1997 ANNUAL REVIEW OF DEVELOPMENT EFFECTIVENESS
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William G. Battaile, Jr.

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FOREWORD

The Operations Evaluation Department’s twenty-third Annual Review marks a departure from past such reports. This year’s publication—the first since the approval by the World Bank’s Board of a new Strategic Compact for the institution—seeks to provide a more comprehensive assessment of the Bank’s development effectiveness, as required by the renewal agenda. In addition to analyzing 325 projects completed in FY96 and FY97 and assessing the results against long-term performance trends, the report offers a strategic view of the factors contributing to development results “on the ground.” Among other things, it stresses the importance of moving toward a results-oriented system to improve institutional learning and accountability.

The past decade has seen the focus of development shift away from physical investments toward helping countries achieve socially and environmentally sustainable growth. This new development consensus has precipitated a reconsideration of ways in which the World Bank works and assesses its development impact. The Strategic Compact seeks to adapt the institution to new client demands, take advantage of global opportunities, and improve the Bank’s effectiveness in achieving its overarching goal—poverty reduction. Assessing and improving development effectiveness has therefore become a key challenge for development evaluation.

The results of this year’s evaluation of development effectiveness are encouraging. Project outcome and borrower performance have improved. The proportion of projects with satisfactory outcomes increased to 71 percent in FY96 and to 76 percent for a sample comprising half of the loans and credits exiting the portfolio in FY97. The largest factor in this increase is a marked improvement in borrower performance. The proportion of projects with satisfactory borrower performance increased to 71 percent in FY96 and 74 percent for the FY97 sample. The World Bank’s clients are clearly doing a better job of preparing projects and complying with covenants. While borrower performance has been improving, Bank performance has been unchanged. However, because project demandingness and complexity have increased, this means the Bank has been holding its own in a difficult, changing environment and the Bank’s nonlending services may be credited with some of the improvements in borrower performance.

Although outcome ratings have improved, this has not always meant durable results on the ground. Institutional development impact and sustainability are vital to development effectiveness. On these counts the record is mixed. While institutional development has improved slightly, the sustainability of projects remains an area of concern given the volatility of the implementation environment. About half of Bank operations are of uncertain or unlikely sustainability and improvement remains slow.

Improving the long-term effectiveness of World Bank assistance will require continued support for borrower capabilities in project selection, design, and management. It will also require greater selectivity both in channeling lending to borrowing countries with suitable policy and governance climates and in matching Bank services and instruments to borrower capabilities. Selectivity is not about “picking winners,” but it does mean starting with a country commitment to development and good governance.
and modulating the Bank's response through appropriate
and timely financial and nonfinancial assistance. It also
means building better partnerships to leverage the World
Bank's impact and using more participatory and tailored
approaches to build project ownership and bring about
better results on the ground. Equally, sound development
risk management implies better performance measurement
and monitoring.

In sum, considerable progress has been made toward
achieving the goals of the World Bank's ongoing portfolio
improvement program but much remains to be done. The
way forward for the World Bank under the Strategic Com-
pact will require a results-based management system, one
that suits the new vision of the Bank as a full-service insti-
tution. At the eve of a new millenium, reorienting opera-
tions toward more relevant goals, reforming business
processes toward cost-effective results, and reshaping the
organization to work through partnerships are the funda-
mental development effectiveness challenges facing the
World Bank.

Robert Picciotto
Director General
Operations Evaluation
ACKNOWLEDGMENTS

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# ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFR</td>
<td>Africa Region</td>
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<tr>
<td>AGETIP</td>
<td>Agence Générale de Travaux d'Intérêt Public</td>
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<td>ARPP</td>
<td>Annual Report on Portfolio Performance</td>
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<td>CAR</td>
<td>Country Assistance Review</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<tr>
<td>CODE</td>
<td>Committee on Development Effectiveness</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>EAP</td>
<td>East Asia and Pacific Region</td>
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<td>ECA</td>
<td>Europe and Central Asia Region</td>
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<tr>
<td>ERP</td>
<td>Economic Recovery Program</td>
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<td>ESW</td>
<td>Economic and sector work</td>
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<td>EU</td>
<td>European Union</td>
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<td>FIL</td>
<td>Financial Intermediary Loan</td>
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<td>FSAL</td>
<td>Financial Sector Adjustment Loan</td>
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<td>FSRL</td>
<td>Financial Sector Recovery Loan</td>
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<td>FY</td>
<td>Fiscal year</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>HNP</td>
<td>Health, Nutrition, and Population</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>ICR</td>
<td>Implementation Completion Report</td>
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<td>ID</td>
<td>Institutional development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>LAC</td>
<td>Latin America and Caribbean Region</td>
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<td>MNA</td>
<td>Middle East and North Africa Region</td>
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<tr>
<td>ODA</td>
<td>Official development assistance</td>
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<td>OECD</td>
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<td>QAG</td>
<td>Quality Assurance Group</td>
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<tr>
<td>RBM</td>
<td>Results-based management</td>
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<td>SAL</td>
<td>Structural Adjustment Loan</td>
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<td>SAS</td>
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SUMMARY

The challenges of development today are unprecedented. The World Bank, along with other institutions, is seeking ways to respond simultaneously to the demands of fast-growing economies and of those at risk of marginalization and economic stagnation. In the evolving development agenda, greater emphasis has been given to social and environmental sustainability, local capacity building, gender equity, and participation. The challenges have become so large and complex that partnerships are increasingly vital.

As this demanding agenda unfolds, evaluating and improving the World Bank’s development effectiveness is also becoming more complex. Evaluating the Bank’s effectiveness can no longer focus only on the project; it must now also measure the impact of the full range of Bank activities at the sector and country levels. This calls for new evaluation instruments and modalities to capture the combined effects of lending and nonlending services, and the contribution of partnerships to project and program impact. The Operations Evaluation Department (OED) has launched a renewal effort to implement this new evaluation framework, but the renewal has just begun and the results will take time to emerge.

This *Annual Review of Development Effectiveness* (ARDE) is a first step toward a more comprehensive assessment of the Bank’s effectiveness. It lays out issues in defining and measuring the Bank’s development effectiveness in a changing global environment. It underscores the importance of moving toward a more results-oriented system for improved institutional learning and accountability in meeting strategic goals. It examines some of the strategic dimensions of evaluation results and analyzes the determinants of project performance at the level of country portfolios and individual projects. To maintain continuity in institutional learning, the review also analyzes the results of project evaluation performed by OED during the preceding two fiscal years and assesses them against longer-term performance trends.

**Performance trends**

Global trends and changes in the development agenda have radically altered the implementation environment for Bank-financed operations. In the early 1980s, the demands of this new environment began to take a heavy toll on quality at entry. Bank performance for completed operations began to deteriorate. The percentage of evaluated Bank operations with satisfactory outcomes plummeted from 80 percent at the beginning of the 1980s to 60 percent by the end. By that time, Bank management had recognized the need to strengthen portfolio management, paying particular attention to quality at entry, to involving the borrower in project preparation and implementation, and to development results. This called for deep changes in attitudes, skills, and management incentives. It is still too early to judge the effects of these changes, but the latest performance results affirm that Bank operations are beginning to show improvement (Figure 1).
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FIGURE 1: OUTCOME CONTINUES TO IMPROVE

BY PROJECT

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<th>Year</th>
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Source: OED data
Note: Broken lines (exit FY97) indicate preliminary results, with less than 50 percent coverage of exited operations.

The proportion of projects with satisfactory outcomes, as evaluated by OED at the fiscal year of exit, increased from an average of 67 percent for FY90–95 to 71 percent in FY96 and, based on a partial sample, to 76 percent in FY97.

Improvements in performance are not shared equally across all regions and sectors, however. Sub-Saharan Africa continues to perform below the Bankwide average and, according to the latest Annual Report on Portfolio Performance (ARPP), continues to have the highest proportion of projects at risk. Performance in the water supply and sanitation sector has declined dramatically, with the percentage of satisfactory projects falling from around 80 percent in FY93 to 40 percent in FY96. Here again, the latest ARPP identifies water supply and sanitation as the sector most "at risk" in the current portfolio.

Factors behind the improvement
Analysis reveals at least two potential reasons for the upturn in outcomes. First, borrower performance—the assumption of ownership rights and responsibilities—has improved, as has borrower delivery of the inputs necessary to prepare and implement a Bank-financed operation. Latest results show the proportion of projects with satisfactory borrower performance has increased from an average of 65 percent in FY90–95, to 71 percent in FY96, and 74 percent for the FY97 sample. Second, improvements in overall economic conditions, reflected in the number of evaluated projects in FY96 implemented in better-performing countries, have improved the environment for Bank-financed operations. Econometric analysis of a sample of more than 900 completed projects finds that borrower performance is most critical to determining project outcome. Good borrower performance raises the probability of a satisfactory outcome by 35 to 40 percentage points. Consequently, improved borrower performance is likely to be the most important factor behind improvements in overall project performance.

Country economic conditions are also important and, together with the quality of Bank performance at project entry and during implementation, account for a 15 to 20 percentage point increase in the likelihood of a satisfactory project outcome. While there is evidence that country economic conditions have improved, which the ARPP reinforces for the active portfolio, there is still only modest evidence that Bank performance has improved. Bank performance was satisfactory for 74 percent of evaluated operations in FY96 and 77 percent for the partial FY97 sample. But when compared to the trend for FY90–95 the percentage of projects with satisfactory Bank performance...
Summary

has stayed reasonably constant in the 70 to 75 percent range. These results show there is still some way to go before efforts to improve quality at entry and portfolio management yield significant rewards in Bank performance.

A recent OED study of the appraisal process (OED 1997a) also presents signs of slow improvements in Bank performance. The study confirms the important relationship between quality at entry and project performance, but highlights continued weaknesses in the quality of social analysis done at appraisal, in borrower and beneficiary participation, and in institutional analysis. Furthermore, the study argues, without a clear consensus on ways to enhance quality at entry—such as simpler project design, greater attention to risk, and greater attention to learning through systematic monitoring and evaluation—predicting the source of future improvements is impossible. Evidence is increasing that Bank nonlending services are crucial to improving not only the quality of the appraisal process but also the quality of economic management and borrower performance.

Institutional development impact and sustainability

Improved outcome ratings alone do not necessarily mean better results on the ground. To assess the longer-term development effectiveness of a project, both its institutional development impact and its likely sustainability need to be examined. Through their impact on institutional development, projects improve the implementation capacity of borrowing countries, while sustainability is the ability to maintain project benefits in the longer run.

Looking at the latest results, the record on effectiveness is mixed. The proportion of projects rated as having high or substantial institutional development impact increased from 30 percent in FY90-95 to 39 percent in FY96 and FY97. While the number of projects rated as having modest institutional development impact has stayed nearly constant, the proportion having negligible impact declined from 25 percent to 15 percent between FY95 and FY96. These results are encouraging, but some 60 percent of Bank operations still have only modest or less institutional development impact.

The evidence on sustainability shows a modest rising trend. The latest results show that the proportion of projects rated as having likely sustainability has inched upward from 46 percent in FY90-95 to 48 percent in FY96. The partial results for FY97 show a further modest increase to 51 percent, but the overall result is still sobering: in just under half of Bank operations long-term sustainability is uncertain or unlikely.

Improving outcome and effectiveness

Good projects help to improve the implementation capacity of borrowing countries. Conversely, good projects work better in good enabling environments. Analysis of the determinants of project success shows that both government credibility and freedom from corruption are positively related to project outcome. Analysis at the country level shows that policies and capable institutions matter both for economic results and for portfolio performance (Figure 2).

The significance of policy and governance factors at the project and country level reinforces the research finding that development assistance has more impact on economic growth when delivered in a sound policy environment (Burnside and Dollar 1997). It also underscores the importance of greater selectivity in the Bank’s assistance. Selectivity means channeling lending to countries with appropriate policy environments and using nonlending services more strategically to support the emergence of sound policies and good governance. Greater selectivity also means

FIGURE 2: POLICY AND INSTITUTIONAL QUALITY

INFLUENCE COUNTRY PORTFOLIO PERFORMANCE

Source: OED data
better selection and sequencing of the tools and instruments of Bank assistance to match the quality of local institutions and borrower capabilities. Building better development synergy between advisory, analytical, and lending services is crucial.

A review of lessons from recent Country Assistance Reviews confirms the importance of policy for the overall impact of Bank assistance. It also says again that policy reforms rarely succeed where borrower commitment and ownership are inadequate. Analysis of factors behind improvements in current portfolio quality further reinforces this message: the number of projects in countries with weak macro-economic management has dropped sharply. This underscores the importance of supporting the domestic capacity of the borrower and ensuring effective stakeholder arrangements are in place to build the necessary consensus and ownership for sector and country-level reform efforts.

Prospects
Progress undoubtedly has been made, but substantial scope for “doing things right” still remains. Furthermore, the long-term significance of the improvements measured in FY97 has yet to be determined.

Analysis shows that sustained quality management efforts could keep the Bank on course to meet management’s goal of 75 percent satisfactory projects by the year 2000. Targets for portfolio improvement over the coming year, which are set out in the ARPP, include raising the proportion of operations with satisfactory supervision to 75 percent or higher and raising the proportion of new entrants with satisfactory quality at entry to 85 percent or higher. Applying these targets in a sensitivity analysis of more than 300 of the latest evaluated operations (FY95–97) shows that if both are achieved simultaneously, project outcome could improve to 75 percent satisfactory. If borrower performance continues to improve along its latest trajectory, it is possible to envision an improvement in average project outcome approaching 80 percent.

An aggressive approach, championed by President Wolfensohn, is to improve the quality of Bank processes so that they achieve 100 percent satisfactory results. Although this target is not likely to be hit by the year 2000, doing so would mean that overall outcomes could reach 80 percent or higher. With the addition of prudent improvements in borrower performance, a level of 85 percent satisfactory projects may be possible.

Meaningful retailing of such a target by sector and by region appears to be both necessary and desirable. With such a strategic plan, the Bank would restore the health of its portfolio to the level it enjoyed in the late 1970s. Of course, such a plan would require intensified efforts by all Regions and Networks to improve quality at entry, supervision, risk management, and monitoring and evaluation.

In addition to sustained efforts to improve the quality and management of the Bank’s portfolio, improving the long-term effectiveness of Bank assistance requires continued support for borrower capabilities in project selection, design, and management. It also requires greater selectivity both in channeling lending to borrowing countries with suitable policy and governance climates and in matching Bank services and instruments to borrower capabilities. Selectivity is not about “picking winners,” but it does mean starting with a country commitment to development and good governance and modulating the Bank’s response through appropriate and timely financial and nonfinancial assistance. A selective strategy will also mean building better partnerships to leverage the Bank’s impact and using more participatory and tailored approaches to build project ownership and bring about better results on the ground.

Notes
1. Country economic conditions began to improve in many developing countries toward the end of the 1980s, especially for those countries adjusting most successfully. Most of the operations evaluated at exit in FY96 were approved in 1989.
2. Projects that exited the portfolio between FY93 and FY97.
3. From almost 800 projects in FY95 to 465 in FY97. Sensitivity analysis of trends in projects at risk suggests that roughly half the improvements are due to country factors (OED 1997c).
4. These achievements are based on the number of projects, not the volume of disbursements. With the model underlying the sensitivity tests it was not possible to produce forecasts by volume.
Global trends and development assistance

The challenges of development are increasingly bound up with the promise and pitfalls of globalization. Many developing countries have become more integrated into the world economy, and private capital flows have overtaken official development assistance as a major source of finance for the developing world. But the pace of economic integration is very uneven. During the early 1990s, eight countries accounted for almost two-thirds of private capital flows to developing countries, and more than half of developing countries received little or none.

The past decade has also witnessed a shift in development focus from financing physical investments to also helping countries achieve the conditions necessary for socially and environmentally sustainable growth. Poverty reduction remains central, but development goals now also include institutional reform, capacity building, and participation (OECD 1996). As the development agenda has become more complex and more closely tied to global trends, stakeholders in multilateral and bilateral development institutions have increased the pressure to improve the effectiveness of development assistance. A report prepared by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD 1996) stresses the urgency of enhancing the global impact of development assistance by working toward integrated goals in economic, social, and environmental development. The report by the Task Force on Multilateral Banks challenges the World Bank and the regional banks to be “guardians of development effectiveness,” to put in place clear objectives at all necessary policy and operational levels to improve project quality, and to shift the focus away from the quantity of lending to the quality and development impact of lending.

The World Bank’s Strategic Compact seeks to enhance institutional capabilities in light of new client demands and global opportunities and to improve the Bank’s effectiveness in achieving its main mission of poverty reduction. Assessing and improving development effectiveness present a very important challenge for development evaluation.

Measuring the effectiveness of development assistance

Many studies have attempted to assess the effectiveness of development assistance in terms of its impact on countries’ economic and social progress. The methodology and empirical findings of some of the most recent studies are cited in Table 1.1. Most studies use per capita economic growth as the main indicator of effectiveness on the assumption that changes in GDP are highly correlated with other changes in the standard of living in developing countries. Few studies find a strong positive association between aid and growth; if anything, the results are weakly positive but not significant. But some new work points to more positive associations.
EMPIRICAL FINDINGS FROM SELECTED WORKS ON AID EFFECTIVENESS

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<tr>
<td>Countries Covered</td>
<td>10 major U.K. aid recipients of Africa</td>
<td>50 developing countries of sub-Saharan Africa</td>
<td>14 developing countries of Asia</td>
<td>14 developing countries of Asia</td>
</tr>
<tr>
<td>Method</td>
<td>OLS, single country and pooled, time series lags 3-5 years</td>
<td>OLS, 2SLS pooled, 5-10 years</td>
<td>OLS, pooled, 3- and 4-year averages</td>
<td>OLS, pooled panel data</td>
</tr>
<tr>
<td>Aid Variable</td>
<td>Net annual ODA; average of 5 years since current year</td>
<td>Grant component of each ODA component added to outgoing grants 1-10 years since current year</td>
<td>ODA with at least 25% of ODA component, 10-25 year averages 1974-1987 and 1984-1993</td>
<td>Net annual ODA growth of GDP</td>
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<td>Dependent Variables</td>
<td>Total investment rate of GNP</td>
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<td>Investment GNP</td>
<td>Investment GDP</td>
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<td>Change in under-5 mortality</td>
<td>Aid GNP</td>
<td>Public investment GDP</td>
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<td>Growth rate of real GNP</td>
<td>Growth rate of real GNP</td>
<td>Annual GNP per capita growth rate</td>
<td>All current income includes indirect ODA and capital ODA</td>
</tr>
<tr>
<td></td>
<td>Government consumption</td>
<td>Consumption/GNP (private and public)</td>
<td>Spending on education, health, agriculture, defense</td>
<td>Growth of GDP</td>
</tr>
</tbody>
</table>

A recent study by the World Bank (Burnside and Dollar, 1997) focuses on the linkages between official development assistance (ODA) and growth. Based on research showing that certain policies promote long-term growth—macroeconomic stability, sound legal and regulatory policies, enforceable property rights, and competitive markets—the study examines the hypothesis that the contribution of ODA is likely to be greatest in countries with sound policy environments. The empirical results show that the impact of ODA on growth in a good policy environment is indeed very large: 1 percent of gross domestic product (GDP) in assistance leads to a growth rate increase of 0.4 percentage points in good policy environments. The study also finds a positive result for infant mortality. ODA helps to reduce infant mortality in countries with sound policies, but it has no apparent effect on infant mortality where policies are poor.

