

World Bank Response

To UK Multilateral Aid Review on the International Development Association (IDA)

March 1, 2011

We would like to thank DFID for sharing the main findings of the 2011 UK Multilateral Aid Review (MAR) on the International Development Association (IDA).

We are pleased to note that the MAR confirms IDA's overall strong focus and impact in the poorest countries, helping to advance international and UK development objectives. The World Bank, especially through its concessional lending fund for the poor, IDA, remains committed to improving the lives of poor people and has helped its client countries achieve concrete development results (including in education, health, water supply and sanitation, and transportation), build institutions, and support capacity development and policy reform.

The report also confirms the Bank's organizational strengths—that we are an efficiently run institution that is also able to reassess and adapt. The path-breaking role that the Bank plays to enhance transparency and accountability, and to measure and communicate development results, is widely recognized.

The UK MAR identifies some areas for improvement; we welcome these suggestions, and also provide some clarifications below. We believe that the ambitious modernization now underway and the strengthened focus on fragile states, gender, and climate change for our next three-year concessional funding cycle (IDA16) will help us enhance the effectiveness of our support to our clients, and proactively address the areas for improvement noted in the MAR.

Multilateral assessments like the UK MAR are valuable exercises to gauge aid effectiveness and efficiency. Other Bank shareholders are undertaking or considering similar evaluations against their development assistance goals. We welcome the opportunity that these evaluations provide for dialogue and clarification, both among our shareholders and with Bank management. As a multi-shareholder organization, however, we strive to find the right balance among the diverse goals and concerns of all our shareholders. Some of the MAR suggestions touch on real policy issues that are being actively debated among the Bank's 187 country members—we look forward to the UK's valuable contribution to this policy debate for the benefit of poor countries.

CONTRIBUTION TO UK DEVELOPMENT OBJECTIVES

Improving the Lives of the Poor

The UK MAR recognizes the key role that IDA plays in meeting the international and UK goal to improve the lives of poor people. It underscores IDA's central role as guardian of the global Poverty Reduction architecture, its multi-sectoral capacity for engaging in policy dialogue, and its technical excellence, which make IDA UK's partner of choice in sectoral and thematic areas. In terms of financial transfers alone, between Fiscal years 2006 and 2010, IDA committed US\$61.2 billion in support of poor countries.

The MAR also underscores IDA's success at spending aid where it is most needed and where it can be best used—during the past three years, the top-performing IDA countries received per capita allocations about 2.7 times greater than those in the lowest quintile, and about 50 percent of IDA resources were allocated to Sub-Saharan Africa, the region with the greatest needs.

As a result, IDA has made a substantial contribution to results at the country level: during the past ten years, in education, over 105 million children have been benefited each year from the improvements in the quality of teaching and facilities for learning supported by IDA. In health, 310 million children benefited from immunization and 98 million children received targeted interventions to improve nutrition in the past decade. In transportation, over 26 million people have gained access to an all-season road from the construction/rehabilitation of over 118,000 km of roads, and the maintenance of 134,000 km.

Engaging in Fragile Contexts

As the UK MAR points out, IDA assigns strategic importance to the challenge of supporting fragile and conflict situations—as illustrated by the subject of the forthcoming [2011 World Development Report \(WDR\) “Conflict, Security, and Development”](#) and the high priority focus given to fragility in IDA16.

IDA's 20-year track record in addressing issues of fragility and conflict is strong. A study carried out by the Bank's Independent Evaluation Group (IEG) in 2006¹ concluded that, while many challenges remain, there have also been several notable early successes in the engagement with fragile states since 2002. Successes both in country engagement and operational effectiveness include:

- Success of past engagements: Vietnam cut the number of poor people, the depth of their poverty, undernourishment, and infant and under-five mortality by more than 50 percent between 1990 and 2007. Ethiopia more than tripled access to improved water, from 13 percent of the population in 1990 to 42 percent in 2006. Between 1995 and 2007, Bosnia and Herzegovina increased measles immunizations from 53 percent to 96 percent for children aged 12-23 months.
- Many examples of current strong Bank engagement—in Afghanistan, Bosnia, Liberia, Rwanda, Timor Leste, and West Bank Gaza.
- Substantial progress has been made in implementing collaborative processes, with the Bank increasingly engaged in aid coordination and in managing multi-donor trust funds (MDTFs) in FCS, and enhanced partnerships such as the 2008 [UN-World Bank Partnership Framework for Crisis and Post-Crisis Situations](#) in which both institutions made concrete commitments to strengthen collaboration.
- There is increased management attention to greater decentralization of operational staff to the field. For example, between FY06 and FY09, the total number of internationally recruited Bank staff in FCSs increased from 411 to 562.
- We have introduced a range of Human Resources reforms and incentives to attract more staff to serve in fragile and conflict situations. We are also planning to launch a Global Hub for Fragile and Conflict Situations based in Africa.

