)	(0.159)
HD	0.163	0.198	0.124	0.123
	(0.566)	(0.580)	(0.125)	(0.123)
INFRA	**-1.153***	**-1.177***	0.0618	0.0454
	(0.607)	**(0.603)**	(0.154)	(0.155)
ECA	0.631	0.617	0.102	0.103
	(0.760)	(0.769)	(0.164)	(0.166)
EAP	0.170	0.233	**-0.313*****	**-0.298*****
	(0.632)	(0.609)	**(0.0797)**	**(0.0859)**
MNA	-0.417	-0.397	**-0.279*****	**-0.280*****
	(0.640)	(0.634)	**(0.0757)**	**(0.0738)**
LCR	0.837	0.874	0.165	0.184
	(0.564)	(0.566)	(0.148)	(0.155)
SAR	-0.0323	0.00939	**-0.262*****	**-0.254*****
	(0.677)	(0.664)	**(0.0842)**	**(0.0860)**
Post-Conflict Country	-0.634	-0.599	0.0906	0.103
	(0.647)	(0.644)	(0.199)	(0.198)
CGAC/Window Country	0.459	0.200	**0.173***	0.112
	(0.529)	(0.690)	**(0.0946)**	(0.112)
CGAC/Window Country * Post-GAC		0.737		0.205
		(0.843)		(0.228)
Constant	8.419***	8.390***		
	(1.672)	(1.679)		
Observations	196	196	196	196
R-squared	0.466	0.468		
Log Likelihood			-72.342	-71.934
Pseudo R-Squared			0.457	0.457

Models 1 and 2 report OLS with robust standard errors in parentheses; Models 3 and 4 report marginal effects of a Logit with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables

Table E.18. Definition of Independent Variables Used in Multivariate Regressions

Independent variable	Definition
Post-GAC	1 = Project in Post-GAC period (2008-2010), 0 = Project in Pre-GAC period (2004-2007)
Upstream Project Design Variables	
TA/ESW	1 = CAS mentions plans to use TA/ESW; 0 = Not mentioned in the CAS
ESW	1= Project design draws on ESW identified in Project documents, 0 = It does not.
Analysis of Formal Institutions	1= Project is based on an analysis of formal institutions; 0 = It is not.
Analysis of Informal Institutions	1= Project is based on an analysis of informal institutions; 0 = It is not.
Beneficiary Feedback	1= Project includes measures for user/beneficiary participation in decision-making and implementation; 0 = Project does not include.
Includes Disclosure Provisions	1= Project provides disclosure of information, 0 = Project does not.
Has a PIU	1 = Project has a PIU, 0 = Project Does not.
Uses Country Systems	1 = Project uses country systems, 0 = Project does not.
Plans to use of Country Systems	1 = Project/CAS plan to use country systems, 0 = Project/CAS does not.
High FM Risk	1= PAD identifies high financial management risk, 0 = PAD does not
High Procurement Risk	1= PAD identifies high procurement risk, 0 = PAD does not
High Overall Risk	1= PAD identifies high overall risk, 0 = PAD does not
Financial Design Variables	
DPL	1 = Project is a DPL, 0 = Not; CAS DATA: DPL is planned in the case period = 1, 0 = Not planned.
IL	1 = Project is a IL, 0 = Not; CAS DATA: IL is planned in the case period = 1, 0 = Not planned.
Trust Fund	1 = Project is a Trust fund Project, 0 = Not
Risk Exposure	Risk Exposure = [Project Commitment Amount - Average Project size in country portfolio in Pre-GAC (FY04-FY07)or Post-GAC Period (FY08-FY10)]
Project Entry Points	
Entry Pt: PSM	1 = Project/CAS includes a Public Sector Management Entry Point; 0 = Does not.
Entry Pt: Domestic Accountability	1 = Project/CAS includes a Domestic Accountability Institution Entry Point; 0 = Does not.
Entry Pt: Demand side	1 = Project/CAS includes a Demand-side/CSO Entry Point; 0 = Does not.
Entry Pt: Investment Climate	1 = Project/CAS includes an Investment Climate Entry Point; 0 = Does not.
Project -Specific Control Variables	
CPIA (continuous)	Governance-cluster Country CPIA
CPIA > 3.5	1= Governance-cluster Country CPIA is Greater than 3.5, 0 = Not
FPD	1 = Project is an FPD project, 0 = Not
GovEPOL	1 = Project is a Governance/EPOL (PREM) project, 0 = Not
HD	1 = Project is a Human Development project, 0 = Not
INFRA	1 = Project is an FPD project, 0 = Not
ECA	1= Project is located in ECA region, 0 = Not
EAP	1= Project is located in EAPregion, 0 = Not
MNA	1= Project is located in MNA region, 0 = Not
LCR	1= Project is located in LCR region, 0 = Not
SAR	1= Project is located in SAR region, 0 = Not
Post-Conflict Country	1 = Project is located in a Post-Conflict Country, 0 = Not
CGAC/Window Country	1 = Project/CAS is located in a CGAC/Window Country, 0 = Not
CGAC/Window Country * Post-GAC	Interaction term = CGAC/Window Country * Post-GAC

Table E.19. Project ICR/Latest ISR Ratings for Implementation Progress and GAC Measures Pairwise Correlations

	Project ICR/Latest ISR Rating	Overall GAC Responsiveness	Quality of Fiduciary	Demand side of Gov	UCS Rating	Institutional Strengthening	Results	Quality of PE Analysis
Project ICR/Latest ISR Rating	1							
Overall GAC Responsive-ness	**0.146***	1						
	(0.069)							
Quality of Fiduciary	**0.188***	**0.496*****	1					
	(0.020)	**(0.000)**						
Demand side of Gov	0.121	**0.483*****	0.119*	1				
	(0.135)	**(0.000)**	(0.099)					
UCS Rating	0.155	**0.535*****	**0.344*****	0.108	1			
	(0.056)	**(0.000)**	**(0.000)**	(0.135)				
Institutional Strengthening	0.127	**0.455*****	0.068	**0.303*****	**0.162****	1		
	(0.119)	**(0.000)**	(0.347)	**(0.000)**	**(0.024)**			
Results	0.211	**0.503*****	**0.269*****	**0.272*****	**0.353*****	**0.327*****	1	
	(0.009)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**		
Quality of PE Analysis	0.166	**0.537*****	**0.342*****	**0.319*****	**0.226****	**0.345*****	**0.350*****	1
	(0.039)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.002)**	**(0.000)**	**(0.000)**	