These empirical findings are important because they suggest that greater selectivity in the allocation of ODA could substantially increase its impact on developing country growth rates. Still, growth is just one dimension of a measure of development effectiveness. With critical attention turning to the impact of development assistance on poverty and in achieving social and environmental sustainability, ODA's contribution to achieving a wider range of development outcomes urgently needs to be evaluated. Furthermore, a significant portion of development assistance goes toward achieving intermediate goals necessary for sustainable growth, including building capacity for the formu-
The challenge of development effectiveness

<table>
<thead>
<tr>
<th>Dependent Variables (continues)</th>
<th>SAMPLE PERIOD</th>
<th>PAUL MOSLEY</th>
<th>BURNSIDE AND DOLLAR</th>
<th>PETER BOONE</th>
<th>FEYZIOGLU, ET AL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Conclusions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>And has a weakly positive impact on growth</td>
<td>1980-93</td>
<td>And has a positive impact on growth with good micro policies</td>
<td>And has a positive but insignificant impact on growth</td>
<td>Change in infant mortality</td>
<td>Change in primary school enrollment</td>
</tr>
<tr>
<td>Degree of aid effectiveness increases with the log structure</td>
<td>1980-93</td>
<td>Donors' real aid and good policies</td>
<td>All aid—private and public—is consumed (MPC = 1; MPI = 0)</td>
<td>$1 in aid increases government spending by $1</td>
<td>$1 in concessional loans increases government spending by more than $1</td>
</tr>
<tr>
<td>Impact of aid on investment is small</td>
<td>1980-93</td>
<td>And does not affect policies</td>
<td></td>
<td>And has a positive and significant impact on public investment</td>
<td></td>
</tr>
<tr>
<td>And reduces mortality, that is, it is positive but not statistically significant</td>
<td>1980-93</td>
<td></td>
<td></td>
<td>Concessional loans to the core sector are partially transferable</td>
<td></td>
</tr>
<tr>
<td>No evidence of a negative association between aid and export growth</td>
<td>1980-93</td>
<td></td>
<td></td>
<td>Concessional loans to education and health sectors are fully transferable</td>
<td></td>
</tr>
</tbody>
</table>

GNP = gross national product; OLS = ordinary least squares; 2SLS = two-stage least squares; MPC = marginal propensity to consume; MPI = marginal propensity to invest.

The impact ODA has on these critical intermediate factors is still largely unexamined.

Defining development effectiveness is only the first step, however. The real challenge lies in measuring it. An approach attempted for this review is to identify a common metric for estimating the aggregate contribution of Bank assistance to key development outcomes and impacts at the country level. The model presented in Table 1.2 offers such an approach. It measures Bank and partner inputs in dollar terms and estimates the association between these inputs and a range of intermediate and final development outcomes taking into account the quality of a country's policy environment, economic governance, and the availability of matching funds.

This conceptually simple approach has the potential of adding up the contribution of Bank services across a wide
FIGURE 1.1: LINKING DEVELOPMENT EFFECTIVENESS WITH STRATEGIC AND NETWORK GOALS

Poverty Reduction

AND

Sustainable

Economic management, public sector performance, poverty reduction and gender equity (PRFM)

Population, health, nutrition
Education
Social protection
'HDD' (HDI)

Social development
Environment
Rural development
'ESND'

Private sector development
Infrastructure
Finance
Energy/Mining
'EPSI'

spectrum of sectors and countries to provide an overall assessment of effectiveness at the global level. The estimation requirements of such a model are formidable, however, and there are a number of measurement gaps, particularly how best to model the complex linkages between Bank inputs (including administrative expenditures), less tangible factors such as institutional capacity and governance arrangements, and indicators of development impact. Some of the empirical findings of the quantitative exercise conducted for this review are provided in Box 1.1.

These methodological issues are being tackled by the Bank as part of developing a system for measuring progress and performance of the Strategic Compact. One important lesson is that any workable measure of development effectiveness needs to focus on the contributions attributable to Bank activities—and through which Bank assistance can ultimately be expected to leverage change in development outcomes. For example, significant Bank assistance goes toward the achievement of intermediate goals necessary for sustainable development, including sec-

TABLE 1.2: KEY ELEMENTS IN A MODEL OF AGGREGATE DEVELOPMENT EFFECTIVENESS

<table>
<thead>
<tr>
<th>BANK AND PARTNER INPUTS</th>
<th>BORROWER INPUTS</th>
<th>INTERMEDIATE RESULTS</th>
<th>DEVELOPMENT IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank lending, adjusted for quality (US$)</td>
<td>Policy commitment</td>
<td>Public and private investment rates</td>
<td>GDP per capita growth</td>
</tr>
<tr>
<td>Bank non-lending, adjusted for quality (US$)</td>
<td>Creditability, governance social capital</td>
<td>Female educational enrollment</td>
<td>Poverty levels under $1 per day</td>
</tr>
<tr>
<td>Partner inputs (US$)</td>
<td>Counterpart funds</td>
<td>Institutional capacity</td>
<td>Under-5 mortality life expectancy at birth</td>
</tr>
</tbody>
</table>

a. Inputs here are services delivered, adjusted for quality. This is a narrow interpretation of the Bank’s assistance. The Strategic Compact also emphasizes country selectivity and quality at entry as drivers of development effectiveness.
A quantitative study to measure the Bank's overall development effectiveness was designed using the conceptual framework shown in Table 1.2. Building on the work of Burnside and Dollar (1997), the study sought to estimate the relationship between Bank concessional and market-based lending and changes in a range of key development outcomes consistent with the goals set out in the Strategic Compact: gross domestic product (GDP) growth, under-five mortality rates, female educational enrollment, and life expectancy at birth. A policy index was constructed specifically for this study and was based on a four-variable principle components analysis, covering black market premiums, inflation, trade openness, and fiscal balance as a percentage of GDP. Lastly, four aid variables were specified: International Development Association, IDA plus International Bank for Reconstruction and Development, non-Bank official development assistance, and non-Bank total development assistance. The study began by estimating a simple growth model based on data for 49 countries across the period 1970–1994.

Using standard ordinary least squares (OLS) techniques, the base specification, without the aid variables, conformed to standard growth results. The policy index proved highly robust and was positively and significantly associated with per capita GDP growth. When the aid variables were included, the overall explanatory power of the model increased, but the aid variables were negative and insignificant. An OLS specification with the policy index and aid variables interacted showed a significant and positive relationship between the interacted terms and the growth rate of per capita GDP, but the policy index lost robustness. Adding the bureaucracy measure to the growth equation reduced the number of observations and did not improve the formulation. Lagging the aid variables by one period did not improve results.

The next step was to examine the association between aid on three alternative measures of development outcome: female enrollment in education, changes in life expectancy, and infant mortality. With life expectancy as the dependent variable, the OLS specification consistently showed the bureaucracy measure to have a significantly positive effect, while the coefficient on policy was not only negative but insignificant. All the aid variables were negative and insignificant except when controlling for country-specific effects, when these became positive but still insignificant. The regressions with the change in female enrollment and infant mortality as the dependent variables rapidly deteriorate in quality with no specification yielding a meaningful relationship.

A sector approach is more feasible, but it is still hindered by the absence of a common yardstick for assessing performance across a wide range of Bank activities and an increasingly wide range of development partnerships. An alternative is to develop a framework of performance measurement and evaluation that systematically links monitorable results from the project level to the sector and country level and ultimately to the strategic level (Box 1.3). While results differ in kind across different activities, when defined and measured appropriately they become a common yardstick for assessing progress and accountability throughout the institution and for maintaining focus on the primary measure of success—development impact—in an increasingly demanding global environment. A results-oriented framework for performance measurement is compatible with the goals of the Strategic Compact. It is also an approach increasingly adopted by public sectors around the world to manage performance and improve effectiveness.

**Evaluation challenges and priorities**
The need to generate a range of evaluative data that facilitates the systematic assessment of performance at all levels...
THE SECTOR STRATEGY: MONITORING STRATEGIC AND SECTOR GOALS

The Bank's first sector strategy to link strategic and sector priorities was prepared for Health, Nutrition, and Population (HNP) in 1997. The strategy's three main priorities: improving health outcomes of the poor; improving the performance of health care systems; and securing sustainable health care financing link directly to the development goals set out in the Strategic Compact. They also underscore the World Bank's recognition of the Development Assistance Committee health goals as a key objective for development assistance in the sector. The HNP Sector Board is in the process of identifying specific indicators of sector progress corresponding to these three strategic sector priorities. In addition, Regional HNP sector strategies are being prepared to reflect region-specific challenges for improving sector performance and achieving greater impact.

The sector strategy approach is the first building block in the development of a more systematic framework for performance monitoring and evaluation of sector and thematic objectives within the Bank. It is an important step, but there is still some way to go to ensure that all Networks adopt this approach, and that at the heart of each sector strategy is a common yardstick—results—for assessing progress toward strategic objectives and evaluating the Bank's development effectiveness.

a. Health, Nutrition and Population Sector Strategy (1997). The Human Development Network, World Bank, Washington, D.C. b. The DAC report "Shaping the 21st Century: The Contribution of Development Cooperation" sets out a series of targets for achieving improvements in development outcomes by the year 2015. In HNP the goals are: the death rate for infants and children under the age of 5 years should be reduced by two-thirds of the 1990 level by 2015; the rate of maternal mortality should be reduced by three-fourths during the same period; access to reproductive health services for all individuals of appropriate ages, including safe and reliable family planning methods, should be made available as soon as possible and no later than 2015.
box 1.5: a results-based approach to evaluating development effectiveness

Many western governments and several bilateral development agencies have adopted results-based management (RBM). The objective is to provide a coherent framework for strategic planning and management based on learning and accountability in a decentralized environment. It is first a management system and second a performance reporting system, and it aims to provide the public sector equivalent of a bottom line—results. The key features of an RBM system are:

- **a. Specification of key outcome-related strategic goals.** Programs, activities, and processes and resources should be aligned with strategic goals. The results should be stated in terms of development achievements. For example, the U.S. Agency for International Development’s Strategic Framework links project and program results with the agency’s five overarching goals: economic growth, democracy and governance, population and health, environment, and humanitarian assistance.

- **b. Internal and external reporting** shifts from an emphasis on inputs to outputs and outcome reporting. The difference between these measures is the key to understanding management in a results-oriented environment.

- **c. Decentralization and delegation** underpin RBM, placing responsibility and authority for making decisions with those best positioned to make them. This involves better matching of authority and responsibility and strengthening of accountability mechanisms through performance reporting and greater emphasis on monitoring and evaluation of results. Under RBM accountability becomes positive, based on a notion of continuous and systematic feedback and learning. Results-based management is also risk tolerant because it promotes learning from mistakes.

- **d. RBM encourages flexibility in project definition and implementation** and is based on new forms of joint accountability in which the borrower and intermediate executing agencies participate in goal determination. Milestones or indicators are agreed upon to track progress toward expected results. Indicators act as tools or signals for managers and can be used as an early warning when things are not going right.

The development agencies that have adopted results-based management (United Kingdom, United States, Sweden, Canada) did so in part because it better serves the new and complex development agenda. It also responds to demands from the public in these countries for greater transparency and accountability for results in the allocation of development assistance.

There is more to Bank assistance than financial resources. Project lending generates influences that ramify beyond the immediate impact of funds or physical inputs. These ramifications or side effects—including policy changes, institutional reform, and capacity building—are often critical in determining the longer-term impact and sustainability of development projects and are in many senses the true measure of the World Bank’s contribution to development (Box 1.4). Clearly projects have unique potential. Equally clearly, project performance measurement is a vital building block for future measures of the Bank’s development effectiveness.

From this perspective World Bank projects must be seen as elements of a larger strategy supporting development goals of a sector or beyond. The scope of project performance evaluation must therefore shift beyond narrow assessments of rates of return to include broader, qualitative assessments of relevance, sustainability, and contribution to social, environmental, and institutional development. The three major results-oriented ratings used in performance measurement by the Bank—outcome, sustainability, and institutional development impact—reflect the changes in Bank assistance (Box 1.5). This approach provides an assessment of development effectiveness based on three key questions: Is the Bank doing the right things
BOX 1.4: PROJECT SIDE EFFECTS—THE CASE OF THE REPUBLIC OF KOREA’S CHOLLA REGION

During the 1960s, as the Republic of Korea’s economy expanded at a rate of nearly 10 percent a year, regional income disparities increased between Cholla and the country’s two most industrialized regions, Seoul and Kyungsang. Between 1975 and 1984 the World Bank approved three projects to help develop Cholla and reduce interregional inequalities. The projects covered seven cities and five islands with a total of 22 components. These included industrial, housing, and tourism estates; city markets; bridges connecting islands to the mainland; fisheries; and urban services. Besides their direct impact, these projects had two crucial “side effects”: they triggered industrialization in the Cholla region and created the opportunity for local officials to learn and manage the development process, initially with the help of the central government but later by themselves with strong private sector participation. Industrial growth was stimulated by the replication of industrial estates, which allowed local authorities to learn how to plan, finance, build, and operate large-scale industrial estates and by the growth of satellite industries with backward and forward linkages to parent industries. Institutional development and capacity building were greatly aided by the expansion of local government responsibilities, particularly changing rules to provide more incentives for industrialists to invest and developing strong partnerships with the local private sector.

Project Side Effects—The Case of the Republic of Korea’s Cholla Region

Projects are still a crucial tool of development assistance. A country focus—with emphasis on sector and thematic goals—is the most important organizing principle for the Bank’s development assistance. Focusing on the country and sector should not, however, overshadow the importance of the project as a crucial tool of development assistance. Factors that determine success at the project level are likely to be associated in important ways with portfolio performance at higher levels. The following chapters consequently take a building-block approach to assessing the Bank’s effectiveness, beginning in Chapter 2 with factors determining project success, followed in Chapter 3 by recent project performance trends, and concluding in Chapter 4 with the findings from initial country, sector, and thematic evaluations.

Notes

1. Official development assistance (ODA) refers to all grants and concessional lending supplied by bilateral and multilateral donors to developing countries.

2. The adoption of new public management approaches by the governments of many donor countries has increased pressure on aid ministries and budgets to adopt more results-oriented approaches. See, for example, recent changes in the aid programs of the United Kingdom, United States, and Australia.


4. Examining the allocation of ODA by multilateral and bilateral donors, the authors find that multilateral development assistance between 1970 and 1993 was targeted in general to poor countries with good policies. If the entire donor community had followed this path, the growth rate in low-income countries would have been as much as one-third higher.

5. Countries that have received significant flows of ODA in recent years, such as Bolivia, El Salvador, Botswana, Uganda, and Mali, have all grown faster than would have been predicted based on their policies alone. Countries that received large amounts of ODA...
The challenge of development effectiveness

EVALUATING PROJECT PERFORMANCE

The Bank rates projects according to three results-oriented counts—outcome, sustainability, and institutional development impact—and two process-oriented counts—Bank performance and borrower performance.

Outcome. The judgment of outcome boils down to answering the question: Did this project achieve satisfactory development results considering the importance and relevance of its major stated objectives and the associated costs and benefits? The outcome rating takes the following into account: relevance, to check consistency of goals with the country's overall development strategy and the Bank's assistance strategy for that country; efficacy, to check whether the operation achieved its stated physical, financial, and institutional objectives; and efficiency, to assess results in relation to inputs, in terms of costs, implementation times, and economic and financial returns.

Sustainability. This is defined as the likelihood, at the time of evaluation, that the project will maintain its results in the future. Conceptually, sustainability differs from outcome, since it focuses on those features that determine whether the operation will last over its intended useful life. The evaluator must determine whether, given the risks, future benefits are likely to exceed debt service payments, operation, and maintenance costs. Judgments about sustainability are based on country conditions, government economic and financial policies, availability of funds, the political situation, and conditions specific to the operation, such as project management and the capacity of project institutions.

Institutional Development (ID) Impact. This is defined as the extent to which a project has improved an agency's or country's ability to use its human and financial resources effectively. An assessment of ID impact is made even when no explicit ID objectives exist. Judgment of the impact of a project on institutional development is based on the relevance of project ID objectives; the achievement of explicit ID goals; how the achievement of regulatory or other policy change goals has affected economic, social, or natural resource-related behavior; and how agency restructuring or the establishment of a new organization has affected capacity and performance for planning, policy analysis, or service delivery.

Bank and Borrower Performance. The rating criteria focus on how good a job each partner has done during the different stages of the project cycle from project identification, preparation, and appraisal to implementation, with the ultimate objective of achieving results on the ground. Bank performance is defined as the quality of service delivered by the Bank, especially in those tasks for which it has primary responsibility, such as appraisal and supervision. Borrower performance is defined as the assumption of ownership rights and responsibilities and delivery of inputs needed to prepare and implement the project. These performance assessments are designed to be independent from the project outcome and to take into account the country's initial enabling environment and the impact of exogenous factors.

but followed inadequate policies, such as Zambia and Tanzania, have experienced very poor growth.