Along with much of the international community, we have been reviewing our approach toward assisting FCSs in order to help ensure that progress is commensurate with the urgency of their needs,

¹ *“Engaging with Fragile States - an IEG Review of World Bank Support to Low-Income Countries Under Stress”*
World Bank, 2006

and have been reviewing our approach. We recognize that supporting progress in fragile and post-conflict contexts represents an extremely demanding challenge for all development partners, including IDA. Opening new avenues for action involves accepting higher levels of risk and, in the case of the Bank, it calls for a candid discussion on appetite for risk among its shareholders. Going forward, as the Bank considers the operational implications of WDR 2011, it is taking a two-track approach to improving its impact in assisting FCSs: (a) identifying “quick wins” to serve the urgent needs of FCSs; and (b) preparing a longer-term strategy to work with and through country institutions to achieve sustainable social and economic results.

Mainstreaming Gender Equality

Accelerating progress on gender mainstreaming and gender-related MDGs is a special theme for the Bank and IDA, as the UK MAR acknowledges. Based on a recent IEG evaluation, the UK MAR expresses concern about the success in mainstreaming gender into IDA operations. However, as data for the last two years of the evaluation (2007-08) show, coverage of gender issues in projects increased—for instance, from 58 to 71 percent of projects in agriculture.²

We have incorporated some of the lessons emerging from the IEG evaluation into a “transition plan” to further strengthen work on gender throughout the Bank, “[Applying Gender Action Plan Lessons: A Three-Year Road Map for Gender Mainstreaming \(2011-2013\)](#)”. In addition, WDR 2012 will focus on Gender, providing another opportunity to identify obstacles to mainstreaming gender, articulate and disseminate the case for gender equality, and help generate demand to address gender issues in partner countries. Under the IDA16 special theme on Gender, specific actions will include:

- systematic incorporation of gender assessment findings as we prepare Country Assistance Strategies (CASs) in all IDA countries;
- increasing gender-informed investments and monitoring progress;
- tracking indicators to measure IDA’s support to gender-based country outcomes;
- preparing Regional Gender Action Plans;
- implementing the Reproductive Health Action Plan, focusing on 52 priority countries (25 in Africa) with high maternal mortality and total fertility rates; and
- completing the Education Sector Strategy and a program of action targeting gender issues in high-priority countries with significant gender gaps in education.

Monitoring Progress in Climate Change Measures

The UK MAR recognizes that IDA is actively integrating climate change issues into its operational work, underpinned by strong analytical foundations, institutional strategy, and sound safeguard policies. As part of the IDA16 replenishment, the Deputies agreed on February 2011 to support climate resilience in IDA countries. Specifically, IDA is committed to:

- Discussing climate change vulnerabilities in all CASs in IDA16 and include climate mitigation and adaptation activities when requested by the recipient country.
- Scaling up IDA analytical and advisory activities on adaptation and mitigation.

² See IEG (2010), *Gender and Development, An Evaluation of World Bank Support 2002-2008*, Management Response.

- Analyzing, in all projects in climate sensitive sectors, the potential climate impact of project activities to ensure that they are consistent with the climate mitigation and adaptation strategies in the country, and
- Establishing the coding system to measure the share of IDA lending that provides climate adaptation and mitigation co-benefits, and report on the number of projects that provide these co-benefits by mid-term review. The methodology for this has been tested and steps are underway to operationalize the system.

The Bank has also developed a results framework for its Strategic Framework for Development and Climate Change, including IDA. Work is ongoing on the selection of specific indicators for results measurement and will be completed in 2011. This is part of a wider Bank effort to develop methodologies to better understand the carbon footprint of its portfolio, and to track the Bank's activities with climate co-benefits.