R-squared reported with P values in parentheses, *** p<0.01, ** p<0.05, * p<0.1, Project Rating N = 155, GAC variables N = 200

Project ICR/Latest ISR Ratings for Development Objectives and GAC Measures Pairwise Correlations

Project ICR/Latest ISR Rating	Project ICR/Latest ISR Rating	Overall GAC Responsiveness	Quality of Fiduciary	Demand side of Gov	UCS Rat-ing	Institutional Strengthening	Results	Quality of PE Analysis
	1							
Overall GAC Responsive-ness	**0.136***	1						
	(0.080)							
Quality of Fiduciary	0.153	**0.496*****	1					
	(0.052)*	**(0.000)**						
Demand side of Gov	**0.085**	**0.483*****	**0.119***	1				
	(0.278)	**(0.000)**	**(0.099)**					
UCS Rating	**0.151***	**0.535*****	**0.344*****	0.108	1			
	(0.056)	**(0.000)**	**(0.000)**	(0.135)				
Institutional Strengthening	**0.156****	**0.455*****	0.068	**0.303*****	**0.162****	1		
	(0.048)	**(0.000)**	(0.347)	**(0.000)**	**(0.024)**			
Results	**0.165****	**0.503*****	**0.269*****	**0.272*****	**0.353*****	**0.327*****	1	
	(0.037)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**		
Quality of PE Analysis	**0.193****	**0.537*****	**0.342*****	**0.319*****	**0.226****	**0.345*****	**0.350*****	1
	(0.013)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.002)**	**(0.000)**	**(0.000)**	

R-squared reported with P values in parentheses, *** p<0.01, ** p<0.05, * p<0.1, Project Rating N = 166, GAC variables N = 200

Table E.20. The Likelihood a Project Receives an Integrity Vice Presidency Complaint

VARIABLES	(1) Receives Integrity Vice Presidency Complaint
Post-GAC	-0.0459
	(0.0505)
High Fiduciary Risk	-0.0771
	(0.0570)
High Procurement Risk	**0.169****
	(0.0660)
Includes Disclosure Provisions	**0.172*****
	(0.0531)
Project Rated as Adapted to Informal Reality	-0.0199
	(0.0544)
Entry Pt: Domestic Accountability	**-0.108****
	(0.0525)
SAR	**0.291****
	(0.140)
AFR	0.139
	(0.121)
EAP	0.116
	(0.129)
ECA	0.139
	(0.127)
MNA	-0.0462
	(0.100)
Post-Conflict Country	0.0242
	(0.0794)
Observations	175
Log Likelihood	-73.610
Pseudo R-squared	0.207

Model 1 reports marginal effects of a Logit with robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1, (i) Appendix E, table 18 for explanations of independent variables.

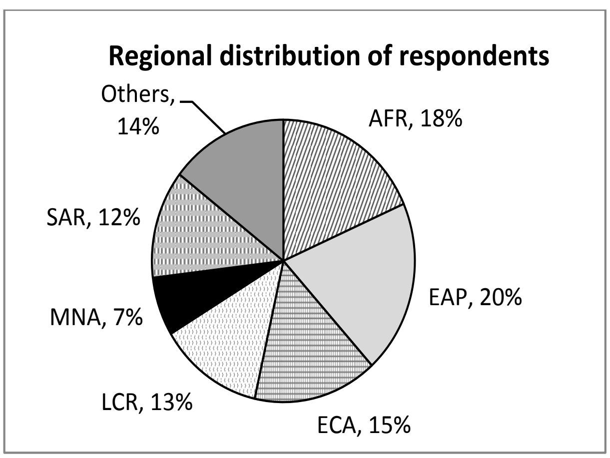
Appendix F
IEG GAC Staff Survey — Summary Results

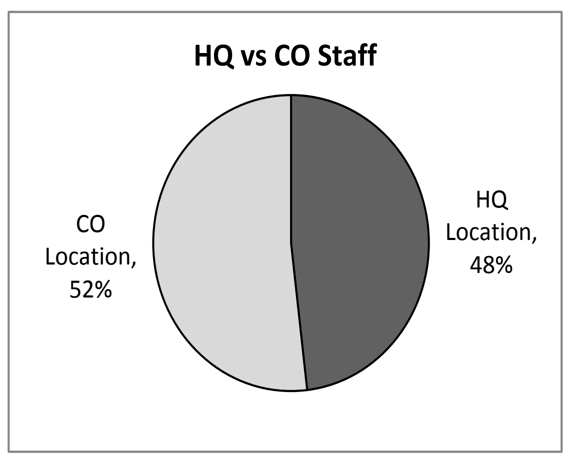
A survey undertaken as part of the Independent Evaluation Group's governance and anti-corruption evaluation study targeted a broad cross-section of staff at technical levels GF and higher that served as task team members for 892 lending and trust-funded Bank operations approved between FY04 and FY10. Since these operations were undertaken in 50 countries, the target audience also includes staff at the GF level and higher and extended-term consultants from Country Management Units in these 50 sample countries. The survey was sent to 1,942 staff members, 682 (35 percent) of whom responded.[58] The survey was confidential and anonymous. It was administered online, using Survey Monkey, between October and November 2010.

Demographics

Fifty-two percent of the 682 respondents were based in Country Offices. Almost 47 percent of the respondents were task team leaders, 33 percent were senior members of a project team. Thirty-eight percent of the respondents had more than 10 years of work experience at the Bank. The regional distribution and distribution by location of staff is shown in Figure F.1.