6. Killick (1991) argues that the main obstacle for achieving greater aid effectiveness in Africa is governance and institutional politics in the region.

7. The Bank's strategic goals directly support the development goals set out in the OECD/DAC report “Shaping the 21st Century.”

8. Networks, an integral part of the Bank's renewal effort, are staff groups that share common interests, skills, and goals. They explicitly link Bank staff and managers who work in related sectors. Networks complement, not replace, existing organizational units. Currently there are four networks: Poverty Reduction and Economic Management; Environment and Socially Sustainable Development; Human Development; Finance, Private Sector, and Infrastructure.

9. This simple model relates a series of “inputs” (Bank, partner, and borrower) to a country's development process. Development effectiveness is therefore defined in terms of measurable changes in intermediate outcomes and final development impact. However, the distinction between inputs, outputs, outcomes, and impact is potentially confusing in that Bank lending, which is an “output” for the Bank is also a borrower “input,” and intermediate “results” are also “inputs” to final development impact. The need to clarify these distinctions is part of the task of developing a coherent aggregate measure of development effectiveness.

10. The ongoing work on measuring “development return” for example, is attempting to provide an easy-to-use metric for estimating gross returns to Bank lending as well as administrative expenditures.
11. One of the studies cited in Table 1.1 adopts a sectoral approach, examining the association between ODA and country-specific spending levels on education, health, and other areas of public investment (Feyzioglu, et al. 1996). The study finds, among other things, that ODA and government spending are closely associated (a $1 increase in aid is associated with a $1 increase in government spending) and that ODA has a positive and significant impact on public investment. However, the size of this impact is moderated by the extent of fungibility in different sectors.

12. Evaluating the impact of Bank assistance at the sector level is also a key part of OED's new evaluation strategy.

13. A strategic framework for operations evaluation in the Bank was endorsed by the Committee on Development Effectiveness in February 1997. The new framework aims to fill gaps in the self-evaluation system, connect evaluation to strategy setting and resource management, and redeploy resources from "project-by-project" evaluations toward evaluation of country strategies, sector policy, and thematic impact assessments.

14. Cofinanciers are encouraged to comment on Implementation Completion Reports (ICRs), but the views of other partners involved in the design and implementation of a project are rarely reported or reviewed in ICRs.
THE DETERMINANTS OF PROJECT PERFORMANCE

This chapter examines some of the key factors responsible for the successful outcome of Bank projects, for both the aggregate country portfolio and the individual project.

Policy and institutions matter
The 1997 World Development Report, The State in a Changing World, sets forth the proposition that a capable state is a key determining factor behind the contrasting development experiences of the world today. State capability involves delivering appropriate institutional foundations for market development, including a sound policy framework, and key collective services for individual citizens to lead productive and healthy lives. A capable state is also accountable with the necessary checks and balances in place to limit the scope for corrupt and arbitrary action. The World Development Report finds that in addition to sound macroeconomic policy, putting in place capable state institutions has a large positive impact on a country's long-term growth performance and on the effectiveness of public sector investments. It is on this premise that OED examined the hypothesis that the quality of a country's governance environment is also an important factor in the contrasting performance of country project portfolios.

Policy, institutions, and country portfolio performance
To examine the hypothesis, borrowing countries were classified in a 3x3 matrix by policy performance and institutional quality. The measure of policy performance is a project-weighted index based on three principal components: inflation, fiscal balance, and openness. Institutional quality is also project-weighted. The results of the classification are shown in Table 2.1.

Average project portfolio performance was calculated for each country and group of countries. Figures 2.1 and 2.2 show the results for the groups in the four corner cells of Table 2.1. In Figure 2.1, countries scoring high on both policies and institutions had an average project performance rating of 86 percent, significantly above the Bankwide average for the period of around 68 percent. The same group of countries also experienced an average per capita GDP growth rate of 4.4 percent between 1985 and 1995. In contrast, countries scoring low on policy performance and institutional capability had an average project performance rating of just 58 percent and an average per capita growth rate of -0.5 percent.
The sample has some exceptions. Ghana, for instance, ranked high on policy performance and institutional capability during the period, but its average per capita growth rate was only 1.4 percent per year between 1985 and 1995. Hungary also ranked high, but average per capita growth was actually negative during these years. Nevertheless, average growth rates and country portfolio ratings fully support the proposition that where both sound policies and sound institutions are in place, performance is also better (Box 2.1).

It can be argued that, at the country level, policy and institutional factors apply most strongly to the performance of the Bank’s adjustment operations. As the cases in Box 2.1 illustrate, policy-based lending is critically dependent on policy commitment and the quality of economic governance. Yet, when the same exercise is conducted for investment operations only, the results stay broadly the same (Figure 2.2) with even weaker performance in countries having high policy distortion and weak institutions. Only 48 percent of investment operations, compared to 58 percent of all operations, were judged to be satisfactory in these settings. Although these results relate only to the historical portfolio, in concurrence with earlier Annual Reviews, they suggest that investment projects in environments with persistently weak fundamentals are more likely to be unsuccessful. And while high-quality Bank appraisal and strong supervision can help offset the effects of policy distortion at the project level, at the country level there is still no substitute for having the necessary fundamentals in place. In settings where policies and institutions are seriously weak, the Bank would do best to focus on nonlending services that support the strategic policymaking and implementation capacity of government. Where policies and capacity are better, the Bank would do best to focus on policy-based lending and nonlending services to improve the enabling environment for subsequent investment operations.

So far the discussion has concentrated on countries along the extremes of the NW–SE diagonal in Table 2.1 and Figures 2.1 and 2.2. Turning now to those countries scoring high on policy performance and low on institutional capability or vice versa, the pattern remains consistent. Average portfolio performance is 78 percent for countries with sound policy environments but low institutional capability and 75 percent for countries with relatively high institutional capability but a poor policy

### Table 2.1: Country Classification by Policy Performance and Institutional Quality, 1980–95

<table>
<thead>
<tr>
<th>Institutional Quality Index</th>
<th>Policy Performance Index</th>
<th>Country</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>High</td>
<td>Chile</td>
<td>Cameroon</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Colombia</td>
<td>Kenya</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ghana</td>
<td>Turkey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hungary</td>
<td>Bangladesh</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Korea, Republic of</td>
<td>Egypt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>Jamaica</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand</td>
<td>Madagascar</td>
</tr>
<tr>
<td>MEDIUM</td>
<td></td>
<td>Ecuador</td>
<td>China</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gambia</td>
<td>Mexico</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jordan</td>
<td>Tunisia</td>
</tr>
<tr>
<td>LOW</td>
<td></td>
<td>Bolivia</td>
<td>Bangladesh</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Honduras</td>
<td>Cono Republic of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Indonesia</td>
<td>Mali</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines</td>
<td>Uganda</td>
</tr>
</tbody>
</table>

Source: OED data
The determinants of project performance

FIGURE 2.1: PORTFOLIO PERFORMANCE BY POLICY AND INSTITUTIONAL ENVIRONMENT—ADJUSTMENT AND INVESTMENT OPERATIONS

Source: OED data

FIGURE 2.2: PORTFOLIO PERFORMANCE BY POLICY AND INSTITUTIONAL ENVIRONMENT—INVESTMENT OPERATIONS ONLY

Source: OED data

environment. Average annual per capita growth for the former group of countries was 2.35 percent between 1985 and 1995 and 0.6 percent for the latter group.

These performance ratings are slightly higher than expected a priori, but they are explained by the strong portfolio performance of a few countries, such as Indonesia, Bolivia, and Zimbabwe. These good performance records overshadow the poorer performance of countries such as Honduras. There, since 1984, only 55 percent of evaluated projects were judged satisfactory and only 18 percent were judged of likely sustainability or as having substantial institutional development impact. The key factors in Honduras’s poor performance—besides increased regional conflict during the period—are closely linked to prevailing weaknesses in the institutional environment, in particular, weak borrower commitment to undertake necessary structural reforms and weak domestic capacity to implement projects effectively. On the Bank side, rather than responding to these weaknesses through a greatly revised assistance strategy, the Bank continued to appraise projects well in excess of the country’s absorptive capacity. Notable in this respect was Bank financing of the El Cajon dam project in the early 1980s. The dam proved to be vastly overdimensioned for Honduras’s market and became a costly drain on resources for a decade thereafter.

The analysis of portfolio performance at the country level implies that Bank assistance works best when it catalyzes or reinforces other factors, in particular a sound policy environment and the commitment and capacity of local institutions. The odds tend to favor satisfactory portfolio performance in settings with good economic governance and to disfavor satisfactory portfolio performance in economically underperforming countries. The interrelationship between better policy and effective institutions suggests that a strategy of “getting the institutions right” is likely to bring significant gains not only in portfolio performance but also in the future stability of the policy environment. These factors are clearly important at the macro level, but what link do they have to project performance at the micro level?

Bank assistance works best when it catalyzes or reinforces other enabling factors

Project-level determinants of success

The analysis of factors responsible for project-level success builds upon an exercise first attempted in the 1994 Annual Review. The analysis enables OED to model and test systematically for the significant determinants of project success, measured by satisfactory project outcome.

Based on the earlier country-level analysis, a general model should include three categories of explanatory variables, after controlling for basic project characteristics: descriptions of the macroeconomic policy environment, the institutional and gov-
Box 2.1: Contrasting Portfolio Performance in Ghana and Zambia

Ghana

Background. The government’s Economic Reform Program (ERP) included exchange rate and trade reform, extensive dismantling of price and distribution controls, and great improvement of the fiscal situation. The reforms reduced inflation from over 75 percent in the early 1980s to 10 percent in 1992. Increased investments rehabilitated Ghana’s moribund infrastructure, and the regulatory framework was improved. Stabilization objectives were achieved simultaneously with increased real public expenditures, especially on social services and on public investment.

Bank Assistance. Bank assistance was instrumental in helping Ghana to stabilize and rehabilitate an economy in crisis. Especially during the mid-1980s, the Bank’s program gets high marks for relevance of objectives, efficacy of implementation, cost-effectiveness, and staff performance. Bank policy advice, along with that of the International Monetary Fund, also contributed to the detail of the ERP, but the Ghanaians always owned the program. The borrower also gets a high rating for performance. Performance ratings available for 36 operations approved after 1980 show that 80 percent were judged satisfactory. Sustainability was rated as likely in 20 of the 36 operations, and institutional development impact was rated substantial in 18 operations. The extent to which the Bank and government had shared objectives and an agreed strategy for undertaking a reform program with strong borrower commitment explains the good working relations and the generally high quality and effectiveness of the policy dialogue during the 1980s.

Zambia

Background. Zambia illustrates the counter case. Economic reform and resumed growth proved elusive throughout the 1980s. Poverty increased to the point that in 1994 some 70 percent of the population lived in households where basic needs were not being met. Zambia is one of the few countries in Africa where life expectancy has decreased in recent years. The country has also had to adjust in response to a permanent decline in resource-based opportunities for development and to make the transition from a centrally planned, public sector-dominated economy to a market-oriented, private enterprise economy.

Bank Assistance. In contrast to the Ghana experience, the Bank’s assistance strategy in Zambia during the 1980s was greatly impeded by the prevailing policy and institutional environment. Borrower performance was consistently weak, reflecting limited or fluctuating institutional commitment to reform and limited absorptive capacity. Despite some excellent economic and sector work diagnosing the problems, the Bank continued to focus on short-term stabilization objectives over longer-term adjustment objectives. The Bank’s assistance strategy came up short both in relevance and in efficacy. Performance ratings available for 18 of 45 operations approved since 1980 in Zambia show that only 44 percent were judged satisfactory. Only three were rated to have likely sustainability, and only four were judged to have substantial institutional development impact. Since 1994 the Bank’s assistance strategy has focused more explicitly on liberalization, privatization, and diversification. Already signs indicate that both the relevance and efficacy of the Bank’s portfolio in Zambia, plus initial development outcomes, are improving.

800 newly evaluated projects to the evaluation database and the ever-increasing demand within the Bank to isolate areas of attention to enhance project performance.

Borrower and bank performance: still dominant

Results confirm that borrower performance continues to be the most critical determinant of success at the individual project level. Good borrower performance raises the
probability of a satisfactory outcome by some 35 to 40 percentage points—nearly twice the impact of the next highest significant determinant (Box 2.2).

After borrower performance, project success is determined by the quality of Bank performance at entry and during implementation, followed by the quality of the prevailing policy environment. These "second-order" determinants are responsible for 15 to 20 percentage point increases in the likelihood of a satisfactory project outcome.

If Bank performance matters, what can be done to improve substantially the likelihood of project success? Here the lessons are consistent with previous years. The econometric results show that improved quality at entry (consisting of individual ratings for Bank performance during identification and appraisal) yields a large payoff, followed by significant rewards from satisfactory Bank supervision (Box 2.3).

Empirical evidence on the importance of borrower and Bank performance in determining success reinforces the message from previous Annual Reviews. Commitment and ownership of project goals by the borrower, together with high-quality project appraisal and supervision by the Bank, can offset some of the effects of a weak policy and institutional environment. However, the evidence also indicates that these country-level factors, while not dominant, affect the likelihood of project success.

**Box 2.3: Quality at Entry Continues to Make a Difference**

The Social Investment Fund (SIF) project in Nicaragua is an example of the reward to strong Bank performance during the preapproval stage. The SIF project was approved in 1993 to help the borrower sustain its poverty alleviation efforts. IDA performance at identification and appraisal was highly satisfactory, building on confirmed lessons already known about social funds including good planning management and information systems and the importance of fully involving local nongovernmental organizations in the effort. Correct appraisals were made regarding the degree of government commitment and the degree of fit between project design and local implementing capabilities. Eighteen key performance indicators were defined for monitoring and evaluation, which contributed to effective beneficiary monitoring during implementation and unusually well-documented project results.

**Box 2.2: Borrower Performance is a Critical Determinant of Project Success**

Borrower performance during the Uganda Second Structural Adjustment credit was highly satisfactory, especially viewed against the breadth of the wider reform program and the high demands imposed on the scarce capacity for leading and managing reform within the public sector. A key to the successful implementation of the program reforms was the open and constructive dialogue maintained by the government. During implementation the government pursued a number of important initiatives that, although not part of any formal conditionality, were nonetheless critical to overall performance during the project period and beyond. These include revamping macroeconomic management, initiatives in medium-term expenditure planning, overhaul of an ineffective apparatus for parastatal divestiture and reform, a revived privatization program, and from 1995 onward, a strengthened poverty focus.
project success. By examining the impact of government credibility on project success, the model reveals a positive and significant relationship between higher levels of credibility and higher probabilities of project success.\(^{12}\) This implies that the quality of governance as perceived by private sector investors also affects the quality of the environment for public sector investment.\(^{14}\)

<table>
<thead>
<tr>
<th>Corruption and weak government credibility lower the likelihood of project success</th>
</tr>
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</table>

Summary and Implications

The analysis of project performance corroborates the findings of past Annual Reviews that good borrower performance is the most important determinant of project outcome, followed by Bank performance, sound policies, and freedom from corruption. But at the level of the country portfolio, performance is also associated with the quality of the policy environment and broader institutional factors.

Borrower performance, the strongest determinant of project success, underscores the continuing focus on supporting domestic capacity building and encouraging commitment to project goals by increasing borrower involvement in design and implementation. The significance of both the policy and institutional factors in aggregate portfolio success and country economic performance also highlights the Bank's need to exercise strategic selectivity at the level of the country.

Strategic selectivity, besides calling for more rigorous assistance strategies, requires more realistic assessments of performance and institutional constraints and better selection and sequencing of instruments that match existing government capabilities. Although the individual components of "institutional capability" were not identified, certain factors—such as the transparency and accountability of policymaking institutions and the degree of involvement by beneficiaries or members of civil society in program and project design and implementation—are likely to be particularly important in shaping the environment for selecting and designing projects. To respond effectively, risk management based on flexible responses to changing events is crucial. The Strategic Compact's efforts to simplify lending processes, to shift budget resources and decisionmaking to the front lines, and to increase use of adaptable lending instruments move the Bank in the right direction.

**Notes**

1. Over a 30-year period (1964–94) countries with both sound policies and capable government institutions experienced an average annual per capita growth rate of about 3 percent. This compares with a per capita growth rate of only 1.4 percent for those countries with sound policies but weak government institutions. Countries with neither sound policies nor capable institutions experienced annual per capita growth of less than 0.5 percent for the same period.

2. The exercise generated a sample of 45 countries with consistent data on policy performance, institutional quality, and portfolio performance for the period 1980–95. All operations approved after FY80 that exited the portfolio by FY97 were included in the analysis of portfolio performance. The institutional capability index is a composite of measures of the quality of government and draws on Knack and Keefer (1995) and Mauro (1995), among others. The index is based on a set of responses by foreign investors that focus on the extent of red tape involved in any transaction, the regulatory environment, and the degree of autonomy from political pressure (World Development Report 1997, p. 169).

3. For example, the policy performance score for the period 1983–89 is weighted by the number of projects implemented during that period in each country's portfolio. The difficulty with this method is that policy averages consistent with project implementation periods do not necessarily reflect recent improvements (deteriorations) in the policy environment.

4. Annual growth rates in Ghana were above 5 percent for much of the 1980s and early 1990s. With population growth still high, however, this did little more than restore average living standards from their collapse in the late 1970s and early 1980s. It is somewhat counterintuitive that Ghana ranked in this position in Table 2.1. Although Ghana's policy performance has been good since the mid-1980s, its record on institutional reform and capacity building is not strong. But the index is based upon foreign investors' perceptions of the transaction costs of doing business, the obstacles presented by the regulatory environment, and the predictability of the policy environment. That Ghana improved these overall conditions as part of the Economic Reform Program probably accounts for the high ranking on the institutional quality index. In many other respects, particularly the quality of public sector management, problems of weak capability are widespread.