The MAR highlights, on the other hand, the difficulty of scoring IDA's performance in the area of climate change as strong because of the lack of a results measurement system for climate change impact. This is, again, a very new area of work globally, and a challenge not only for IDA and the World Bank, but for all international institutions. Nevertheless, progress is underway: The Bank is developing a long-term, outcome-oriented results framework for the World Bank Group's (WBG, including IDA) Strategic Framework for Development Climate Change (SFDCC). Potential indicators (including output indicators such as power produced, power access, forest cover, transit share of urban trips) are currently being assessed for their feasibility, simplicity, and suitability in communicating results at different levels and scales. Separate results frameworks are also under development for the Climate Investment Funds (CIF).

ORGANIZATIONAL STRENGTHS

Results Monitoring

The Bank has developed numerous tools to enable the measurement of results. [IDA 16 Results Monitoring System \(RMS\)](#) will help strengthen the focus of IDA's activities on development outcomes and keep donors aware of IDA's effectiveness. The system measures results on four levels: IDA countries progress; IDA-supported development results; IDA operational effectiveness; and IDA organizational effectiveness. Our forthcoming [Corporate Scorecard](#), built on the IDA 16 RMS and reflecting current best practice, will be structured around an integrated results and performance framework. It will help draw from existing large sets of indicators, and provide a framework for better aligning current internal reporting and monitoring mechanisms. Since July 2009, the Bank is able to aggregate project-level data ([Core Sector Indicator](#)) using the Bank's management information system to show IDA's contribution in certain sectors (indicators for education, health, water supply and roads are currently in use).

Corporate Transparency, Voice, and Accountability

We believe that transparency and accountability are fundamental to development effectiveness, and welcome the UK MAR's recognition of IDA's strong performance on this front.

The Bank was ranked highest in the 2010 [Aid Transparency Assessment](#) by Publish What You Fund, and is a champion of global transparency issues such as the International Aid Transparency Initiative (IATI). [The Bank's Open Data Initiative](#) provides free, open and easy access to statistics and indicators about development for all users through a new website. Since the launch in April 2010, the initiative has

registered 2 million accesses. And, more fundamentally, the Bank's new [Access to Information](#) (A2I) policy moves the Bank from an approach that spelled out what information would be made publicly available under the current disclosure policy, to one that enables public availability of all information in the Bank's possession that is not on a clear list of exceptions, such as staff personal information and deliberative documents. During the first three months since the launch in June 2010, the Bank's Documents and Reports database received more than 184,000 visits, and users downloaded more than 179,000 documents, with more than one million pages viewed.

The UK MAR notes room for improvement in enhancing client country voice on wider issues affecting IDA. We agree—this is a shareholder issue on which we look forward to continue work with the UK and other shareholders, building on recent progress:

- Since IDA13 (2002), IDA countries representatives have been full participants in replenishment negotiations; Ministers from IDA countries in various regions have participated in IDA meetings to discuss their countries' challenges and where IDA could do more or better; and Civil Society Organizations have been consulted and have provided inputs to the final Deputies report in the past three replenishments.
- At the 2010 Spring meetings, the Bank's Governors endorsed increasing the voting power of developing countries in the Bank's governing Board to 47.19 percent—a total shift to Developing and Transition Countries of 4.59 percentage points over the last two years—and set a commitment to move to “equitable voting power over time.”
- The WBG has also created a third chair representing Sub-Saharan Africa in its governing Board.

In addition to the accountability that derives from greater transparency and voice for developing countries at the corporate level, we also have very strong independent review mechanisms to support the drive for development results.

Governance and anti-corruption are central to the World Bank's overall mission—in country programs, sector engagements, and project design and implementation—and the Bank has multiple systems in place to ensure that money is used for its intended purposes. In addition, it has rigorous independent review bodies—an Independent Evaluation Group which reviews the Bank's work and reports its findings directly to the Board, followed by public disclosure.

The Bank's Integrity Vice Presidency (INT) which is a highly specialized team of investigators and trained forensic accountants who investigate fraud and corruption allegations, prevent recurrence, and support the capacity of national authorities.

The Bank's INT unit has doubled the number of staff investigating fraud and corruption in Bank Group operations, and the Bank has debarred over 400 firms and individuals for wrongdoing. During FY2010 (July 1, 2009 – June 30, 2010), INT further ramped up its investigative and preventive efforts to reduce the risk of fraud and corruption, while holding wrongdoers accountable for the waste of development funds.

Decentralization

We view decentralization as one of our critical tools for improving responsiveness, openness, and accountability with clients. Over the last 15 years, the Bank has significantly decentralized operational staff: 61 percent of all Regional staff and almost all country directors are now based in country offices. In addition, a significant share of tasks is now managed by staff located in country offices: for the aggregate of all Regions, about 40 percent of task management is done in the field.