Figure F.1. Distribution of Respondents





SECTION 1 - THE BANK'S APPROACH TO GOVERNANCE AND ANTICORRUPTION (GAC)

1. Relevance of the following governance and anticorruption issues to the Bank's poverty reduction mandate:

	Very important	*Moderately Important*	*Somewhat Important*	*Little or None*	*Don't know*	*N*
Managing fraud and corruption risks in Bank lending operations	83%	11%	4%	1%	0%	680
Expanding use of country systems in Bank lending & country programs	46%	30%	16%	6%	2%	677
Investing in institutional capacity in client countries	78%	16%	4%	2%	0%	679
Helping countries better diagnose GAC constraints	68%	22%	7%	2%	0%	678

2. Since 2007, to what extent has Bank more systematic in addressing GAC issues across countries and sectors.

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
Bank has become more systematic in addressing GAC issues across countries and sectors since 2007	20%	36%	26%	10%	8%	627

3. The Bank's engagement on GAC issues in countries currently reflect the following principles:

	Very important	*Moderately Important*	*Somewhat Important*	*Little or None*	*Don't know*	*N*
Engagement on GAC issues is primarily country-driven (rather than Bank-driven)	12%	20%	25%	39%	4%	667
Addressing GAC issues is everyone's business in the Bank, including sectors	38%	28%	23%	9%	1%	669
Bank support uses rather than bypasses country systems	11%	30%	31%	23%	5%	665
The Bank actively invests in strengthening country institutional capacity	17%	36%	30%	14%	2%	670
The levels and composition of Bank portfolios are appropriate, in light of GAC related risks	9%	32%	28%	17%	14%	668

SECTION 2-RESPONDENT'S TEAM'S EXPERIENCE WITH GAC IMPLEMENTATION[59]

4. Change in respondent's country team's work compared to pre-2007

	Improved	*About the same*	*Worse*	*Don't know*	*N*
Identifying entry points for engaging GAC issues in our dialogue with client countries	62%	26%	2%	11%	651
Identifying and managing GAC risks in Bank projects and programs	68%	20%	2%	9%	649
Assessing governance, and/or political economy constraints to poverty reduction	58%	29%	3%	10%	645
Supporting the demand side of governance in projects and programs	59%	28%	3%	10%	648
Addressing governance and incentive issues in sectors	51%	33%	4%	12%	648
Leveraging international efforts to promote good governance and combat corruption	44%	31%	3%	22%	646

5. Comparison of country team's work relative to other donors in the following areas since 2007.

	Improved	*About the same*	*Worse*	*Don't know*	*N*
Political economy and governance analysis	63%	23%	4%	10%	645
Risk assessment and risk management	72%	16%	3%	9%	643
Country dialogue on governance issues beyond fighting corruption	64%	22%	4%	10%	644
Supporting institutional development in countries	61%	26%	4%	9%	642
Coordination of development partners on GAC issues	48%	33%	4%	14%	642

6. Extent of Country program achievements since 2007 in the following results:

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
Improved service delivery	16%	45%	19%	12%	8%	636
Improved investment climate	8%	35%	28%	17%	12%	634
Strengthened domestic accountability	8%	32%	28%	23%	9%	634
Increased candor and transparency in Bank's engagement with the client	20%	34%	22%	17%	6%	633

SECTION 3-SUPPORT FOR ADDRESSING GAC ISSUES

7. Sixty-three percent of respondents were familiar with the 2007 GAC Strategy and Implementation Plan, while the remaining respondents were either not very familiar with the 2007 GAC Strategy (33%), or had never heard of it (4%).

8. Support to team's operational work through GAC implementation effort since 2007 in the following ways:

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
Provided access to additional resources	9%	24%	19%	39%	9%	607
Provided training and/or helped recruit skilled staff to address GAC issues	10%	21%	24%	38%	7%	607
Supported analyses to deepen your knowledge of country GAC and political economy issues	9%	26%	23%	35%	7%	605
Provided advisory and process support to incorporate political economy considerations in project and program design	7%	25%	22%	38%	8%	606
Provided guidance and support on preventing fraud and corruption in Bank projects	14%	30%	22%	29%	5%	606
Provided "good practice" guidance on helping develop effective and accountable states	9%	26%	25%	33%	7%	601

9. Use of guidance materials and tools in operational work on GAC

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
Provided access to additional resources	10%	22%	19%	41%	9%	550
Provided training and/or helped recruit skilled staff to address GAC issues	8%	21%	20%	41%	8%	549
Supported analyses to deepen your knowledge of country GAC and political economy issues	10%	23%	27%	33%	7%	544
Provided advisory and process support to incorporate political economy considerations in project and program design	7%	26%	25%	34%	8%	546
Provided guidance and support on preventing fraud and corruption in Bank projects	15%	30%	21%	28%	6%	546
Provided "good practice" guidance on helping develop effective and accountable states	10%	24%	28%	30%	8%	547

10. Relevance of guidance materials and tools in operational work on GAC

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
GAC in countries (sourcebooks, "good practice" guidance, toolkits, etc.)	12%	25%	24%	26%	14%	571
GAC-in-sectors (sourcebooks, "good practice" guidance, toolkits, etc.)	13%	25%	22%	26%	15%	569
GAC-in-projects (OPCS Emerging Good Practice Notes, INT resources such as Fraud and Corruption Awareness Handbook, etc.)	16%	28%	18%	25%	13%	571
Demand for Good Governance (sourcebooks, Community Driven Development (CDD) database, etc.)	11%	22%	21%	29%	16%	565
Political Economy (PREM, SDV Sourcebooks)	9%	21%	21%	30%	19%	570
GAC in countries (sourcebooks, "good practice" guidance, toolkits, etc.)	12%	25%	24%	26%	14%	571