5. Promoting the fundamentals, such as a sound policy framework, requires that support be given to building the strategic policymaking and implementation capacity of government. Without such capacity, delivering a credible and stable policy framework is difficult and easily undermined. In addition to sound economic policy, attention needs to be given to overall public expenditure management and the efficient allocation and use of scarce resources to essential collective goods and services—basic health, basic education, basic infrastructure, law enforcement, etc.

6. Borrower performance is a project-specific rating defined, as in Chapter 1, as the assumption of ownership rights and responsibilities and delivery of inputs needed to prepare and implement a project.
7. Bank performance is also project-specific and is defined as the quality of service delivered by the Bank, especially in those tasks for which it has primary responsibility, such as appraisal and supervision. While some overlap between Bank and borrower performance is inevitable, the ratings reflect as much as possible the distinct responsibilities and accountabilities of the Bank and borrower. Policy variables relate to the period of project implementation.

8. Along with the individual macroeconomic policy variables in the model (domestic inflation, fiscal balance, openness, and black market premiums), economic growth and an index derived using principal components analysis were used.

9. The model used the Sachs/ Warner dummy indicator for openness.

10. The corruption indicator used in the model is the International Country Risk Guide corruption index. The probability differential associated with this variable indicates a 5 percentage point increase in the probability of success when the index increases by one unit.

11. The 1997 World Development Report identifies four variables consistent with high levels of corruption across countries: large policy distortions, unpredictable judicial enforcement, low public to private sector pay, and the absence of meritocratic systems for recruitment and promotion within the public sector.

12. The precise forms of corruption are demands for special payments and bribes connected with import and export licenses, exchange controls, tax assessments, police protection, or loans.

13. This result is based on the variable “government credibility” used in the 1997 World Development Report. The variable is a composite index based on a 1996 survey of private sector entrepreneurs in 69 countries. The main components of the index are ranked responses to questions about the predictability of the policy environment, the rule making and rule enforcement capacity of government, the degree of political stability, and the quality of service delivery.

14. An important omission of the model is the impact of nonlending services. An attempt to include the staff weeks of economic and sector work (ESW) associated with a given project into the model was made, but this measure was not found to be significant in a variety of specifications. However, this most likely reflects the inadequacies of the indicator used rather than the true worth of ESW. Recent work within the World Bank (Deininger, Squire, and Basu 1997) finds that ESW has a significant positive impact on various measures of World Bank project quality with similar results being obtained at the lending program level. A 1996 OED review of the evaluation of ESW stresses the need to develop a credible evaluation strategy for ESW at the design or concept paper stage with the criteria to be employed and the measures to be used to assess ESW performance at completion clearly spelled out.
PROJECT PERFORMANCE TRENDS

This chapter describes the latest project performance trends. For the first time, this Annual Review presents evaluation findings by the fiscal year in which the operations exited the portfolio, rather than the previous convention of using “evaluation cohort.” The reported data are for those operations for which OED has evaluated an Implementation Completion Report (ICR). The shift to fiscal year of exit is intended to facilitate closer comparison with the Annual Report on Portfolio Performance (ARPP) and other Bank reports that use fiscal year analyses. It also offers a much closer link with the “real time” requirements of the active portfolio and increases the relevance of evaluation findings to portfolio management.\(^1\) All references, unless otherwise stated, relate to the fiscal year in which evaluated operations exited the portfolio.

Performance results FY96 and FY97

Outcome

Project outcome is a composite of ratings on the project’s relevance, efficacy, and efficiency. Of these, relevance is the most important dimension. A satisfactory outcome rating means that a project’s objectives are relevant regarding sector and country objectives and that the project was efficacious and efficient in meeting its major objectives.

The latest data for operations that exited in FY96 show that 71 percent were judged satisfactory. For operations that exited in FY97 (based on 43 percent coverage),\(^2\) 76 percent achieved a satisfactory outcome—an 11 percentage point increase over FY94. This is not a sudden increase, however. As Figure 3.1 shows, satisfactory outcome rates have been rising steadily since FY94. But the improvement in the past two fiscal years is significant.\(^3\)

When viewed by lending volume (disbursements) the achievement rate has been rising since FY93, reaching 83 percent in FY96. For FY97 exits the achievement rate will approach 88 percent. The marked difference in the percentage of satisfactory outcomes by project and by disbursement deserves some discussion.

Past Annual Reviews have shown a positive relationship between project size and performance outcome; this relationship also holds for FY96. The relationship is, nevertheless, heavily influenced by a relatively small number of very large projects that performed well.\(^4\) In FY96, of 223 projects that exited the portfolio, 21 were between $201 million and $609 million. Among the largest operations were a Rehabilitation Loan to Russia for $609 million, another to the Ukraine for $508 million, and $524 million for a hydroelectric project in Mexico. Despite two poorly performing large projects—one in India and one in Mexico—together these 21 projects had a disbursement-weighted outcome rate of 93 percent satisfactory. This explains a large part of the difference in aggregate outcome performance by project and by volume.

The overall improvement in project performance in FY96 and FY97 is reflected in corresponding improve-
Figure 3.1: Percentage of Operations with Satisfactory Outcomes by Exit Fiscal Year, 1980-97

Source: OED data
Note: Broken lines (exit FY97) indicate preliminary results, with less than 50 percent coverage of exited operations.

Africa continues to underperform relative to Bank norms and has the largest number of projects at risk in the 1997 ARPP.

Latin America and the Caribbean (LAC) show the strongest performance improvement over time with an average of 86 percent satisfactory projects for FY96 com-
pared with an average of 67 percent for FY90-95. When disbursement-weighted, LAC and Europe and Central Asia (ECA) show the biggest improvements. South Asia shows a further drop in performance by project and disbursement amount in FY96, although this is not sustained in the partial FY97 data.

Underlying improved regional performance in LAC is a large and significant improvement in portfolio performance for Brazil and Argentina after FY95. The sheer size of the Brazilian portfolio in FY96 and FY97 accounts for a large part of the regional improvement during these two years. Brazil accounted for 38 percent of projects that exited the LAC portfolio in FY96 and a further 30 percent in the partial sample for FY97. Project outcome was judged universally satisfactory in both years. This compares with an average outcome performance of just 36 percent satisfactory between FY90 and FY95 (Box 3.2).
BOX 3.1: COMPOSITION OF FY96–97 EVALUATED EXITS AND THE ACTIVE PORTFOLIO

The Bank's portfolio has not changed significantly in size or composition in recent years, although commitments have continued to decline steadily in real terms. Of the 1,752 projects in the FY96 active portfolio (about $143.7 billion), the FY96 evaluated exits comprise 223 projects amounting to about $19.4 billion. IBRD loans constituted 52 percent ($13.9 billion) of the FY96 exits; the remaining 48 percent ($5.5 billion) were IDA or blend loans. Adjustment loans constituted 15 percent and investment loans 85 percent. The most common lending instrument among FY96 exits was the Specific Investment Loan, which was used in about half of the projects.

ECA, the fastest growing Region in the active portfolio, showed the largest increase in number of projects evaluated, with 6 percent between exit FY90–95 and over 10 percent in exit FY96 (see Figure 3.3). Africa—which, despite a shrinking active portfolio, continues to have the largest number of projects (28 percent) among the Regions in the FY97 active portfolio—also had the largest number of evaluated exits from the FY96 portfolio (31 percent).

The largest borrower in the FY96 evaluated exits was India. In the FY97 active portfolio India is second in disbursements to China. Viewed by sector, agriculture continued to be the largest sector with 25 percent of the total projects and 18 percent of the disbursements. Agriculture is no longer the largest sector in the active portfolio, having been surpassed by transport with 15 percent of total commitments. Oil and gas has shrunk to 3 percent of active portfolio commitments. Of the four Networks, Finance, Private Sector, and Infrastructure (FPSI), with 40 percent of the projects, had the most FY96 exits. FPSI also has the largest share of the active portfolio in FY97.

By sector the performance pattern is less clear. Data indicate that about half of the sectors (two-thirds by disbursements) show an increase in satisfactory projects and the other half (one-third by disbursements) show a decrease. Water supply and sanitation is the poorest performing sector in FY96, a record that, according to the latest ARPP, appears unlikely to change in the near future. Looking at the larger sectors (Figure 3.4), improvements

**Figure 3.3: The Size of the Active Portfolio**

**Number of Projects by Source (ARPP)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>IBRD</th>
<th>IDA</th>
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<tbody>
<tr>
<td>1992</td>
<td>1200</td>
<td>600</td>
<td>600</td>
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<tr>
<td>1996</td>
<td>1300</td>
<td>700</td>
<td>600</td>
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<tr>
<td>1997</td>
<td>1400</td>
<td>700</td>
<td>700</td>
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</tbody>
</table>

**Commitments by Source (ARPP)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>IBRD</th>
<th>IDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>120</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>1996</td>
<td>130</td>
<td>70</td>
<td>60</td>
</tr>
<tr>
<td>1997</td>
<td>140</td>
<td>70</td>
<td>70</td>
</tr>
</tbody>
</table>

in the percentage of projects with satisfactory outcomes in FY96, compared with FY90–95, include agriculture, electric power and other energy, multisector, public sector management, and transport. Based on the partial results for FY97, however, only improvements in agriculture and transport appear likely to be sustained.

Results for the education sector are less favorable. The percentage of projects judged satisfactory in FY96 was 70 percent, compared to an average of 80 percent for FY90–95. The initial results for FY97 suggest that the decline may be ending, but the full prognosis for FY97 is still uncertain. In trying to explain this decline in performance, there seems to be no marked change in subsector trends, but there is a marked increase in the number of education projects with high or substantial demandingness, from 77 percent for FY90–95 to 86 percent in FY96 and 90 percent in FY97. The pattern on complexity and riskiness is similar. There is also a parallel increase in the proportion of education projects with high or substantial institutional development objectives, from 17 percent in FY90 to 70 percent in FY96. This implies that performance in education is being affected by an increase in the demandingness of operations combined with a shift toward institutional development objectives. However, looking at the active portfolio, relatively few education projects are rated as being at “potential” or “actual” risk, suggesting that near-term prospects for sector performance are generally good.

By lending type adjustment loans continue to have a higher percentage of satisfactory outcomes than investment loans. Among the FY96 exits, 88 percent of adjustment operations were judged satisfactory (95 percent when weighted by disbursements), compared to 69 percent of investment loans (79 percent when disbursement-weighted). The early results for FY97 are markedly different, however, with the percentage of satisfactory adjustment loans falling to 75 percent and investment loans rising to 77 percent satisfactory (see Annex). This suggests that the results for FY96 may not be sustained once the full results are in for FY97.

Among investment loans Sector Investment and Maintenance Loans, and Financial Intermediary Loans show the least successful performance with satisfactory rates for FY96 of 55 percent and 56 percent, respectively.
Institutional development impact

Institutional development (ID) impact is probably the most demanding of the performance evaluation criteria and, as described in Chapter 1, is certainly the most important for long-term development effectiveness. As with the other results-oriented ratings, the ID rating is built on several factors, some of which are described in Box 3.4.

Box 3.3: IBRD and IDA Performance Trends

Improvement in outcome performance by a number of projects is most apparent for IBRD loans. In FY96 IBRD loans achieved a 78 percent satisfactory performance, compared with an average of 71 percent for FY90–95. IDA and blend loans, on the other hand, show relatively little change in performance, with 64 percent judged satisfactory in FY96 compared to 63 percent for FY90–95. The partial results for FY97 suggest an improvement in IDA to 73 percent satisfactory, with IBRD steady at 80 percent.

They also appear to be the low performers in FY97, they both show an increase to 67 percent and 69 percent satisfactory, respectively. Technical Assistance Loans have historically been the weak performer, with an average of only 52 percent satisfactory outcomes during FY90–95. However, for exit FY96 this type of loan shows a marked improvement to 69 percent satisfactory—an increase that appears likely to be sustained in FY97.

Figure 3.5: Outcome Performance IDA/IBRD

Institutional development is defined as improving a country’s effective use of its human, organizational, and financial resources. Because the ultimate test of Bank assistance is its short- and long-term effects on people, policies, and domestic capacities, ID impact is a crucial test of development effectiveness. A project achieving substantial ID impact is likely to include some of the following elements: (a) it encourages the borrower to foster an enabling environment for institutions that can contribute to the development process; (b) it finances capacity-building initiatives to increase institutional effectiveness and efficiency in these areas; (c) it ensures that institutions involved in the initiatives it supports are appropriate to the task and acceptable to the people involved; and (d) it supports work to enhance the role of social capital in fostering economic and social development.

The Public Works and Employment Project (AGETIP) in Senegal was judged to have achieved substantial ID impact. The grounds for this judgment were that the AGETIP proved to be successful not only as an efficient executing agency but also in its methodology in implementing small public works. It accomplished its innovative solution to public works contract management without corruption or additional layers of bureaucracy. A large part of AGETIP’s substantial ID impact can also be attributed to its financial and decision-making autonomy, the strong political support it has received, its private sector philosophy, transparent procedures, strict internal and external accountability, and a results-oriented management culture.

Source: OED data
Sustainability
Sustainability is the likelihood, at the time of evaluation, that an operation will maintain its benefits in the longer run. OED has found over the years that sustainability and institutional development are closely linked; progress on the institutional front generally takes care of many critical aspects of sustainability, such as revenue earning capacity or budget support.

The latest performance results indicate that the proportion of projects judged as having likely sustainability has maintained a modest rising trend, increasing from an average of 46 percent for FY90–95 to 48 percent in FY96 (see Figure 3.7). However, the partial results for FY97 are promising 51 percent of projects judged to have likely sustainability. When disbursement-weighted, the percentage for exit FY96 with likely sustainability climbs to 59 percent, but this reflects no change over the FY90–95 average. For partial FY97 exits the disbursement-weighted figure is 65 percent.

Explaining trends in outcome
In interpreting the encouraging signs of the latest performance results, several factors need to be considered.

OED review of ICR ratings. Analysis suggests that OED’s review of the ratings is unchanged. OED disagreed with at least one rating in 28 percent of the FY95 and FY96 ICRs. In the partial sample of FY97 ICRs, OED disagreed with at least one rating in 26 percent of the cases.

Project demandingness, complexity, and riskiness.
The data in Figure 3.8 do not show any decline in the number of projects rated as having high or substantial demandingness, complexity, or riskiness for exit FY96. In fact, to the contrary, evaluated exits in FY96 were generally considered more demanding, complex, and risky than projects evaluated in previous years. Evaluated FY97 projects appear to be following the same pattern, implying that improved outcome performance is not a function of the Bank selecting simpler or less complex projects.

Sector selectivity. According to three categories of sectoral performance—high, medium, and low—based on the

The results for FY96 and FY97 show a marked increase in the percentage of projects judged to provide substantial ID impact. From a plateau of about 30 percent for FY90–95, the proportion of projects rated as having substantial ID impact rose to 39 percent in FY96 (see Figure 3.6). This is not likely to be an errant result given that 39 percent of the partial exits in FY97 are also judged as having substantial ID impact. Disbursement-weighted, the figures are 40 percent for FY96 and 54 percent for FY97.
average project-based sector outcome for exit FY85–93, there appears to be no change in the number of projects and levels of disbursement in high- or medium-performing sectors compared to low-performing sectors for FY96.\textsuperscript{11} Thus, no convincing case can be made for a change in distribution of projects over time by sector group.

\textit{Country selectivity.} An examination of the distribution of projects by country groupings shows a very slight shift

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure3.7}
\caption{Sustainability by Exit Fiscal Year, 1987–97}
\end{figure}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure3.8}
\caption{Demandingness, Complexity, and Riskiness by Exit Fiscal Year, 1987–97}
\end{figure}

Source: OED data
Note: Broken lines (exit FY97) indicate preliminary results, with less than 50 percent coverage of exited operations.
in patterns for evaluated exits in FY96. Five country
groups were defined based on the Bank’s Country Eco-
nomic Performance Index for 1979–92.12 FY96 evaluated exits
show a marked increase in the number of projects in the lower-
medium economic performance group compared to those exiting in
FY94 and FY95 (25 percent compared with 12 percent) and a
decrease in the number of projects in the poor economic performance
group of countries (7 percent compared with 12 percent). The per-
centage of projects in high-
performing and upper-medium performing countries was substan-
tially the same over this period. These results imply that an ele-
ment of country selectivity may be taking place and could be one factor accounting for the improved performance results after FY95.

**Bank and borrower performance: FY96 and FY97**

A further possible source of improvement in the major results-oriented ratings is Bank and borrower performance.

As Chapter 2 already showed, of the variables considered important in determining project success, borrower performance is the largest, followed by Bank performance. If the current evaluation data point to continued improvement in the percentage of operations with satisfactory Bank and borrower performance, then this may be another very important factor behind recent improvements in outcome performance.

**Bank performance**

Bank performance is composed of ratings for three process activities—project identification, appraisal, and supervision—as well as an average of all three.

For FY96, 74 percent of operations had satisfactory Bank performance. The partial data for FY97 indicate a slight increase to 77 percent. But when compared to the trend for FY90–95, the percentage of evaluated projects with satisfactory Bank performance ratings has stayed more or less constant (Figure 3.9). When viewed by disbursements, the FY96 results show a decrease in the percentage of projects with satisfactory Bank performance (75 percent compared to 80 percent for FY90–95), although the partial results for FY97 suggest the decline may be temporary.

The individual ratings for Bank performance at identi-
fication, appraisal, and supervision again show no signifi-

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**FIGURE 3.9: BANK PERFORMANCE BY EXIT FISCAL YEAR, 1987–97**

**BY PROJECT**

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**BY DISBURSEMENTS**

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*Source: OED data*

*Note: Broken lines (exit FY97) indicate preliminary results, with less than 50 percent coverage of exited operations.*
cant break with previous trends. No significant differences were found between percentage satisfactory ratings for FY96 and the FY90–95 average, although the FY97 data suggest an increase in Bank performance in supervision compared to the FY90–95 average. It is too early to tell whether this increase will be sustained.

While changes in Bank performance are unlikely to be a major factor behind the latest changes in outcome performance, the fact that Bank performance has remained fairly high at 74 percent—despite evidence that projects are continuing to be more complex and demanding—is indirect evidence that the Bank is continuing to make improvements.