The country office continues to be the core of our decentralization model. This model will be enhanced taking a four-pronged approach through

- improving productivity through better global technical practices and IT connectivity
- facilitating the mobility of staff to assignments outside of Washington by strengthening support structures and enabling HR reforms
- increasing the capacity of country offices to serve the clients directly, and enhancing their efficiency and effectiveness—for example, higher internal procurement review thresholds are now being delegated to some procurement hub leaders.
- complement country offices with selective, modest-sized hubs, initially including a Fragile and Conflict States hub in Nairobi and a Center of Excellence in Singapore.

Partnerships with Countries and Donors

In its programs and operational activities, the Bank works together with development partners to ensure greater coordination and to ensure alignment with countries' development priorities. The Bank is a true partner with its client countries. All Bank Country Assistance Strategies (CAS)—which form the basis of the Bank's program to a country—are aligned with partner country governments' priorities. The Bank's development policy operations are also fully aligned with governments' national development strategies and in many cases implemented in collaboration with other donors' budget support.

A major component of country ownership is increasing the use of country systems in our operations, and the Bank is fully committed to deepening this agenda while building capacity in country.³ In the [2008 Survey on Monitoring the Paris Declaration on Aid Effectiveness](#), the measure of the Bank's use of country financial management and procurement systems was significantly higher than the average for all donors.

But we need to, and are doing more. We are enhancing our menu of lending instruments—including a new “Program for Results” and the thorough reform of our traditional Investment Lending instrument—to improve our responsiveness to client demands. We will continue to monitor progress internally, and have included in the IDA16 RMS four indicators on use of country systems (monitoring and evaluation, financial management, procurement, and collaborative analytical and advisory activities). And we continue to engage our shareholders in a discussion of how to strengthen the use of country systems, an area in which we look forward to the UK's continued support.

Robust Controls and Cost-Effectiveness in Deploying Development Assistance

The summary of the UK MAR makes reference to the 2008 IDA Internal Controls exercise. It is important to point out that IDA is the only international financial institution that has undertaken an evaluation of this depth and magnitude, and that the outcomes compared very favorably with other large and complex government organizations. IEG found the approach and method followed by IDA management as “transparent, well documented, and comprehensive,” confirmed that IDA's internal control framework is well designed and operates to a high standard overall, and recommended action in a limited number of areas, which it then assessed as “substantially completed” in September 2010. As a result of management's actions in response to the review, IDA internal controls were further strengthened and can be considered an example for other international financial institutions. IDA management continues to work to maintain the internal controls framework to this high standard and to update it as needs evolve.

Against the backdrop of sound internal controls, the World Bank and IDA deliver good value for money because they are run with efficiency and effectiveness in mind:

³ World Bank (2010) “Strengthening Country Systems and Expanding Their Use in Bank-Supported Operations: Update Report”

- The Bank's net administrative budget has been flat in real terms since 1999—although our lending has doubled since mid-2008—and we intend to keep it flat over the FY11-13 planning cycle.
- Since FY06, the Bank has used the regular annual budget process to impose on its business units savings and productivity gains of an average 2.5 percent of their administrative budgets. In FY10, US\$48 million were freed up through these measures and redeployed to high-priority areas, such as governance and anticorruption.
- Actions implemented during the last few years have generated cost savings of approximately 10-12 percent.
- The efficiency of the Bank's operations in terms of the costs and speed of response to our country clients has improved. Our loan delivery times have been significantly reduced (from 17.3 months in FY01 to 13.4 months in FY10), and we are seeking ways to further reduce delivery times and costs.

Finally, an assessment of the cost-effectiveness in the use of the Bank's administrative resources ought necessarily to consider the important global role that the Bank performs against these administrative costs. The World Bank provides tremendous benefits to other agencies and donors by improving the overall aid environment. We do this through improving country financial management systems, performing fiduciary functions for agencies like the Global Fund, administering trust funds for bilateral donors, conducting extensive analytical work which other bilateral and multilateral agencies use extensively for their aid programs, and supporting global public goods work and advocacy. The Bank incurs the costs, but the benefits are widely shared by many partners and the global community as a whole. That's the Bank's unique role, and we are poised to continue our efforts to improve the effectiveness and results of our development effort, together with our country partners, DFID, and other international agencies and donors.