11. Extent of use of sources of information on GAC

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
GAC in countries (sourcebooks, "good practice" guidance, toolkits, etc.)	7%	20%	23%	35%	15%	544
GAC-in-sectors (sourcebooks, "good practice" guidance, toolkits, etc.)	8%	21%	20%	35%	16%	544
GAC-in-projects (OPCS Emerging Good Practice Notes, INT resources such as Fraud and Corruption Awareness Handbook, etc.)	12%	23%	21%	31%	12%	545
Demand for Good Governance (sourcebooks, Community Driven Development (CDD) database, etc.)	6%	22%	20%	37%	15%	544
Political Economy (PREM, SDV Sourcebooks)	6%	17%	19%	40%	17%	538

12. Extent to which sources of information on GAC were helpful to the team

	To a great extent	*Moderate*	*Somewhat*	*Little or None*	*Don't know*	*N*
Bank documents on GAC (2007 GAC Strategy, 2007 Implementation Plan, 2008 & 2009 Progress Reports)	11%	26%	24%	28%	11%	560
Training/Workshops	15%	26%	21%	26%	11%	559
World Bank events/meetings with Senior management	8%	22%	21%	36%	12%	556
GAC Knowledge Platform	7%	21%	20%	35%	18%	554
Governance Partnership Facility applications and review processes	8%	16%	18%	38%	21%	557
Community of Practice on Political Economy	6%	15%	19%	38%	23%	549

13. Staff views on statements about emerging GAC implementation challenges:

	Agree	*Neither agree nor disagree*	*Disagree*	*Don't know*	*N*
Risk reviews are cumbersome and should be streamlined.	66%	17%	11%	5%	588
Management has clarified which GAC principles matter most when engaging clients (e.g., strengthening project fiduciary controls versus using country systems).	42%	24%	28%	5%	587
GAC guidance and tools are packaged in a user-friendly manner, especially for Country Office-based staff.	26%	35%	24%	15%	585
Political economy and governance analysis is marketed and delivered to be operationally relevant.	28%	29%	31%	12%	588
The Bank's lending imperative conflicts with its ability to implement the GAC Strategy.	46%	26%	24%	5%	586
Management has explicitly established the Bank's risk tolerances for lending in different country settings.	27%	28%	34%	10%	587
Existing lending instruments do a good job at managing risks and promoting results.	40%	33%	23%	4%	590

14. Top five (5) priorities for Phase 2 of GAC: The top priorities identified by the respondents were (in decreasing order of importance):

	All	*Rank 1&2 combined*	*Rank 1*
1	Core Public sector management (including civil service reform and public financial management)	Core Public sector management (including civil service reform and public financial management)	GAC-in-sectors (e.g., human development, infrastructure, etc.)
2	GAC-in-sectors (e.g., human development, infrastructure, etc.)	GAC-in-sectors (e.g., human development, infrastructure, etc.)	Core Public sector management (including civil service reform and public financial management)
3	Demand side of Governance	Demand side of Governance	Risk management, including prevention of fraud and corruption
4	Risk management, including prevention of fraud and corruption	Risk management, including prevention of fraud and corruption	Demand side of Governance
5	Results agenda and results measurement	GAC in natural resource management (including petroleum and mining)	GAC in natural resource management (including petroleum and mining)

Appendix G
Persons Interviewed

Name	Title/Organization
GOVERNMENT OFFICIALS IN PARTNER COUNTRIES	
Azerbaijan	
Adil Gojayev	PIU Director, Highways
Alekper Guliyev	Head of Administration, State Procurement Agency
Ayyub Huseynov	Engineer, PIU, Highways
Isgender Isgenderov	Deputy Minister, Ministry of Education
Fatizade, Ilgar	Deputy Minister, Ministry of Finance
Agayev, Rovshan	Vice Chairman, Support for Economic Initiatives Public Union
Elvin Rustamov	Director PIU, Ministry of Education
Bangladesh	
Chowdhury Mufad Ahmed	Joint Project Director, Primary Education Development Program (PEDP) II
Dr. Nasir Uddin Ahmed	Chairman and Secretary, Internal Resources Division, National Board of Revenue
Muhiuddin Khan Alamgir	Chairman, Public Accounts Committee
Md. Abul Kalam Azad	Secretary Power Division, Ministry of Power, Energy & Mineral Resources
Sohela Begum	Secretary to CEO, Infrastructure Investment Facilitation Center
Ranjit Kumar Chakraborty	Additional Secretary, Finance Division
Dr. Kamal Abdul Naser Chowdhury	Secretary, Ministry of Education
Shahad Chowdhury	Controller General of Accounts (CGA), Office of the Controller General of Accounts
Amulya Kumar Debnath	Director General, Central Procurement Technical Unit, Ministry of Planning
Shyamal Kanti Ghosh	Director General, Ministry of Primary Education, PEDP II
Ahmed Ataul Hakeem	Comptroller and Auditor General of Bangladesh
Monzur Hossain	Planning Secretary, Planning Division, Ministry of Planning
Md. Ghulam Hossain	Secretary, Ministry of Commerce
Nazrul Islam	Executive Director and CEO, Infrastructure Investment Facilitation Center
Arastoo Khan	Additional Secretary, Economic Relations Division (ERD)
Md. Mozammel Haque Khan	Secretary, Ministry of Communications
A K M Abdul Awal Mazumder	Secretary, Ministry of Primary & Mass Education
Swapan Kumer Sarkar	Project Director, Local Governance Support Project (LGSP)
Ghulam Rahman	Chairman, Anticorruption Commission
Md. Wahidur Rahman	Chief Engineer, Local Government Engineering Department (LGED)
Hussain Ahmed	Member, National Board of Revenue
M. Shahabuddin	Chief Engineer, Roads and Highway Department Sarak Bhaban
Cambodia	
Sareth Boramy	Director, LASEDP, Ministry of Lands
H.E. Nath Bunroeun	Secretary of State, Ministry of Education, Youth, and Sport; ESSSUAP Director
H.E. Ngy Chanphal	Secretary of State, Ministry of Interior, and DFGG Project Coordinator Commune Council, Chhouk Ksach Commune, Kampong Cham
H.E. Uth Chhorn	Auditor General, National Audit Authority (NAA)
H.E. Ou Eng	Deputy Director General, Ministry of Education, Youth, and Sport
H.E. Ngo Hongly	Secretary General, Council for Administrative Reform