**Borrower performance**

Borrower performance includes separate ratings on project preparation, implementation, and compliance, as well as an average rating of all three.

Results for FY96 show that the proportion of evaluated projects with satisfactory borrower performance is 71 percent (Figure 3.10). This compares with an average of 60 percent for projects evaluated for the period FY87–91 and 65 percent for the period FY90–95 (Figure 3.10). The partial results for FY97 indicate that borrower performance may be continuing to improve (74 percent satisfactory).¹³

Looking at the individual borrower performance ratings, the strongest improvement is in borrower preparation and compliance with loan covenants. Borrower compliance was judged as satisfactory for 71 percent of evaluated exits in FY96, compared with just 58 percent for FY90–95.¹⁴ The partial results for FY97 indicate a possible further improvement to 75 percent satisfactory.¹⁵ These findings suggest that recent improvements in outcome performance may be partly explained by improvements in borrower preparation and compliance.

While the Bank takes borrower performance into account in its lending decisions and can work to improve borrower performance through dialogue and technical assistance,¹⁶ much of what constitutes satisfactory borrower performance—direct project preparation and management, public investment decisions, and overall macroeconomic management—is essentially beyond Bank control. So what additional factors may help explain the sustained improvement in borrower performance in recent years?

**FIGURE 3.10: BORROWER PERFORMANCE BY EXIT FISCAL YEAR, 1987–97**

**BY PROJECT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Preparation</th>
<th>Average</th>
<th>Compliance</th>
<th>Implementation</th>
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**BY DISBURSEMENTS**

<table>
<thead>
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<th>Preparation</th>
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<th>Compliance</th>
<th>Implementation</th>
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Source: OED data

Note: Broken lines (exit FY97) indicate preliminary results, with less than 50 percent coverage of exited operations.

One possible factor is the effect of selectivity in lending patterns. As already indicated, some evidence suggests a shift in lending toward better-performing countries. Better-performing countries, as discussed in Chapter 2, generally provide a better environment for Bank projects. Although the criteria for borrower performance used here are entirely
project-specific, it is plausible that the overall improvement reflects an underlying shift in lending toward better-performing countries. This is highly speculative, however, given the limited concrete evidence of a move to greater selectivity in the evaluated exits.

A second possible explanation lies in a decline in wars or civil disturbances in borrower countries during FY96–97 compared to earlier periods. Analysis finds no difference, however, in the proportion of projects having high or substantial negative impact from war or civil disturbance in FY96 (44 percent) compared with FY90–95 (42 percent).

Improved borrower performance may also reflect an improved policy climate in many borrower countries together with increased borrower commitment. These dimensions of performance are difficult to measure, especially at the project level, but two examples in Box 3.5 illustrate how they often play out in practice.

**Box 3.5: Commitment and Ownership Underpin Highly Satisfactory Borrower Performance**

Considering that Mozambique was emerging from a brutal civil war and a severe domestic drought, and given its serious deficiencies in institutional development, the improvement in policies during the implementation of the Economic Recovery Credit is impressive. The government's commitment to implementing the reform program was key to the overall positive outcome. Commitment can be traced to the government's active involvement in project design and implementation and its clear demonstration of ownership. Moreover, the government's commitment to reform was sustained, despite political uncertainty, and implementation of the reform program continued to move ahead after the credit closed. Where slippage occurred, the government made corrections and put the program back on track. The government achieved a high percentage of the promised structural reforms, such as privatization, liberalization of the foreign exchange and international and domestic trading markets, and creation of a new central bank. As a result, OED upgraded borrower performance to highly satisfactory (from satisfactory in the ICR) and judged this to have been one of the most successful adjustment operations in Sub-Saharan Africa.

The Albania Critical Imports Project is another example of highly satisfactory borrower performance—starting with the government's active involvement in the design of the project. Thereafter, there was a healthy dialogue with the Bank during implementation. Given Albania's unfamiliarity with Bank procedures and its limited experience with international transactions, the government relied on the Bank's support and worked closely with Bank staff to clarify sector priorities, identify imports, and work out the necessary arrangements for project implementation. In this project, rapid development of institutional capability was another factor leading to highly satisfactory borrower performance and, hence, successful outcomes. The staff of the project implementation unit learned quickly from the expatriate procurement adviser, and in time the unit was able to handle all transactions with only limited Bank interaction. Furthermore, it was able to pass this knowledge on to other public and private sector entities. In the last two years of project implementation, expatriate procurement advice was not needed. Furthermore, the project implementation unit became the focal point within the government for project management and procurement and was given similar responsibilities under four other Bank-assisted operations.

Improvements in borrower ownership and commitment are clearly behind improved borrower performance, but these trends may also partly reflect internal Bank initiatives. The Bank's Portfolio Management Task Force issued a report in 1992 that focused, among other things, on the need to enhance borrower involvement in Bank-supported operations. Borrowers were to be more involved in developing plans for the operational phase of a project, complete with performance indicators, and borrowers were to evaluate the project's implementation. Management actions in response to the task force report were under way before the report was issued. For the most recently evalu-
**Box 3.8: Performance Trends by Approval Year**

Figure 3.11 shows outcome performance by approval year. The percentage of evaluated projects for approval year 1989 is a fairly high 71 percent, but it drops quickly to 53 percent for approval year 1990 and 35 percent for approval year 1991. Consequently, trends can only be reported up to and including approval FY90; after that, the sample coverage falls below the statistically acceptable level of 40 percent. Given such a constraint it is not possible to confirm that the performance trends seen at exit year are being repeated by approval year. Viewed by disbursement amounts, however, projects evaluated for approval years 1987–90 show consistently strong outcome performance in the 74–78 percent satisfactory range.

With approval FY90 as the cutoff point, a trend of improving Bank performance (see Figure 3.12) cannot be confirmed, except for a modest increase between FY89 and FY90. It therefore appears too soon to see the effects of increased attention to such Bank performance factors as quality at entry and supervision. The evidence for borrower performance (Figure 3.13) is not as striking as it is by exit year. Nonetheless, there are signs of positive improvement in the percentage of projects with satisfactory borrower performance for FY89 and FY90, both by project and volume.

Risk and reward

The latest portfolio performance trends are encouraging, but some countries and sectors still perform below Bank norms, and parallel evidence indicates that projects continue to become more risky, complex, and demanding. These findings call for greater selectivity in choosing projects and lending instruments to match the needs and risks of different sectors and countries. This requires rigorous assessment of risks and risk management, but the risk-reward trade-off is a complex one. On one hand, the Bank

**Figure 3.11: Percentage of Operations with Satisfactory Outcomes by Approval Fiscal Year, 1970–92**

*BY PROJECT*

![](chart1)

*BY DISBURSEMENTS*

![](chart2)

*Source:* OED data

*Note:* Broken lines (approval FY91–92) indicate preliminary results, with less than 50 percent coverage of exited operations.
can manage risks at the project level through improved design and supervision and at portfolio level by modifying its lending patterns in the most risky sectors and countries. On the other hand, positive development opportunities must be seized, and simply reducing risks could drastically reduce the rewards payoff to investment. Wisely trading-off risks against rewards is therefore key to a selective strategy.

Effective Management of risks and rewards is the key to a selective strategy.

Using this reward metric to examine the average reward for all Bank projects in the FY90–97 portfolio, the data show a mean reward of 5.2, implying that in a possible range of 0 to 10, the Bank has been reaping relatively modest rewards from its project portfolio. Examining the average reward for country and sector portfolios of 15 projects or more, the mean reward by country ranges from 3.2 in Algeria to 7.2 in China (Figure 3.14) and by sector from 4.5 for public sector management to 6.2 for telecommunications (Figure 3.15).

The other side of the trade-off is risk. Risk here means the probability of falling short of a reward level and is measured ex-post as the percentage of projects falling short of that level.

These risk-reward curves indicate the change in risk associated with any given change in reward. As such they can be used for portfolio management. If a portfolio has a large number of ongoing and new projects falling in the northwest corner of the graph, suggesting a low mean reward and high odds of failing, there is a strong signal that the portfolio needs restructuring. Also, for projects about to become borderline, the curves suggest that much reward can be gained by paying more attention to the sustainabil-

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*Source: OED data*

*Note: Broken lines (approval FY91–92) indicate preliminary results, with less than 50 percent coverage of exited operations.*
ity of what will be achieved. Finally, the risk-reward curves provide ways of ranking and classifying portfolios according to the level of risk.

Reducing the share of portfolios with inferior mean reward is the most effective approach to managing risks, especially with country portfolios where the variation in performance is greatest. This remains largely true if one adjusts the mean for the variance in rewards (see Box 3.7). It is important to note, however, that this strategy is constrained by two considerations. First, the risk-adjusted reward will decline when the size of a portfolio exceeds the borrower's needs or absorptive capacity. Second, the Bank is a coproducer of rewards and must therefore take into account the involvement of partners and competitors when assessing the risk-reward relationship. A example is telecommunication, where the Bank's mean reward is historically quite high, but where Bank projects have consistently been outclassed by the private sector.

Summary and implications
Based on the number of evaluated projects, 71 percent of projects in FY96 were judged satisfactory. A partial sample for FY97 indicates that 76 percent were judged satisfactory. This implies an upward trend in performance, although the full implications for FY97 exits are as yet uncertain. By disbursements, 83 percent of evaluated exits in FY96 achieved a satisfactory outcome and 88 percent did so for the early FY97 returns. However, the magnitude of the performance results by disbursement are heavily influenced by a small group of very large projects in a few countries. These results, therefore, should be interpreted with caution.

In addition to improvements in overall outcome, there is evidence of an increase in the institutional development impact of operations, with 39 percent of FY96 exits having substantial ID impact compared to 30 percent for FY90-95. This is a good indication that at the project level the Bank is gradually improving its development effectiveness. Nevertheless, with only half of Bank operations achieving likely sustainability, there is still considerable work to be done.

Improved outcome performance appears to be linked to a number of potential factors, including some evidence of country selectivity and a marked improvement in borrower performance, particularly in preparation and compliance with covenants. Bank performance has remained steady, but with increased project demandingness and complexity this is taken to indicate that performance is holding if not improving. The importance of these process improvements is underscored in a selection of outstanding and poor operations from the FY96 and FY97 cohorts (Table 3.1). Of the outstanding operations, all had a highly satisfactory outcome and satisfactory or highly satisfactory Bank and borrower performance. Of the poor operations, all had highly unsatisfactory outcome and unsatisfactory or highly unsatisfactory Bank and borrower performance.
BOX 3.7: ADJUSTING THE PORTFOLIO FOR REWARD VARIANCE

Notwithstanding the need to take appropriate risks, the Bank ought to be somewhat more risk averse because highly unsatisfactory project outcomes undermine some of its most precious assets, such as stakeholders' support. To adjust for risk aversion, the mean reward is reduced by a fraction of the reward variance. Adjusting the rewards of the FY90–97 exits according to this calculus tends to amplify the gap between the best and worst portfolios. There are a few notable exceptions, such as Ghana and Morocco and the education portfolio, all of which slightly improve their ranking because of their relatively low reward variance. These results suggest that opportunities could be explored for raising the mean reward of a country or sector portfolio even at the cost of increasing its variance when it is well below the norm.

Increasing the overall share of country portfolios with small variances would improve Bankwide risk-adjusted reward, but the overall effect is relatively small.

PORTFOLIO REWARD BEFORE AND AFTER ADJUSTMENT FOR RISK (FY90–97)

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Before</th>
<th>After</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications</td>
<td>6.2</td>
<td>4.1</td>
<td>5.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>5.0</td>
<td>5.5</td>
<td>5.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Education</td>
<td>5.8</td>
<td>3.4</td>
<td>5.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Mining</td>
<td>5.8</td>
<td>3.2</td>
<td>5.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.0</td>
<td>2.2</td>
<td>5.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Transport</td>
<td>5.4</td>
<td>3.1</td>
<td>5.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Electricity Exports</td>
<td>5.5</td>
<td>2.4</td>
<td>5.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Health, Nutrition, and Education</td>
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<td>2.4</td>
<td>5.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.8</td>
<td>2.4</td>
<td>5.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Finance</td>
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<td>2.3</td>
<td>4.8</td>
<td>1.8</td>
</tr>
<tr>
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<td>4.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Industry</td>
<td>4.8</td>
<td>2.0</td>
<td>4.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Water supply</td>
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<td>3.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Public Sector</td>
<td>4.5</td>
<td>1.8</td>
<td>5.2</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: OED data

TABLE 3.1: EXAMPLES OF OUTSTANDING AND POOR OPERATIONS, FY96–97 EVALUATED EXITS

<table>
<thead>
<tr>
<th>Outstanding</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Benin</td>
<td>Cambodia</td>
</tr>
<tr>
<td>China</td>
<td>Saint Lucia and Principe</td>
</tr>
<tr>
<td>Hungary</td>
<td>Turkey</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Nigeria</td>
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</table>

<table>
<thead>
<tr>
<th>Operation</th>
<th>Total Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation</td>
<td>C2083</td>
</tr>
<tr>
<td>Rural Services and Loan Rehabilitation</td>
<td>C2086</td>
</tr>
<tr>
<td>Removing and Sharding Ports</td>
<td>L3000</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>L3264</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>L3182</td>
</tr>
<tr>
<td>Liquidated Petroleum Gas Transportation</td>
<td>C2263</td>
</tr>
<tr>
<td>Water and Electricity</td>
<td>C1724</td>
</tr>
<tr>
<td>Multisector</td>
<td>C2038</td>
</tr>
<tr>
<td>Urban Water Supply and Sanitation</td>
<td>L2518</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>L3230</td>
</tr>
</tbody>
</table>

Source: OED data
This encouraging picture does not, however, suggest that either the Bank or borrowing countries can be complacent. Outcome ratings for evaluated projects by approval year do not yet mirror the results by exit year, indicating that for improvements to be sustained, continued attention to portfolio management, especially project quality at entry and project supervision, is critical.

Risk-reward analysis suggests that the Bank could explore opportunities for increasing the rewards of borderline prospects, raising the mean reward of selected country or sector portfolios with low variance and, above all, increasing the mean reward Bankwide without substantially increasing the variance by expanding the share of countries with higher mean rewards.

1. See Annex 4 of the Annual Review of Evaluation Results 1995 for a discussion of the different approaches to long-term trend analysis. Also note that the data presented in this chapter will not be comparable to the data presented in past Annual Reviews of Evaluation Results.

2. All performance data reported for FY97 are based on 43 percent coverage of the exits for that year.

3. The improvement in the outcome rating for FY96–97 over the average rating for FY90–95 is statistically significant at the 5 percent level. Tests of statistical significance are generally applied to samples of data. Although the universe of evaluated exits for each year (except FY97) is available, each year is treated as a sample and a t-test is applied to gauge the degree of difference between two periods.

4. Of the 21 large projects, India had the largest share, followed by Indonesia and Mexico.

5. Water supply and sanitation was identified as the sector with most projects at risk in the 1997 ARPP.

6. With more than 10 projects exiting the portfolio in FY96.


8. A statistically significant difference at the 5 percent level.


10. Significant at the 1 percent level.

11. For exits FY95 the number of projects and the level of disbursements increased in medium-performing sector investment. This was accompanied by a corresponding decrease in low-performing sectors compared to FY85–93, but this pattern does not hold for exit FY96 or FY97.

12. The five country groupings are: high performing, uppermedium performing, lower-medium performing, low performing, and poor performing. Selecting countries with more than 7 projects for the years covered by the Country Economic Performance Index left a sample of 67 countries for this exercise.

13. A statistically significant difference was found at the 5 percent level when comparing average borrower performance for exit FY96–97 with exit FY90–95.

14. The average was just 46 percent for FY87–91.

15. The difference in ratings between exit FY96 and exit FY90–95 is statistically significant at the 1 percent level.

16. Among the 197 projects in FY96 with high or substantial borrower involvement in project design, 79 percent had a satisfactory outcome rating. Of the 62 projects with modest or negligible borrower involvement, only 42 percent had a satisfactory outcome rating. The difference is statistically significant at the 5 percent level.


18. To assess reward, all projects in the FY90–97 evaluated portfolio (1,625 projects) were graded on a scale of 0 to 10 depending on whether their outcome rating was unsatisfactory or satisfactory. The base reward is a grade of 0.5 or 2 for unsatisfactory projects and 4 or 5.5 for satisfactory projects. Each project is then given an additional bonus from 0 to 2 depending on its institutional development impact and a 33 percent premium (penalty) if sustainability is rated as likely (unlikely).

19. This measure is conceptually different from the risk indices presented in the Annual Review of Evaluation Results 1995, which were based on subjective judgments of project design and the riskiness of the project environment—complexity, riskiness, demandingness.
ADDING UP THE LESSONS—COUNTRY AND SECTOR REVIEWS

As the earlier chapters have noted, scaling up evaluation lessons to the sector and country level places new demands on evaluation work in the Bank. It has also been noted that much of the independent evaluation work being carried out at the country or sector level is still relatively new. This chapter draws on some of the early lessons of this work, together with available lessons from self-evaluation studies available for some sectors and themes. Many of the lessons and findings are fairly well known, but the purpose is to synthesize what has or is being learned about improving development effectiveness, and to examine how this information is being used to improve results on the ground.¹

**Lesson 1:** Good policy matters for the overall effectiveness of Bank assistance, but policy reforms rarely succeed unless the government is genuinely convinced that the reforms have to be implemented and considers the reform program its own.

Bank assistance in Poland during the late 1980s and early 1990s was particularly well matched with country conditions. After Poland became a Bank member in 1986, the first country strategy paper proposed that lending be timed to match the government’s progress with its reform program and its progress in restoring creditworthiness. This led to an initially cautious strategy, which saw the Bank relying mainly on studies and technical advice to the government. Full-scale lending did not start until 1990. While a case could have been made for earlier selective lending, the delay until 1990 appeared to have encouraged Polish authorities to make a stronger commitment to reform. Thus, by waiting until international and domestic climates were more favorable, the Bank began lending when the ratio of opportunities to risks was high.