(Continued on next page)

APPENDIX G
PERSONS INTERVIEWED

Name	Title/Organization
H.E. Keo Kong	Project Director, MONASRI
H.E. Dr. Hang Chuon Naron	Secretary of State, Ministry of Economy and Finance
H.E Dr. Aun Porn Moniroth	Head of PFMRP, Ministry of Economy and Finance
H.E. Cham Prasidh	Senior Minister and Minister of Commerce
Tuaon Sarath	[RNK Office
H.E. Sak Setha	Head of National Council for Decentralization and Deconcentration (NCDD) Secretariat
H.E. Lim Sidenine	Secretary of State
H.E. Pheng Socheano	PRIP Director , Ministry of Public Works and Transport
H.E. Kem Sithan	Secretary of State, Ministry of Commerce
H.E. Nguon Meng Tech	Director General of Cambodian Chamber of Commerce (CCC)
H.E Tram Iv Tek	Minister of Public Works and Transport
HE. Vongsey Vissoth	Secretary General, Ministry of Economy and Finance
H.E. Tan Yan	Radio National Kampuchea, Project Director
H.E. Cheam Yeap	Chairman of Public Account Committee, Parliament
H.E. Om Yentieng	President of Anti Corruption Unit, National Anti Corruption Council
Guatemala	
Donald Eduardo Cuevas Cerezo	Director, Fiscal Evaluation and Analysis, Ministry of Finance
Luis Arturo Guzmán	Contraloría General de Cuentas: Nora Segura de Delcompare (Comptroller General)
Violeta Mazariegos	Congress Transparency Coordinator
Alfredo Mury	Former Vice Minister of Communication
Edgar Hernández Navas	Vice Minister of Public Finance
Linda Mayra Palencia	Director, Public Credit Department, Ministry of Finance
Lic. Roberto Monroy Rivas	Vice Minister of Education
Vivian Lemus Rodriguez	Undersecretary for Public Investment
Liberia	
Joseph K. Acqui	Vice Chairperson, Liberia Anticorruption Commission
Augustus Bailey	HR Advisor, Ministry of Interior
Akindele George Beckley	Program Director, Infrastructure Implementation Unit (IIU)
Charles Carpenter	Deputy Minister, Ministry of Public Works
Edward K. Goba	Deputy Minister, Ministry of Transport
Sandra Howard-Kendor	Commissioner/Enforcement, Liberia Anticorruption Commission
Hon. Roosevelt Jayjay	Minister, Ministry of Lands, Mines and Energy
Cllr. Frances Johnson-Morris	Executive Chairperson, Liberia Anticorruption Commission
M. Osman Kanneh	Commissioner/Education and Prevention, Liberia Anticorruption Commission
Ramses Kumbuyah	Executive Director, Liberia Agency for Community Empowerment
Jenkins Mends-Cole	Deputy Minister, Ministry of Public Works
John Sembe Morlu, II	Auditor General, General Auditing Commission
Winsley Nanka	Deputy Auditor General for Audit Service, General Auditing Commission
Magnus Nian Jr.	Assistant Director for Internal Audit, Ministry of Interior
MacArthur M. Pay-Bayee	Director, Land Commission
Z. Moulai Reeves	Commissioner/Administration, Liberia Anticorruption Commission
Hon. Willard Russel	Minister, Ministry of Transport
Hon. Soko Sackor	Deputy Minister, Administration, Ministry of Interior
Armos Sawyer	Commissioner, Governance Commission
Daniel B. Tipayson	Liberia Anticorruption Commission
William Towah	Advisor/Head of Aid Management Unit, Ministry of Finance
Ekema Witherspoon	Assistant Minister, Ministry of Interior
Sayon Henry Yaidoo	Head of Secretariat, Liberia Extractive Industry Transparency Initiative

(Continued on next page)

Name	Title/Organization
Moldova	
Arcadie Barbarosie	Director, IIP
Vasile Bulicanu	Head of Budget Department, Ministry of Finance
Maria Caraus	Deputy Minister, Ministry of Finance
Stefan Creanga	General Director, Public Procurement Agency
Gheorghe Cucu	Chairman, Chamber of Commerce
Serghei Diaconu	Advisor, Office of the Prime Minister
Elizaveta Foca	Deputy Chairwoman, Court of Accounts
Boris Gherasim	Deputy Minister of Transport and Road Infrastructure
Sergiu Harea	Director of Economic Development Department, Chamber of Commerce
Nina Lupan	Director, State Treasury, Ministry of Finance
Veaceslav Negruta	Minister of Finance
Tatiana Potang	Deputy Minister of Education
Anatolii Usatii	Former Head, Investment Department, State Road Administration
DONOR OFFICIALS	
Ingjerd Haugen	Adviser, Bank Section, Norwegian Agency for Development Cooperation
Benedict Latto	Governance Adviser & Deputy Team Leader, UK Development for International Development
Giske Lillhehammer	Senior Advisor, Aid Strategy and Development Economics Department, Norwegian Agency for Development Cooperation
Per Oyvind	Director, Aid Strategy and Development Economics Department, Norwegian Agency for Development Cooperation
André Westerink	Deputy Head ,Good Governance Division, Netherlands Ministry of Foreign Affairs
Azerbaijan	
Faraj Huseynbeyov	Project Implementation Officer, Asian Development Bank
Kotaro Matsuzawa	Head of the Economic Affairs and Economic Co-operation Development Department, Embassy of Japan
Olli Noroyono	Resident Representative, Asian Development Bank
Nailya Safarova	National Program Officer, Swiss Development Cooperation/SECO
Bangladesh	
Firoz Ahmed	Senior Public Management Officer, Asian Development Bank Bangladesh Resident Mission
Mr. Ashrafuzzaman	Program Officer, Danish International Development Agency
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Francis Delaey	Head of Office, EBRD
Henny de Vries	First Secretary, Governance and Gender, Embassy of the Netherlands
Young Hong	Assistant Country Director, Democratic Governance Cluster, UNDP
Nazrul Islam	Governance Advisor, Danish International Development Agency
Julia Jacoby	Attaché, Coordination and Aid Effectiveness , European Union
Muhd. Rafiquzzaman	UK Development for International development
Sherina Tabassum	Governance Advisor, USAID
Doris Voorbraak	Deputy Chief of Mission Netherlands Embassy
Cambodia	
Richard Erlebach	Head, UK Development for International Development
Jennifer Lean	First Secretary, AusAID
Representatives from ADB, USAID, EWMI, SIDA, GTZ	

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APPENDIX G
PERSONS INTERVIEWED

Name	Title/Organization
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Moldova	
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Stefan Creanga	Head of DFID Section, British Embassy
	General Director, Public Procurement
Liberia	
Carolyn Bryan	Acting Mission Director, USAID
Michael Boyd	Sr. Economic Growth Officer, USAID
Amb. Attillio Pacifici	Ambassador, European Commission
Mustapha Soumare	Designated Special Representative of the Secretary-General, United Nations Mission in Liberia (UNMIL)
Francesca Varlese	Program Manager- Governance, European Commission
Paula Horyaans	Rural Development, European Commission
David Melgrove	Country Manager, UK Development for International Development
Shitau Miura	Country Manager, Japan International Cooperation Agency

CIVIL SOCIETY REPRESENTATIVES	
Vinay Bhargava	Partnership for Transparency
Francesco De Simone	Senior Policy Advisor, Transparency International USA
Jonathan Gant	Policy Advisor, Global Witness
Gerald Hyman	Senior adviser and president of the Hills Program on Governance, Center for Strategic & International Studies
Jana Morgan	Assistant Policy Advisor, Global Witness
Daniel Ritchie	Consultant, Partnership for Transparency
Gopa Thampi	Coordinator, ANSA—South Asia
Regina Williams	Finance and Fiduciary Expert, Norfolk State University
Azerbaijan	
Fidan Bagirova	Director, Open Society Institute
Ibadoglu Gubad	Chairman, Economic Research Center
Rena Safaraliyeva	Executive Director, Transparency International Azerbaijan
Gopakumar Thampi	Chief Operating Officer, Affiliated Network for Social Accountability
Bangladesh	
Shaheen Anam	Executive Director, Manusher Jonno Foundation
Rizwan Khair	Academic Coordinator, Bangladesh Institute of Development Studies (BIDS)
Arif Hossain Khan	Governance Manager, Manusher Jonno Foundation
Binayek Sen	Research Director, Bangladesh Institute of Development Studies (BIDS)
Gopa Kumer Thampi	Chief Operating Officer, IGS-BRAC University
Cambodia	
Robert Boddy	Independent Procurement Agent
Lynn Dudley	Chief Technical Advisor, CESSP and FTI
Van Sou Ieng	President of GMAC and Cambodian Federation of Employers
Vijay Kumar	Independent Procurement Agent
Okhna Kith Meng	President of Cambodian Chamber of Commerce
Oknha Mong Reththy	President, Mong Rethy Group
Ok Serei Sopheak	Consultant

(Continued on next page)

Name	Title/Organization
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Guatemala	
Lic. Manfredo Marroquín	Regional Coordinator for Central America, Transparency International
Moldova	
Lilia Carasciuc	Transparency International
Liberia	
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Daniel Clarke	Secretary-General, Liberian Red Cross
Francis K. Colee	Project Coordinator, Green Advocates
Geegbae A. Geegbae	Professor, Business School, University of Liberia
Catherine Kamo	Regional Program / Policy Manager, Action Aid Liberia
Prince O. Kreplah	Executive Director, CUPPADL
Thomas Doe Nah	Executive Director, CENTAL
Lancedell Mathew	Executive Director, NADRA
Harold Monger	Director-General, Liberia Institute of Public Administration
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INTERNATIONAL ORGANIZATIONS	
Cambodia	
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Representatives of EC, UNDP, UNIDO	
Guatemala	
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Liberia	
Paula Horyaans	European Commission
Amb. Attillio Pacifici	European Commission
Mustapha Soumare	United Nations Mission in Liberia (UNMIL)
Francesca Varlese	European Commission
Moldova	
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OTHER	
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Álvaro Zepeda	Chairman, Cámara de la Construcción

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APPENDIX G
PERSONS INTERVIEWED

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Barbry Keller	Senior Country Officer, AFCGH
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Merly Khouw	Senior Investigator, INTOP
Jane Kirby-Zaki	Senior Program Officer, CFPTP
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Christos Kostopoulos	Former Country Economist
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Sergiy Kulyk	Country Program Coordinator, AFCGH
Munichan Kung	Rural Development Officer, EASTS
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Pierre Landell-Mills	Former Senior Adviser on Public Sector Management
Alvaro Larrea	Senior Procurement Specialist, LCSPT
Khateeb Sarwar Lateef	Consultant, AFTPR
Luc Lecuit	Senior Operations Officer, EACTF
Brian Levy	Adviser, PRMPS
Maureen Lewis	Adviser, AFTHD