In contrast, the Bank overestimated the willingness and capacity of the Zambian government to implement reforms. During the 1980s the Bank’s assistance strategy in Zambia focused almost exclusively on short-term stabilization objectives that remained elusive and were out of step with the country’s long-term development needs. In this climate—characterized by a poor policy environment and weak institutional capability—Zambia’s consistently dete-
riorating economic situation reflected the limited impact of Bank assistance. In the early 1990s, with a new Zambian government publicly announcing its commitment to economic reform, the Bank’s program helped reduce the fiscal deficit and inflation, yet economic policy reforms are still unfinished and growth has not yet resumed.

**Lesson 2: The efficacy of Bank assistance and the credibility of its conditionality are diminished when multiple and not mutually reinforcing objectives are promoted under a single lending operation. A judicious degree of unbundling and sequencing in the program of Bank interventions is preferable.**

Resource transfer objectives for macroeconomic purposes often coexist with sectoral objectives. The former respond to a pressing need that in turn is an imperative and a prerequisite for the latter. However, the attainment of sectoral objectives is unlikely to occur in the same short period as attainment of the macroeconomic objectives. The results are predictable. If progress is good on the macroeconomic front, lending will proceed regardless of whether conditions are met or not met on the sectoral front. For example, in Argentina, the agricultural objectives of the FY86 sectoral adjustment loan (SAL) took a back seat to economic stabilization. Similarly, in the human resources SAL to Côte d’Ivoire, sector objectives were not met despite improvements in the overall macroeconomic framework. Bundling macroeconomic and sector objectives together has only proved efficacious when sector reform is technically ready to start and its objectives under the fast-disbursing loan are pitched as realistic milestones in a longer process of sector reform.

**Lesson 3: Nonlending services clearly need to be more closely linked with program and project preparation. This does not mean matching lending and nonlending services dollar for dollar, but it does mean building greater development synergy between advisory, analytical, and lending services.**

The Argentina CAR observes that, while early economic and sector work (ESW) was mostly correct in its diagnosis of the problems facing policymakers, it was not well sequenced with the pace of economic reform and often lagged behind the in-depth reforms undertaken by government. Much of the better nonlending work resulted from studies financed through project preparation or took place in informal discussions and policy dialogue. The former was essential to the successful privatization effort initiated by the government of Argentina in 1989.

In Zambia, despite the government’s poor performance record, the Bank’s analytical work has proved critical in supporting key policy changes in recent years. ESW gave priority attention to liberalization, which has been successfully implemented. The informal policy dialogue that ESW made possible also contributed significantly to adjustments in the policy environment for industry and agriculture. The Bank has done several Public Expenditure Reviews, which have helped to bring the public sector deficit under control. Furthermore, the 1994 Poverty Assessment was critical in identifying short-term actions to assist vulnerable groups and is being used in the design of public policy to mitigate and reduce poverty. An innovative approach used in Poland to link analytical work with program design is illustrated in Box 4.1.

**Lesson 4: The effectiveness of the Bank’s aid coordination efforts depends not just on the extent to which other donors are willing to act together but on the government reaching consensus on the appropriate institutional framework for aid coordination. In-country aid coordination and management by client countries is as important as coordination among donors.**

The final lesson relates to the Bank’s effectiveness in mobilizing and coordinating development assistance. In Poland the Bank took an early leadership role to ensure good coordination, but efforts were often frustrated by the Polish government’s lack of consensus on the appropriate framework and on which organizations would fulfill which tasks. While the Bank has continued to support coordination at the general level, there is growing recognition that alternative mechanisms are needed at the sectoral and project level.

In Ghana, the Bank has played a leading and highly effective role in helping the government mobilize large
BOX 4.1: POLAND’S AGRICULTURE TASK FORCE—A STRATEGIC PARTNERSHIP FOR PROGRAM DESIGN

In April 1990 the Bank’s regional management and the government of Poland established three task forces to prepare reform strategies for the agriculture, infrastructure, and health sectors. The planning, fieldwork, and responsibility of the agricultural task force proceeded with extraordinary speed. The two other task forces were less successful.

The agricultural task force involved a joint understanding between the government of Poland, the Bank, and the European Union (EU). The chairman was the undersecretary of state for agriculture, and the task force leader was the senior operations advisor in the regional vice president’s office. Of the 57 professional members, 14 were Bank staff, 34 were Polish professionals, and 9 were consultants. The task force submitted its report, “An Agricultural Strategy for Poland,” in just three months. After acceptance by the Council of Ministers the report became the basis for the government’s Medium-term Sector Adjustment Program. The cost of the exercise was about $1 million, 90 percent shared by the Bank and the EU and 10 percent provided by the government.

Two factors were key to the success of the task force. First, conducting the exercise as a joint undertaking with intensive participation from Polish professionals and institutions, and with the EU as an important donor, helped build consensus and led to a widespread understanding of and identification with the proposed strategy. It also helped pave the way for extensive EU assistance to Polish agriculture and cofinancing of future Bank-supported operations. Second, the personal involvement of the regional vice president and the minister of agriculture gave the exercise status and authority, both in the Bank and in Poland. This freed the process from unnecessary bureaucratic and administrative constraints.

Thematic evaluations

Poverty reduction

Assessing the impact of the Bank’s work on poverty reduction is the most critical challenge in measuring development effectiveness. Measurement and attribution problems also make it the most difficult challenge. Since the World Development Report 1990, the Bank has devoted significant resources to defining and measuring poverty and has made available a large volume of lending specifically for poverty reduction. Nevertheless, lessons about the impact of Bank assistance on poverty levels are still limited. As a result, there is little new to report about the Bank’s effectiveness in this area.

Recent analysis of global poverty trends (World Bank 1997a) suggests that, since the late 1980s, there has been a small but important decrease in the proportion of the world’s population that are poor. Box 4.2 reports some of the most recent evidence on regional progress in reducing poverty according to the three main causes of poverty.
**Box 4.2: Progress in Reducing Poverty**

Recent data examining changes in the absolute value of the poverty line across countries show a small drop in aggregate poverty between 1987 and 1993. This holds for both the headcount index (percentage of population consuming less than $1 a day) and the poverty gap index (average distance in cents below $1 a day, when averaged over the whole population, with 0 for the nonpoor). The regional breakdown indicates a fall in poverty for East Asia, the Middle East and North Africa, and South Asia (with signs of a slight reversal from 1990–93) and increases in poverty for Eastern Europe and Central Asia, Latin America, and sub-Saharan Africa. South Asia has the highest overall poverty incidence, while Sub-Saharan Africa continues to have the greatest depth of poverty.

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<td>-</td>
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<td>12.3</td>
<td>12.3</td>
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<td>11.1</td>
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<td>SSA</td>
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<td>34.3</td>
<td>30.1</td>
<td>14.4</td>
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<tr>
<td><strong>Total</strong></td>
<td>30.7</td>
<td>-</td>
<td>24.4</td>
<td>3.5</td>
<td>-</td>
<td>3.2</td>
<td>3.0</td>
<td>3.7</td>
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<tr>
<td><strong>Total excluding ECA</strong></td>
<td>33.9</td>
<td>32.5</td>
<td>31.0</td>
<td>10.8</td>
<td>10.8</td>
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<td>10.8</td>
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</tr>
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- not available.

**Source:** Ravallion and Chen 1997

**Note:** Poverty measures are population-weighted means over all countries in the data set within each Region. Survey dates differ.

Measures of poverty used by the Bank. Almost all Regions show some improvement in the percentage of the population living below the poverty line, except for Eastern Europe and Central Asia, where, because of the transition process, the increase is significant. Few studies can directly link Bank assistance with overall changes in poverty levels. Selected experience nevertheless points to the relevance of the Bank's strategy for poverty reduction set out in the 1990 World Development Report. Household data for Vietnam, for example, show that the percentage of the population living below the poverty line has fallen by one-third following a sustained period of broad-based growth since 1984. A detailed study of poverty levels in India (Datt and Ravallion 1996) indicates that disparities in the extent of poverty reduction across states are linked to differing success levels in promoting rural growth and human development. A recent impact evaluation of five urban operations in Brazil (OED 1997b) also underscores the importance of improvements in basic social and urban infrastructure, and participation in local decisionmaking, for improving the living standards of the poor (Box 4.3).

A review of experience with social assistance and poverty-targeted programs (Subbaro, et al. 1997) also provides some important lessons on improving the impact of the Bank's targeted interventions. The overall assessment is that income growth or social assistance accrues mostly to the nonpoor when targeting is imprecise or inappropriate. Transactions costs must also be kept down to maintain the net value of transfers (especially in credit programs) and to avoid increasing the costs of transfer programs through incentives for the nonpoor to participate. The study also concludes that when rapid labor-demanding growth and human resource investments are not pursued vigorously, social assistance programs may have limited impact on poverty even when they are well designed. While conveying some sense of the World Bank's efforts to reduce poverty, these lessons do not report anything about the impact of
BOX 4.2: BRAZIL—BEST PRACTICE IN FIVE URBAN PROJECTS

An OED impact evaluation of five urban operations in Brazil (OED 1997b) shows the significant difference that urban improvement schemes can have on the quality of life for the urban poor. The five operations improved living conditions for some 2 million urban poor in 464 municipalities throughout the country. Better paving allowed improved access and reduced atmospheric dust, property values in the neighborhoods increased substantially. Proper drainage eliminated accumulation of polluted water in ditches, a particularly serious health hazard for children before the projects. Prevention works—especially the Northeast Flood Reconstruction Project—helped diminish the risk of flood waters invading homes and property.

Besides the direct impact on living conditions the projects supported the acquisition of greater skills in project preparation, appraisal, and evaluation by local officials. The projects also unintentionally allowed municipalities a part in decentralized urban service provision when the federal government withdrew from this function. The projects gave new importance to community-based organizations (CBOs) in the eyes of local residents. In contrast with the poor in Indonesian kampungs, they showed little interest in self-help schemes, therefore they appreciated the CBOs’ help in ensuring that urban improvements were made according to their interests. This effect was most strongly felt by women and in mediumsized cities.

targeted lending on the poor or anything about the transfer actually realized by the poor.

The Bank has considerable knowledge and best practice experience on how to design and implement poverty-targeted interventions and on the contribution of broad-based growth to poverty reduction. To ensure that the Bank continues to make the maximum possible contribution to the reduction of poverty, it is critical to continue enhancing the poverty focus of country assistance strategies and to develop more effective indicators of the impact of Bank targeted interventions and of progress toward achieving country poverty reduction goals.

Gender
Achieving poverty reduction through economically sound, socially equitable, and environmentally sustainable growth requires that women be full beneficiaries of development activities and equal partners in the planning and implementation of those activities. A 1997 OED study showed for the first time that the outcome ratings for projects with gender-related action approved in or after FY87 compare favorably with the outcome for similar projects without gender actions. The study also showed that the integration of gender objectives into overall project objectives is the most significant positive correlate with satisfactory gender outcomes.

Nevertheless, both the self-evaluation of gender concerns and the inclusion of gender concerns in sectoral, country, or topical self-evaluation remain very limited. What is required is a well-articulated strategy for achieving gender goals, with definite targets supported by a consistent message to borrowers that gender is critical for development effectiveness and an integral part of the Bank’s country and sector focus. More systematic and monitorable indicators for gender-related actions are also essential for improving assessments of the Bank’s effectiveness in this area. An example of how such targets can be used to monitor and evaluate progress is described in Box 4.4.

Measuring progress on gender issues requires a clear strategy for achieving gender goals.

Environmental sustainability
Over the past decade environmental issues have become a major thrust of Bank activity. This recognizes the growing understanding and acceptance that environmental sustainability is a key pillar in the goal of sustainable development. Accordingly, the Bank has been trying to learn the most effective ways to tackle environmental issues.

In support of environmentally sustainable development the Bank pursues targeted programs, including specific projects, regional and global efforts, and strategies and policies. Experience to date points to the need for a balanced approach, combining specific measures and investments to address environmental problems within an appropriate
Box 4.4: The Equity and School Improvement Project, Guinea

The National Education for All Program adopted by the government of Guinea in 1990 aimed to expand the gross primary school enrollment rate from 28 percent to 53 percent by the year 2000, increase the efficiency of resource use within the sector, increase government support for basic education, and improve the quality of education. These objectives were embodied in the Education Sector Policy, currently being supported by a multidonor sector investment program. The World Bank Equity and School Improvement Project, initiated in 1995, is financing several components of this integrated sector program.

The need to address poverty and gender issues significantly informed the design of the project. All project activities were designed to have a favorable impact on the schooling of girls. To achieve its objectives the project seeks to increase the availability of schools, improve their management and maintenance by communities, increase the volume of learning and teaching materials, and increase student learning capacity through a school-based deworming program. To strengthen education system management, the project aims to create capacity to monitor student learning and to improve sector planning, budgeting, and monitoring.

The five-year project is in its second year of implementation, and already results are beginning to show. Gross primary enrollment rose from 40 to 44 percent during the first year and currently stands at 50 percent. Girls' enrollment has reached 36 percent; the original target for the entire period was 37 percent.

The early success of this project can be attributed to several factors. The project has been characterized by an unwavering focus on results and the flexible adaptation of processes as needed. Long-term goals were spelled out in advance and referred to constantly to ensure that project goals were widely shared. Finally, the project enjoyed high levels of beneficiary commitment, building on what the government and the parents believe in and want to do.

Lessons from past approaches are still not fully internalized in the sector.

Sectoral evaluations

Health, nutrition, and population

The focus of the Bank's lending and nonlending services in health, nutrition, and population (HNP) has evolved over time. Initially, Bank activities focused on affecting demographic outcomes to allay the negative consequences of rapid population growth. Starting in the mid-1980s, HNP research and policy work in the Bank increasingly focused on issues in health financing and a more prescriptive concern with cost-effectiveness. Most recently, the focus has shifted to a broader set of concerns, covering essentially all aspects of health system performance under the rubric of health sector reform.

The sector strategy prepared in 1997 for HNP embraces the sector reform approach and sets out three main goals for improving effectiveness in the sector: improved health outcomes for the poor, improved health system performance, and improved sustainability in health care financing. The strategy is an important foundation upon which the Bank can build to increase its impact and measure its effectiveness. But there is still some way to
Adding up the lessons—country and sector reviews

Box 4.5: Placing the Environment at the Center of the Policy Dialogue

The Bank’s early Country Assistance Strategies for Poland identified environmental deterioration as an important structural issue. The program that emerged in 1990–91 worked on the issue in various ways: elaboration of a national environmental plan and strengthening the Ministry of Environment through the Environmental Management Program; integration of environmental issues into the economic transformation program through the SAL; and investments in addressing major sources of pollution such as energy, mining, urban infrastructure, those identified in the Baltic Sea Environment Program, and projects on biodiversity and global warming funded through the Global Environment Fund. The Bank insisted that all had to comply with strict guidelines.

Six years later, the level of pollution has been reduced. The government has instituted new national emission standards for air pollution, improved impact assessment guidelines and monitoring systems for air and water quality, and set high pollution fees. Market forces working in the new institutional environment led to the closure of some of the most polluting plants. The Ministry of Environment has also established effective mechanisms for funding investments and coordinating foreign aid, amounts reaching $230 million by the end of 1993.

Education

The Bank’s most recent synthesis of its agenda for the education sector, Priorities and Strategies for Education (World Bank 1995), provided a broad foundation for sector improvement that was also expected to help measure effectiveness. The strategy shifted the focus and approach of the Bank’s work to a broad sectoral approach to systemic reform in education tailored to specific country contexts; a better balance between public and private sectors in education systems; decentralization of educational financing and management; more effective schools; and better student learning outcomes.

An ongoing OED study indicates that the sector reform approach continues to be hampered by the poor definition and monitoring of institutional changes, limited or fragile borrower ownership, and differences in commitment and policy opinion among key stakeholders. Lessons that are considered important for development effectiveness in health sector reform include:

- Creating a vision and achieving consensus. Creating a vision of a desired future health system and the plans for how to achieve these reforms needs to employ an open, participatory process involving a range of stakeholders. Institutional considerations should be explicit elements in reform deliberations.

- Planning and sequencing changes. There is no known ideal sequence for introducing reforms. Accordingly, the Bank needs to be pragmatic in pursuing reform objectives, recognizing that there will be constraints to pursuing a “rational” sequence of reforms. In addition, the Bank can help systematize what is already known and buttress weak Ministry of Health capacities by involving nongovernmental organizations and other partners in the reform process.

- Recognize regional variation. The Bank also will need to recognize that the reform process (and needs) differs across regions and countries. This suggests that the Bank may need to employ different mixes of lending and nonlending activities to respond to specific country challenges. The Bank will need to match the size and complexity of lending operations to particular policy and institutional conditions.

There is mounting evidence of how to get good results in education.
**BOX 4.3: GETTING RESULTS IN EDUCATION**

A series of impact studies on decentralization and privatization in five countries may be the Bank's most ambitious effort to evaluate the effectiveness of reforms it supports in the education sector. The studies cover Bank-financed projects supporting five programs: the Balochistan Primary Education Development program in Pakistan, the School Autonomy program in Nicaragua, the Education Planning and Rehabilitation project in Tanzania, basic education in El Salvador, and the Secondary Education project in Colombia. Preliminary results are available.

*Private Schools.* The Pakistan study explores the impact on enrollments and student achievement of expanding private schools in low-income neighborhoods in Lahore. The results show that the schooling choices of poor households are sensitive to government and private school fees, distance to school, and school quality. Two significant policy findings emerge. One is that lowering private school fees or reducing distance increases private school enrollments of poor children, including girls and those who would not have gone to school otherwise. The other is that private schools raise achievement in mathematics and language more than government schools.

*Participatory Management to Improve Schools’ Cost-Effectiveness.* In Nicaragua, a major reform aims to raise the efficiency of public fund use and to mobilize local resources. The program decentralizes management in public schools. The impact evaluation examines how directors, teachers, and parents are managing the schools and whether, therefore, the schools increase enrollments and improve student learning. Preliminary findings show that the participants managing the autonomous schools believe the reform has already led to such benefits as improved student performance, teacher attendance, and parental participation. They also believe they have more control over school resources and personnel decisions than they would in traditional schools.

*Improving Primary School Outcomes in Poor Communities.* An experimental, randomized-control impact study in the Philippines aims to guide policymakers in improving elementary school outcomes in low-income areas. The study measures the effectiveness of various targeted interventions to promote student attendance and learning. It has produced tentative policy guidance indicating that multilevel learning materials combined with parent-teacher partnership activities have more positive impact in preventing student dropout and promoting first-graders’ learning than either of these inputs alone or school feeding programs. Policymakers have subsequently used these findings to formulate reform strategies for elementary education.

**Financial sector**

During the past 15 years the world has experienced one of the more volatile periods in financial history. Banking crises in more than 80 countries have created costly financial problems throughout the world, but particularly in developing countries. This period has also witnessed the emergence of new financial instruments, new types of institutions, and even completely revamped financial systems. Private international capital flows have also grown at unprecedented rates. Against this background, Bank support for the financial sector has become more complex and demanding, and in recent years the performance of the sector has plummeted from being one of the best to one of the worst.\(^9\)

With the changed environment has come a change in perspective on the importance to the development process of well-functioning financial systems. Largely as a result of World Bank research, the development of financial markets and institutions is generally seen to be a critical and inextricable part of the growth process, and financial stability is an essential part of sustainable development.

Findings of recent analytic work in the Bank have broad implications for Bank policy. One of the most important is that Bank financial sector operations cannot be viewed in isolation. Rather, they should be seen as part of a long-term integrated process. The Bank’s perspective must therefore be similarly long-term and focused on building institutional capacity and capability so that banking system insolvency can be avoided and incentives for prudent intermediation can be created in a manner consistent with overall development policy. These analyses call for
new institution-building instruments and relatively smaller loans that are intensive of staff time and have longer disbursement profiles.

Lessons from evaluation material indicate the need for a strategic view of the financial sector that links early policy dialogue, other reform efforts (such as restructuring of state-owned enterprises), and macroeconomic and other risks to the reform effort. The experience of dealing with financial crises in the late 1980s and early 1990s provided some important lessons for future Bank assistance in this area (Box 4.7).

Private sector development and privatization

Bank involvement in supporting private sector development and the subset of privatization and post-privatization activities has focused on reducing barriers to competition and streamlining regulation, strengthening legal and judicial systems, supporting entrepreneurial development, and promoting global integration through foreign direct investment and the expansion of trade. Over the years, the Bank has made innovative use of the full range of available instruments to promote private sector development, including adjustment and investment operations, investment guarantees, policy advice, and economic sector work. These efforts have generally been fruitful as judged by the improving economic performance of the countries that are fostering private sector development.

Self-evaluation of Bank experience in privatization reveals some critical issues and policy challenges for the Bank and its clients:

- Governance problems are a serious impediment to privatization. Finding solutions to these problems, and giving greater weight to political and social considerations, should be considered integral to privatization work.
- Macroeconomic conditions matter, as do initial structural conditions. Lack of fiscal discipline leads to widely fluctuating key prices, which discourage investment and vitiate the potential gains from privatization. Moreover, the mode and speed of privatization must take into account the extent and degree of public ownership and control.

- Successful privatization requires a variety of complementary actions that do not overburden the reform agenda. These include specific demonopolization measures, especially in domestic and external trade, and transport, improvements in company and commercial law, and adaptation and modernization of business accounting and financial sector reforms.

Private sector involvement in infrastructure has been a growing area of Bank concern and is the topic of separate self-evaluations. A recent self evaluation of Bankwide experience synthesizes some important lessons including the following:

- Constraints to private sector development vary by infrastructure sector. For example, in water supply and sanitation there are social concerns about affordability and health, important externalities, revenues are in local currency, and the scope for competition is limited for transmission and distribution.
- Private involvement increases as country risk decreases (except for telecommunications, which is seen as worthy of attention almost everywhere).
- Governments must carefully manage their exposure to private infrastructure projects. Governments in some developing countries have borne extensive residual risk. The Philippines, for example, has covered risks related to the availability and price of fuels for independent power producers, and Mexico and Columbia have covered highway traffic demand risks. While such practices are acceptable for a short transition period, their continuation threatens to vitiate private sector development efficiency benefits and to present future governments with large financial liabilities, which they would do well to monitor and evaluate.

Corrections

A consistent theme in the lessons from country, sector, and thematic evaluations is the importance of supporting the domestic capacity of the borrower and carefully matching the design and implementation requirements of projects with local institutional capabilities. Ensuring that effective stakeholder arrangements are in place is also essential to building the necessary consensus and ownership for sector and country-level reform efforts.
BOX 4.7: LESSONS FROM FINANCIAL CRISES—TWO COUNTRY CASES

The transition to greater financial integration involves significant risks for the banking sector and the economy when it is conducted in an environment where banks themselves are in poor financial health and are inadequately supervised and where there are larger macroeconomic imbalances. Viewing financial sector reform efforts within a larger framework of structural reforms is therefore vital to success and sustainability.

Mexico

Background. The external debt crisis of 1982 led to economic stagnation and triple-digit inflation, which continued until 1987. The Mexican response, a relatively high-risk economic strategy, appeared to work for several years: foreign capital inflows surged and easily covered the current account deficit up to 1993. Nevertheless, inflows supported a consumption boom, implying a sharp reduction in private domestic savings. The exchange rate appreciated leading to a large expansion in the current account deficit. In 1994, crisis hit. Capital inflows slowed in response to rising U.S. interest rates and expansionary fiscal and credit policies. The relative vulnerability of the Mexican economy and its financial system contributed heavily to the magnitude of the crisis.

A first Bank response: FSAL (1989–93). The FSAL was assembled quickly and with no prior ESW in the Mexican financial sector. As a result, the quality of project preparation and design was poor. The project was too complex and lacked focus, including elements such as tax administration reforms and state and local finances, which were not directly related to the financial sector. The sustainability of the FSAL was also undermined by a combination of external and domestic shocks and government policies that eventually led to the crisis in late 1994. The financial sector reforms were neither comprehensive enough nor deep enough to strengthen the financial system to a point where it could withstand shocks. The most glaring defect was a weak prudential and supervision system for newly-privatized banks.

A second Bank response: FSRL (1995–96). The Bank’s prompt involvement in the international rescue effort almost certainly helped calm markets and limit the damage done by the crisis to the financial system. The FSRL, unlike the FSAL, was informed by a better understanding of the Mexican financial system and focused on the sources of system fragility at the micro and institutional levels. Implementation is ongoing with the support of a technical assistance loan. The banking sector is still very fragile, however, and it may take some time for the positive effects of the FSRL to manifest themselves fully.

Venezuela

Background. Venezuela enjoyed the highest per capita income in Latin America during the early 1970s. Following the 1973 oil boom, however, revenues were mismanaged leading to price instability and weak economic performance. In 1994, a banking crisis hit.

Bank Assistance. The FSAL implemented phase one of a comprehensive financial sector reform program, but its design did not match the severity of the problems facing the financial sector. Interest rate liberalization was part of a program to reduce inflation and prevent capital outflows, but it was done before satisfactory banking regulatory mechanisms were in place. The financial system faced distressed borrowing and was oligopolistic in structure with many close links between major borrowers and banks. Financial sector insolvencies started in 1988 and eventually led to a crisis in 1994. The FSAL was rated as unsatisfactory because it did not deal with the solvency problems with the speed required by the diagnosis. The FSAL’s outcome was also negatively affected by macroeconomic conditions and macroeconomic management that deteriorated substantially between 1992 and 1993.
A review of evaluations available at the country, thematic, and sector level shows uneven progress on defining goals for assessing and improving development effectiveness. As a result there is currently no simple way of adding up the Bank’s progress toward sector and strategic goals. To achieve this requires a more results-oriented performance measurement system that systematically links progress on results at the project and CAS level, with progress toward sector and Network goals and the Bank’s corporate planning and reporting systems (see Chapter 1). Current work by Operations and the Networks in cultivating a climate for learning, monitoring, and self-evaluation is a critical step in this direction.

Notes

1. An attempt is made to review lessons and findings for the major thematic areas, but only a selection of sectors is included.

2. By early 1997, Poverty Assessments had been carried out in 43 countries and Living Standards Measurement Surveys were available in 18 countries. The annual Progress Report on Poverty Reduction for FY96 shows that approximately $5.4 billion, or 32 percent, of World Bank investment lending that year was channeled to direct poverty-targeted projects. For IDA countries poverty-targeted projects were 63 percent of all FY96 investment lending. The bulk of this lending was in four sectors: health, nutrition, and population; education; and social sectors. Adjustment operations containing specific poverty reduction measures amounted to about $2.23 billion in FY96, up from $1.65 billion in FY95, or roughly 59 percent of all adjustment operations in FY96.

3. At the project level current performance indicators reflect the means, process, and ends of achieving poverty reduction objectives but not the impact on poverty levels. The poverty profiles defined in the context of Poverty Assessments have the potential to provide a baseline for monitoring poverty impact, but a recent OED Review of Poverty Assessments (1996) found that 22 of 43 assessments reviewed had deficient or missing poverty profiles and monitoring indicators. The need to develop a more consistent approach to collecting baseline data and to developing cost-efficient monitoring indicators for tracking progress on poverty reduction is an urgent challenge for the Bank.

4. As a result of transition, GDP has declined in most ECA countries. However, while the increase in the proportion of poor people is significant, the level of poverty is still very low compared to other developing regions.

5. In Punjab-Haryana rural economic growth has been a major factor in substantially reducing the poverty rate since 1960, while in Kerala, human resource development, supported by appropriate public spending, has been the key to reductions in poverty. In Bihar, however, the state has failed to promote either growth or human resource development. Hence there is no evidence of a decline in poverty levels.

6. The study (Murphy 1997) found that in agriculture and human resources projects approved after FY87, 74 percent of 54 projects with gender-related action were rated as satisfactory compared with 65 percent for 81 projects that did not include gender-related action.

7. The evaluation strategy for this study is described in Evaluating Health Projects: Lessons from the Literature (Stout et al. 1997).

8. The preparation of an education sector strategy is intended to address this shortcoming. Two in-depth reviews in the sector have been undertaken by the Quality Assurance Group. QAG identifies gaps in risk analysis and in mechanisms for monitoring and evaluation of project outcomes as important shortcomings in the sector.

9. A QAG review of financial intermediary loans was undertaken in 1997 because the financial intermediary loan (FIL) portfolio had a higher ratio of projects "at risk" than did other sectors. The review recommended actions to be taken to improve the quality and supervision of FILs.

10. A recent OED review of financial sector policy suggests that while the analytical underpinnings are strong, Bank operations have only slowly internalized the lessons of financial sector self-assessment.
The development agenda is becoming increasingly complex. That complexity is being accompanied by a gradual shift in the rationale for development assistance: from a focus on financing borrowing countries' physical investment requirements to helping them achieve financially, environmentally, and socially sustainable development. Experience has shown that development assistance works best when it catalyzes or reinforces other factors, such as sound policy and a commitment and capacity to reform. The challenge is to find the right fit between country policy and institutional factors and strategies to improve conditions favorable to improved growth and development.

The complexity of the Bank's agenda has also increased. This is reflected in the broad range of institutional and policy objectives being pursued, the increasing variety of instruments deployed, and the diversity and dispersion of the Bank's clients. The Strategic Compact sets out a strategy for improving the effectiveness of the Bank in managing this agenda and ultimately for improving development impact.

Review of performance during FY96 and FY97 and the longer-term performance trends finds that progress is being made and that the signs are encouraging. The recent plateau in the proportion of evaluated operations with satisfactory outcomes appears to be ending. While 71 percent of operations in FY96 were judged satisfactory, partial results for FY97 indicate an increase to 76 percent.1 While progress has clearly been substantial, it is premature to ascribe long-term significance to the improvements measured in FY97. There is no disagreement between OED and management regarding the proposition that ample scope is still available for "doing things right" within the Bank.

As the data in Box 5.1 indicate, sustained quality management efforts in the near term, as spelled out in the 1997 ARPP, can keep the Bank on course to meet management's goal of 75 percent by the year 2000. If, in addition, borrower performance continues to improve along its recent trajectory, it is possible to envision an improvement in overall outcome approaching 80 percent. Meaningful retailing of such a target by sector and by region appears to be both necessary and desirable. With such a strategic plan, the health of the Bank's portfolio would be restored to the level it enjoyed in the late 1970s. Of course, such a plan is predicated on intensified efforts by all Regions and Networks to improve the quality at entry, supervision, risk management, and monitoring and evaluation.

Learning about the Bank's development effectiveness through operations evaluation is central to improving the Bank's effectiveness. As the development agenda expands, the focus of evaluation also needs to adapt. OED's Strategic Framework for Operations Evaluation aims to reshape independent evaluation in the Bank to make it a more relevant, timely factor in the pursuit of development effectiveness. The framework is rooted in the changing nature of development assistance and in the Bank's shift toward full-
**Box 5.1: Sensitivity Tests of Portfolio Performance**

For this review, OED tested the sensitivity of recent portfolio performance to changes in the key determinants. While the exercise used the latest evaluated exits (FY95–97), project design factors and developments prevalent in the late 1980s and early 1990s, when most of the sample projects were approved, heavily influenced the underlying behavioral parameters.

The project performance determinants under direct Bank control are quality at entry (project identification and appraisal) and quality of supervision. In the project sample analyzed, the average rating for identification was 83 percent for all operations, 62 percent for appraisal, and 72 percent for supervision. As Bank performance at identification is generally rated very high, there is not much scope for improvement. But if the quality of appraisal improved in line with the current ARPP 1997 targets for quality at entry (to 85 percent acceptable or good), then expected project outcome would improve from 71 percent (the sample average) to 73 percent (Figure 5.1). If the quality of supervision alone improved in line with ARPP targets (to 75 percent by the end of FY98), then overall outcome would increase to 72 percent. While these simulated responses to improvements are not fully additive, achieving both ARPP targets simultaneously implies an improvement in outcome to 75 percent satisfactory. These results support the proposition that improving Bank targets alone can lead to achievement of management’s target of 75 percent satisfactory portfolio performance by FY00.

An aggressive approach, championed by the Bank’s president, is to improve the quality of Bank appraisal and supervision so that they are 100 percent satisfactory. Although this target is not likely to be reached by the year 2000, achieving it would mean an improvement in overall outcomes to around 80 percent. With prudent improvements in borrower performance, Bank management could reasonably envision reaching a satisfactory level of 85 percent.

**Figure 5.1: Comparative Static Analysis of Improvements in Process Variables**

**Sources:**
- OED Data

**Note:** Bank implies simultaneous improvements in both appraisal and supervision performance. Bank + borrower assumes an additional improvement on the borrowers implementation performance.
service development. It places greater emphasis on country, sector, and thematic evaluations that reflect the operational priorities of the Regions and Networks and the goals of the Strategic Compact. In addition, the new evaluation framework expands to capture the impact of the Bank's non-lending services, both separately and in conjunction with lending services, and the performance of the Bank's partnerships and strategic alliances in delivering development assistance.

**Measuring aggregate development effectiveness**

Measures of the effectiveness of development assistance indicate that in good policy environments ODA has a positive and significant impact on growth. Attempts to reproduce this result specifically for Bank lending are hindered by the fact that Bank lending is often directed at policy change and capacity building and that at the country level and above Bank assistance is just one factor among many affecting development results. Moreover, growth is just one measure of effectiveness. With critical attention turning to the impact of development assistance on global poverty levels, the effects of Bank assistance on a wider range of development outcomes need to be examined.

Gaining the specificity needed to measure the relationship between Bank lending and nonlending activities and development results requires moving to a more manageable plane than either the global or country level. At the sector or subsector level, the intervening chain of cause-and-effect relationships is more readily observed and measured. This implies that instead of having one overall performance measure for the Bank there will be several measures that, when taken together, provide a comprehensive assessment of the Bank's progress toward achieving key development results. This approach is being reflected in the preparation of sector strategies by some Networks and in the recent efforts to expand and improve self-evaluation from the project up to the CAS and ultimately to the Network level.

**Achieving effectiveness through strategic selectivity**

The analysis of country portfolio performance gives further weight to the message that the Bank should exercise greater selectivity in its lending operations. Achieving strategic selectivity, besides requiring continued attention to country assistance strategies embodying clearer distinctions between countries fully committed to development and poverty reduction, also means more realistic assessments of performance and institutional constraints and better selection and sequencing of instruments that match existing government capabilities (Box 5.2).

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**Box 5.2: Putting Selectivity into Practice: The Poland Country Assistance Strategy**

The 1997 country assistance strategy for Poland takes into account the evolving comparative advantages of the Bank and of other potential partners and competitors in defining the scope of Bank activities. The implication of taking a selective approach is not to limit the Banks program to only a small number of areas but, rather, to match strategically the Banks knowledge, experience, and resources with the priorities of the Polish government. For example, where the Bank does not have a comparative advantage over either the private sector or other international financial institution and donor sources of finance (telecommunications, gas) the Bank will shift toward a greater emphasis on nonlending services and will increase its intellectual investment in emerging areas. On the other hand, greater emphasis will be given to areas of lending where the Bank has a comparative advantage, such as the social sectors and the environment. The proposed strategy also incorporates joint actions within the Bank Group and with other partners (especially the European Union and European Bank for Reconstruction and Development) to better serve the client and leverage greater development impact.

In addition, sound risk management is crucial. Building more performance measurement and monitoring into country assistance is not only crucial for effective risk management but also for achieving longer-term development results. Efforts to improve the CAS are under way in the Bank, and the Strategic Compact's efforts to simplify lending processes, to shift budget resources and decisionmaking to the front lines, and to increase use of adaptable lending instruments are important moves in the right direction.

**Selectivity is not about picking winners**

Borrower performance

OED findings continue to point to the vital importance of borrower performance in project performance. The latest
results suggest that borrower performance has been steadily improving in recent years, assisted in part by improved stability in the international economic environment. However, the findings also clearly identify four characteristics of borrower performance that the World Bank and its partners can seek to exert an indirect influence on—or at a minimum, take explicit account of—in managing their development assistance.

- **The locus of the project concept.** Project ideas originating in the country have a greater chance of success than project ideas imported wholesale without active borrower involvement.