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Nareth Ly	Operations Officer, EASHH
Sodeth Ly	Public Sector Specialist, EASPR
Nicholas Paul Manning	Advisor, PRMPS
Yasuhiko Matsuda	Senior Public Sector Specialist, EASPR
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Geremie Sawadogo	Senior Human Resources Officer, HRNSW
Andreas Schliessler	Lead Transport Specialist, ECSS5
Pia Schneider	Lead Evaluation Officer, IEGPS
Johannes Christia Schuster	Consultant, LCCGT
Sofia Shakil	Senior Education Specialist, SASED
Khaled Sherif	Chief Administrative Officer, AFTRM
Sudhir Shetty	Sector Director, DECWD
Kristin Sinclair	Junior Professional Officer, ECCMD
Karen Sirker	Senior Social Development Specialist, SDNOK
Lili Sisombat	Former Program Manager, IFC
Sreng Sok	Procurement Specialist, EAPPR
Vannara Sok	Operations Officer, EASPR
Vivek Srivastava	Senior Public Sector Specialist, PRMPS
Frederick Stapenhurst	Consultant, WBIGV
Michael L. O. Stevens	Consultant, EASPR
Rafeet Sultana	Transport Specialist, SASDT
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Graham Teskey	Senior Advisor, PRMPS
Melissa Thomas	Consultant, WBT
Charles Underland	Senior Governance Specialist, SASGP
John Underwood	Consultant, OPCCS
Ayesha Y. Vawda	Senior Education Specialist, SASED
Laura Valli	Integrity Vice Presidency (INT)
Christine Wallich	Director, IEGDG
Andrew Waxman	Former Consultant
Steve Webb	Consultant, IEGCC
Deborah Wetzel	Director, EXC
Graeme Wheeler	Former Managing Director
Paul Wolfowitz	Former WB President
Giuseppe Zampaglione	Senior Operations Officer, AFTSP
Stephen Zimmerman	Director, Operations, INTOP
Johannes Zutt	Country Director, AFCE2

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Endnotes

[1] The Operations Evaluation Department produced evaluations of Bank support for civil service reform (1999), and Public Expenditure Reviews (1999). These were followed by IEG evaluations in 2008 of Bank fiduciary diagnostics, decentralization, and public sector reform, as well as reviews of IDA controls (2010), the Country Policy and Institutional Assessment (2009), Poverty Reduction Support Credits (2010), and the Extractive Industries Transparency Initiative (2011).

[2] Adapted from IEG (2008).

[3] Strengthening governance was defined *inter alia* as helping countries strengthen the rule of law, have free and fair elections, strengthen civil society, and promote transparency procedures and administrative policies. See Global Poll: Multinational Survey of Opinion Leaders, 2002.

[4] World Bank (2008a); IEG, Back-to-Office Report, October 2010.

[5] Recent efforts included the introduction of new procurement and financial management risk management systems (P-RAMS and PRIMA).

[6]Closely related were efforts to help strengthen the integrity of financial sectors in developing countries through a sound Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. More recently, the Bank helped launch of the International Corruption Hunters' Network to facilitate closer cooperation among enforcement agencies around the world.

[7] GOVNET is a forum for development agencies and partner countries that focuses on improving governance. It is hosted by OECD-DAC.

[8] Recommendations included the establishment of an Independent Advisory Board; appointment of an external member of the Sanctions Board as the chairperson; development of a confidentiality protocol; transfer of the responsibility for staff misconduct from the Integrity Vice Presidency to Bank's office of Ethics and Business Conduct ; enhancement of selected staff rights to improve fairness of internal investigations; expansion of the Preventive Services Unit; strengthening of communication between the Integrity Vice Presidency and the Regions; and refinement of Integrity Vice Presidency results metrics. See Volcker and others (2007).

[9] Four out of 11 ORAF risks relate to GAC: country risk, sector/multisector institutional, implementing agency governance risks, and implementing agency fraud, and corruption risks.

[10] Setting of risk tolerances is rules-based (for example, in line with IDA's Performance-Based Allocation) to ensure that aid is channeled to settings where they will be most effectively used.

[11] Adapted from QAG. See World Bank (2009f).

[12] Review of Bank support for anti-corruption commissions and the judiciary were covered in other IEG studies.

[13] Case studies reviewed Bank-country engagement in Azerbaijan, Bangladesh, Cambodia, Guatemala, Liberia, and Moldova.

[14] Under build-operate-transfer agreements, the government gives a private firm license to design, build, and operate infrastructure in a manner that permits it to recoup its investment. At the end of the concession period, the infrastructure becomes the property of the government

[15] The Bank would rely on existing due diligence measures on *development policy* lending.

[16] Comments of Executive Directors on Year Two GAC Progress Report, October 2009; see also Weaver (2008).

[17] Tables 4.2 through 4.4 show BB increments relative to the FY07 budgets of vice presidential units.

[18] There was no specific Regional or Bank-wide tracking of budget redeployments for GAC.

[19] Regional vice presidencies did not increase their governance spending to match incremental budget allocations. It is possible, however, that they increased spending for some GAC activities not currently identified as governance work in the Bank information systems due to data limitations.

[20] IEG Consultation with GPF Donors; GPF 2008a.

[21] The timeframe for disbursements was fixed at FY09-12.

[22] Window Four was not opened to independent requests for funding from non-Bank entities; instead, proposals for funding civil society engagement were reviewed through Bank applications to other windows. GPF 2008.

[23] Several GPF grants were allocated for multi-country case studies (coded as "Global") or for sectors across different countries with common themes.

[24] Seven of the 40 grants managed by Public Sector Management units had multiple child trust funds. As of June 30, 2011, these seven grants supported 30 child trust funds, 18 of which were also managed by Public Sector Management staff. These account for a total of 70 percent of the proceeds of seven grants. The overwhelming majority of grants – both in numbers and in volume terms – were managed by Public Sector Management staff of the Poverty Reduction Economic Management network. Importantly, the 2007 strategy's emphasis on GAC as "everybody's business" suggests that the designation of task team leader for Bank work can affect the ownership of initiatives across sector units as well as their planned and actual budgets.

[25] The 27 CGAC countries include the Philippines, which was added later.

[26] A sample of 30 approved grant funding requests (GFRs) under all windows was evaluated for the effectiveness of the selection process. Sample GFRs amounted to $21 million, or 34 percent of the total grant amounts approved as of October 2010. The sample represented all attributes of the full population of 89 GFRs.

[27] As noted in chapter 2, GAC elements are *selectivity* of GAC entry point, s*ignaling* of risks, *strengthening* of country *institutions*, and *smarter project design*.

[28] Of the 21 sample grants that identified core public sector reform as an expected outcome, only three mentioned service delivery objectives.

[29] Since budget data in GFRs were not comprehensive, the evaluation reviewed BB spent over FY2008–10 and up to September 2010 for grants in the sample.

[30] World Bank, FY11 Budget Board Paper.

[31] In this regard, IEG's 2011 evaluation, *Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio*, stated: "The Bank's accountabilities for trust funds are, with some exceptions, weaker than for IDA/IBRD and Bank budget financed activities, even though most trust funds finance activities closely linked with Bank programs. These accountability gaps arise where the Bank and donors have agreed to different allocation, approval, and business processes for trust funds."

[32] The evaluation reviewed GAC Council minutes from November 2007 through March 2010.

[33] IEG's 2010 review of remedial actions to strengthen IDA controls found that GAC guidance had satisfactorily addressed material weaknesses in controls on fraud and corruption risks in Bank projects. However, the review also noted that the implementation of these controls would need to be assessed.

[34] World Bank (2005a). Earlier Bank guidance dates back to 1998 (GP 14.70).

[35] GAC Strategy (2007), p. 40.

[36] PECoP, "Principles for Political Economy Community of Practice," February 2010.

[37] Gallup Poll (2008).

[38]According to IEG's review of Poverty Reduction Support Credits, "Parliament and civil society are believed to have limited or no ownership of the PRSC process, partly because the principal vehicle for engagement of civil society and other stakeholders outside the central government has been the formulation (and in some cases annual review) of the PRS or national development strategy, rather than its implementing vehicle, the PRSP." (IEG 2010 p. 33)

[39] An interaction term between the DPL and post-GAC variables is insignificant, suggesting that the effect of DPLs was not statistically different in the post-GAC period than in the pre-GAC period.

[40] IEG focused on national competitive bidding since the Bank has not aligned with country international competitive bidding procedures in any projects.

[41] The review covered a sample of 17 ESW products was balanced across regions, between pre- and post-GAC periods, and between types of reports. Fifteen out of a total 71 PEA inputs listed by the PECoP were selected on the basis of regional representation, timing (pre- and post-GAC), and substantive focus (country and sector). Two highly sensitive reports were reviewed but are not cited here. (See Appendix A).

[42] Using average CPIA governance scores over the 2005–08 period, countries were clustered into five governance quintiles: 1.53–2.28, 2.29–3.04, 3.05–3.79, 3.80–4.55, and 4.56 and above. Using the 2009 World Bank country classification, countries were clustered into four income groups: low-income (up to $975 per capita GNI); lower-middle-income ($976–$3,855); upper-middle-income ($3,856–11,905), and high-income (greater than $11,906). Countries were randomly selected from these clusters based on a regional quota.

[43] Sampling was based on purposeful random selection of projects from relevant country samples (Levels 1-3); inclusion of development policy, investment projects, and recipient-executed trust funds; representation of regional and sectoral distribution of IDA/IBRD portfolio; and creation of separate samples for on-going and closed projects.

[44] The population includes trust-funded projects of $1 million or more in 50 Level 1 countries.

[45] Based on 2005–08 average CPIA scores and GNI per capita (WB Atlas Method)

[46] CGAC and non-CGAC matching pairs were identified based on similarity of CPIA scores for each income group. For example, a matching pair for a CGAC lower-middle-income country was selected from other non-CGAC lower-middle-income group with the closest CPIA score.

[47] Originally, CGAC included 26 countries nominated by VPUs. Subsequently, Philippines was added.

[48] Six countries in Level 1 did not have CAS documents: Guinea, Latvia, Malaysia, Syria, Thailand, and Venezuela

[49] Pre-testing was conducted for country programs in Poland, Guatemala, Morocco, Democratic Republic of Congo and Bangladesh; and for the Chile Social Protection Sector Adjustment Loan DDO,

Burkina Energy Access Project, Moldova Social Investment Fund II Project, Punjab Municipal Services Improvement Project, Vietnam School Assurance projects.

[50] Document cataloguing and collection was performed by IEG consultants and staff.

[51] Forty-four of the 50 countries in the Level 1 sample had country program strategies. The remaining 6 countries—Guinea, Latvia, Malaysia, Syria, Thailand, and Venezuela—did not have an official Bank strategy or lending document.

[52] Of these 15, two were considered too sensitive to be directly cited.

[53] At the 5 percent confidence level, assuming equal variation between series.

[54] The evaluation team categorized countries with a CPIA Governance cluster less than 3.5 as "Low CPIA" and those with a CPIA governance cluster of 3.5 or above as "High CPIA"

[55] Fragile states were those identified by IDA as fragile and conflict-affected: http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/Fragile_Situations_List_FY11_(Oct_19_2010).pdf

[56] The CPIA of 3.5 is used as a cut-off point throughout this analysis. We have also used a CPIA cluster variable with a five point scale and the continuous CPIA, which do not produce statistically significant results. Use of CPIA varies in some tables depending on context of the regression analysis, but all regressions have been tested with different variations of the CPIA variable at different times to ensure significance.

[57] The CAS data regressions are Linear Probability models instead of Logitic regressions. Given sampling size considerations, the number of observations in the sample was below the minimum required for producing logit analyses with the correct functional form (Peduzzi and others1996; and Long 1997).

[58] To check for representativeness of the sample, the population data (1,942 staff) were compared to the respondents' (682) demographics. Headquarters staff and staff with more than 10 years of work experience were found to be underrepresented among the respondents. The team performed the analysis using "weighted responses." Overall results from the weighted analyses differed very marginally (+/- 1%) from the unweighted results, thus confirming the findings presented in this memo.

[59] "Country team" referred to the country team on which respondent has spent most of his/her time since 2007.

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