- **The intensity of intellectual conviction.** Unless the borrower's readiness to take responsibility for the project is ascertained through up-front actions, implementation risks tend to be high.

- **Consensus among policymakers.** Projects that depend on a single champion within the domestic leadership are riskier than projects that have garnered the support of a critical mass of influential decisionmakers.

- **Participation of stakeholders.** Involvement of beneficiaries and other interest groups in civil society tends to improve commitment to achieving project goals.

**Bank performance**

The analysis carried out on the determinants of project success points unequivocally to the importance of quality at entry—identification and appraisal—in explaining project and portfolio performance. The quality of Bank supervision is another key determinant. The latest performance trends indicate that, although Bank performance has been steady, there is still substantial room for improvement in the percentage of operations judged to have satisfactory Bank performance. Continuing efforts to improve quality at entry, to better assess and manage risk, and to improve the quality of project supervision are critical, as are continuing efforts to improve the quality and monitorability of the CAS.

**Governance and combating corruption**

Analysis undertaken for this review shows that the quality of a country’s economic governance and credibility, particularly its control of corruption, is an important determinant of project success. Global concerns about corruption have intensified in recent years, and evidence that corruption undermines development is increasing. To the extent that a lower probability of project success reduces the prospects for the development impact of Bank lending, the findings of this review are directly relevant to these larger concerns.

The Bank is concerned with controlling fraud and corruption in its projects; its procurement and disbursement procedures have been progressively refined to minimize the risks for both lenders and borrowers. Nonetheless, there remains a need to address systematically, at the country level, the impact of corruption on the effectiveness of Bank assistance. Support for national anticorruption measures and for international efforts to control corruption are two areas where the Bank is now moving more aggressively.

**Development partnerships**

The development agenda today is so challenging that partnership is vital for improving effectiveness. The evaluation findings and lessons show that Bank assistance is most effective when it builds on collaboration and partnership with the borrower and with other strategic interests. Development projects are increasingly complex and taxing, focus would be in both on borrowers and the Bank. Successful partnership can improve substantially the management of necessary risks and the adoption of flexible strategies to deal with them. Evidence that this is particularly the case in partnerships with civil society is growing.

Strategic partnerships with other donors are also important for leveraging effective development assistance. The Bank has scope for defining more clearly how it sees its comparative advantages evolving vis-à-vis other major donors over time and what possibilities it sees to minimize donor competition and improve coordination in cost-effective ways. The Bank could also identify ways it might work with partners—whether major nongovernmental organizations or other donors—to improve the effectiveness of their combined assistance over time. This might include cofinancing arrangements, common analytical or study teams, or coevaluations of the development effectiveness of assistance by sector or countrywide.
Toward a framework for results-based management

Under the Strategic Compact, the Bank is reorienting its operations toward more relevant goals, reforming its business processes toward cost-effective results, and reshaping the organization to work through partnerships. This has fundamental implications. It implies the need for a results-based system that is transparently connected to the Bank’s priorities; clearly distinguishing between inputs, outputs, outcomes, and impacts; and monitoring of the full package of interrelated Bank services. Setting up such a management and monitoring and evaluation system would be in line with best practice in the development community. It would connect evaluation and resource management and would be consistent with the strategic framework of evaluation endorsed by the Bank’s Committee on Development Effectiveness (CODE).

Note

1. While these figures are not directly comparable with previous years’ estimates based on evaluation cohort year or closing year, the longer-term performance trend by fiscal year of exit confirms a steady increase in the percent satisfactory rate from FY95.
### ANNEX

#### TABLE 1: OUTCOME, SUSTAINABILITY, AND INSTITUTIONAL DEVELOPMENT IMPACT OF EVALUATED OPERATIONS, BY SECTOR, NETWORK, LENDING TYPE/SOURCE, AND REGION, EXIT FISCAL YEARS 1990–95, 1996, AND 1997 (BY PROJECTS)

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<td>Finance</td>
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Note: Percentages exclude projects not rated. Supplemental statistical tables are available electronically at http://www.worldbank.org/html/oed/ardetbls.htm or by request.
### Table 3: Outcome, Sustainability, and Institutional Development Impact of Evaluated Operations, by Sector, Network, Lending Type/Source, and Region, Exit Fiscal Years 1990–95, 1996, and 1997 (by Disbursements)

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<td></td>
<td>Sust.</td>
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<td>43%</td>
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<td>52%</td>
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<td>52%</td>
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<td>Adjustment</td>
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<td>6%</td>
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<td>5.9%</td>
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<td>4%</td>
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<td>IDA/blend</td>
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<td>Region</td>
<td>Africa</td>
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<td>East Asia and Pacific</td>
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<td></td>
<td>Europe and Central Asia</td>
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<td>44%</td>
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<tr>
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<td>Latin America and Caribbean</td>
<td>21.7%</td>
<td>44%</td>
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<td></td>
<td>Middle East and North Africa</td>
<td>8.5%</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>South Asia</td>
<td>20.3%</td>
<td>44%</td>
</tr>
<tr>
<td>Total/average</td>
<td>115.915%</td>
<td>44%</td>
<td>44%</td>
</tr>
</tbody>
</table>

**Note:** Percentages exclude projects not rated. Supplemental statistical tables are available electronically at http://www.worldbank.org/html/oed/ardetbls.htm or by request.
Prefacio

El vigésimo tercer Examen anual preparado por el Departamento de Evaluación de Operaciones representa un cambio de orientación con respecto a los exámenes anteriores. En la publicación de este año —la primera desde la aprobación por el Directorio Ejecutivo del Banco Mundial del nuevo Pacto Estratégico para la institución— se procura hacer una evaluación más exhaustiva de la eficacia del Banco en materia de desarrollo, tal como se estipula en el programa de renovación institucional. Además de un análisis de 325 proyectos terminados durante los ejercicios de 1996 y 1997 y de una evaluación de los resultados teniendo en cuenta sus tendencias a largo plazo, el informe ofrece una perspectiva estratégica de los factores que contribuyen a la obtención de resultados “en el terreno”. Entre otras cosas, se destaca la importancia de avanzar hacia la adopción de un sistema orientado a los resultados a fin de mejorar el aprendizaje y la rendición de cuentas de la institución.

En los últimos diez años, los programas de desarrollo se han centrado menos en las inversiones físicas para concentrarse en ayudar a los países a lograr un crecimiento social y ecológicamente sostenible. Este nuevo consenso en materia de desarrollo se ha traducido con rapidez en un replanteamiento de la forma en que el Banco Mundial realiza su labor y evalúa el impacto en el desarrollo. El Pacto Estratégico tiene por objeto adaptar la institución a las nuevas necesidades de sus clientes, aprovechar las oportunidades que surgen a nivel mundial y mejorar la eficacia del Banco en el logro de su objetivo primordial: la reducción de la pobreza. Por lo tanto, la evaluación y el aumento de la eficacia en términos de desarrollo se han transformado en el desafío fundamental de la evaluación del desarrollo.

Los resultados de la evaluación de la eficacia del desarrollo de este año son alentadores. Han mejorado los resultados de los proyectos y el desempeño de los prestatarios. La proporción de proyectos con resultados satisfactorios aumentó al 71 por ciento en el ejercicio de 1996, y en una muestra que incluyó la mitad de los préstamos y créditos que salieron de la cartera durante el ejercicio de 1997 dicha proporción fue del 74 por ciento. El principal factor en este incremento es el notable mejoramiento del desempeño de los prestatarios. La proporción de proyectos con un desempeño satisfactorio de los prestatarios aumentó al 71 por ciento en el ejercicio de 1996; en la muestra correspondiente al ejercicio de 1997 esa proporción fue del 74 por ciento. Indudablemente, los clientes del Banco Mundial han mejorado su labor en lo que respecta a la preparación de los proyectos y el cumplimiento de las disposiciones de los convenios. Si bien ha mejorado el desempeño de los prestatarios, no se han registrado cambios en la actuación del Banco. Sin embargo, puesto que han aumentado las exigencias y la complejidad de los proyectos, estos resultados demuestran que el Banco ha mantenido su desempeño en un clima difícil y cambiante, y algunas de las mejoras observadas en los prestatarios pueden atribuirse a los servicios no crediticios de la institución.

No obstante, si bien ha mejorado la calificación de los resultados, no siempre ha sido posible mantener los resultados en el terreno. El impacto en el desarrollo institucional y la sostenibilidad son vitales para la eficacia del desarrollo. En esta área los resultados han sido variados. Aunque se ha registrado una leve mejora en materia de desarrollo institucional, la sostenibilidad de los proyectos sigue constituyendo un motivo de preocupación debido a la inestabilidad de las condiciones para su ejecución. En alrededor de la mitad de las operaciones del Banco, la sostenibilidad es incierta o poco probable y las mejoras siguen siendo lentas.

Para que aumente la eficacia de la asistencia del Banco en el largo plazo será necesario brindar un respaldo ininterrumpido que permita mejorar la capacidad de los prestatarios en la selección, el diseño y la gestión de los proyectos. Se requerirá también una mayor selectividad tanto en la distribución del financiamiento a los países prestatarios que cuenten con marcos de políticas y de gobierno adecuados, como en los esfuerzos por equiparar los servicios e instrumentos del Banco con la capacidad de los prestatarios. La selectividad no consiste en “seleccionar países con buenas perspectivas de éxito”, sino en la adopción desde el comienzo, por parte del país, de un compromiso frente al desarrollo y al buen gobierno, y en modular la respuesta del Banco mediante una asistencia financiera y no financiera apropiada y oportuna. Una estrategia selectiva conlleva también el establecimiento de mejores asociaciones para multiplicar así el impacto de la labor del Banco, y la adopción de enfoques más participatorios y mejor adaptados a fin de incrementar la identificación de los prestatarios con los proyectos y obtener mejores resultados.
en el terreno. Del mismo modo, una adecuada gestión de los riesgos en el ámbito del desarrollo entraña una mejor evaluación y seguimiento de los resultados.

En resumen, si bien se ha avanzado considerablemente para alcanzar las metas fijadas en el programa actual de mejoramiento de la cartera del Banco Mundial, aún queda mucho por hacer. Para seguir progresando en el marco del Pacto Estratégico el Banco deberá adoptar un sistema de gestión basado en los resultados que se adecue a la nueva visión del Banco como una institución que ofrece una completa gama de servicios. En vísperas del nuevo milenio, la reorientación de las operaciones hacia el logro de metas más relevantes, la reforma de los procedimientos institucionales para lograr resultados eficaces en función de los costos, y la reconfiguración de la organización del Banco para actuar en asociación con otros organismos, constituyen el desafío fundamental para el Banco Mundial en lo que respecta a la eficacia en términos de desarrollo.

Robert Piciotto
Director General
Departamento de Evaluación de Operaciones
Resumen

Los retos que plantea actualmente el desarrollo no tienen precedente. El Banco Mundial, junto con otras instituciones, procura encontrar los medios para satisfacer simultáneamente las necesidades de las economías en rápido crecimiento y las de aquellas que se encuentran en peligro de caer en la marginalización y el estancamiento económico. En el programa de desarrollo, en constante evolución, se ha hecho mayor hincapié en la sostenibilidad social y ambiental, el fortalecimiento de la capacidad a nivel local, la igualdad entre los sexos y la participación. Estos retos han adquirido tal magnitud y complejidad que la formación de asociaciones está adquiriendo una importancia cada vez mayor.

A medida que se avanza en la aplicación de este exigente programa también se hace más compleja la tarea de evaluar y mejorar la eficacia del Banco en términos de desarrollo. La evaluación de la eficacia del Banco no puede seguir centrándose exclusivamente en los proyectos; también debe evaluarse el impacto de todas las actividades de la institución a nivel sectorial y de los países. Para ello es necesario contar con nuevos instrumentos y modalidades de evaluación a fin de conocer los efectos combinados de los servicios crediticios y no crediticios y la contribución de las asociaciones a los resultados de los proyectos y programas. El Departamento de Evaluación de Operaciones (DEO) acaba de iniciar un programa de renovación con el propósito de poner en práctica este nuevo sistema de evaluación, pero pasará algún tiempo antes de que se puedan observar sus resultados.

El presente Examen anual sobre la eficacia en términos de desarrollo constituye un primer paso hacia una evaluación más cabal de la eficacia del Banco. En él se enuncian algunas cuestiones relativas a la definición y evaluación de la eficacia del Banco en términos de desarrollo en un entorno mundial cambiante. Además, se destaca la importancia de adoptar un sistema más orientado a los resultados a fin de mejorar el aprendizaje y la responsabilidad a nivel institucional en el cumplimiento de las metas estratégicas. Se examinan algunos de los aspectos estratégicos de los resultados de las evaluaciones y se analizan los factores que determinan el resultado de los proyectos a nivel de la cartera de los países y de cada uno de los proyectos. Para mantener la continuidad en el proceso de aprendizaje institucional, se analizan también los resultados de la evaluación de proyectos realizada por el DEO en el curso de los dos últimos ejercicios, y se los evalúa en el contexto de las tendencias a más largo plazo en materia de resultados.

Evolución de los resultados

Las tendencias mundiales y la evolución del programa de desarrollo han alterado radicalmente las condiciones para la ejecución de las operaciones financiadas por el Banco. A principio de la década de 1980, las necesidades surgidas en este nuevo contexto comenzaron a tener serias consecuencias en la calidad de las operaciones desde sus etapas iniciales. El desempeño del Banco en lo relativo a las operaciones terminadas comenzó a deteriorarse. El porcentaje de las operaciones calificadas de satisfactorias se redujo del 80 por ciento a comienzos de la década de 1980 al 60 por ciento a finales de ésta. Para entonces, la administración del Banco había reconocido la necesidad de mejorar la gestión de la cartera y de prestar especial atención a la calidad desde las etapas iniciales, a la participación de los prestatarios en la preparación y ejecución de los proyectos, y a los resultados en términos de desarrollo. Para ello fue necesario introducir profundos cambios en las actitudes, las aptitudes y los incentivos en materia de gestión. Aunque aún es demasiado pronto para evaluar las repercusiones que han tenido estos cambios, los últimos resultados confirman que las operaciones del Banco comienzan a mostrar mejoras (Gráfico 1).

La proporción de proyectos con resultados satisfactorios, según la evaluación del DEO correspondiente al ejercicio en que dichos proyectos dejaron de formar parte de la cartera, aumentó de un promedio del 67 por ciento durante los ejercicios de 1990 a 1995 al 71 por ciento en el ejercicio de 1996 y, de acuerdo con una muestra parcial, al 76 por ciento en el ejercicio de 1997.

Sin embargo, las mejoras no han sido parejas en todas las regiones y sectores. En África al sur del Sahara los resultados siguen siendo inferiores al promedio del Banco en general y, de acuerdo con el último Informe anual sobre el desempeño de la cartera, esa región sigue teniendo la pro-
porción más alta de proyectos en peligro. En el sector del abastecimiento de agua y saneamiento los resultados han registrado un fuerte deterioro: el porcentaje de proyectos satisfactorios disminuyó de alrededor del 80 por ciento en el ejercicio de 1993 al 40 por ciento en el de 1996. De acuerdo con el Informe, los proyectos de abastecimiento de agua y saneamiento son los que más peligran en la cartera actual. La reciente mejora de los resultados se debe al mejor desempeño de los prestatarios —identificación con los proyectos, ejercicio de sus derechos y asunción de responsabilidades—, así como del suministro por parte de éstos de los insumos necesarios para preparar y ejecutar las operaciones financiadas por el Banco. Los últimos resultados indican que la proporción de proyectos en que el desempeño de los prestatarios ha sido satisfactorio aumentó de un promedio del 65 por ciento durante los ejercicios de 1990 a 1995 al 71 por ciento en el ejercicio de 1996, y al 74 por ciento en el de 1997, según la muestra correspondiente a este último ejercicio. Segundo, el mejoramiento de las condiciones económicas generales —reflejado en el número de proyectos evaluados durante el ejercicio de 1996 que fueron ejecutados en los países con un mejor desempeño— ha mejorado el clima para las operaciones financiadas por el Banco.

Un análisis econométrico de más de 900 proyectos terminados muestra que el desempeño de los prestatarios es fundamental para el resultado de los proyectos. Una buena actuación por parte de los prestatarios aumenta en 35 ó 40 puntos porcentuales la probabilidad de obtener resultados satisfactorios. Por consiguiente, es probable que un mejor desempeño de los prestatarios sea el principal factor determinante del mejoramiento de los resultados globales de los proyectos.

Las condiciones económicas en los países también son importantes y, junto con el buen desempeño del Banco desde las primeras etapas y durante la ejecución de los proyectos, pueden aumentar en 15 ó 20 puntos porcentuales la probabilidad de que sus resultados sean satisfactorios. Si bien hay indicaciones de que las condiciones económicas en los países han mejorado, lo cual se confirma en el Informe anual sobre el desempeño de la cartera correspondiente a la cartera activa, aún hay pocos indicios de un mejoramiento del desempeño del Banco. Éste fue satis-

Fuente: Datos del DEO
Nota: Las líneas entrecortadas (operaciones que salieron de la cartera en el ejercicio de 1997) indican resultados preliminares, es decir, que cubren menos del 50 por ciento de las operaciones que dejaron de formar parte de la cartera.
factorio en el 74 por ciento de las operaciones evaluadas en el ejercicio de 1996 y en el 77 por ciento de las operaciones incluidas en la muestra parcial correspondiente al ejercicio de 1997. No obstante, si se compara con la tendencia registrada durante los ejercicios de 1990 a 1995, el porcentaje de proyectos en que el desempeño del Banco fue satisfactorio se ha mantenido a un nivel relativamente constante de entre 70 por ciento y 75 por ciento. Estos resultados demuestran que deberán seguir haciéndose esfuerzos por mejorar la calidad desde las etapas iniciales y la gestión de la cartera para conseguir una mejora importante de la actuación del Banco.

Un estudio reciente del DEO sobre el proceso de evaluación inicial de los proyectos (DEO 1997) también revela una lenta mejoría del desempeño del Banco. El estudio confirma la importante relación que existe entre la calidad de los proyectos desde el inicio y sus resultados, aunque también pone de relieve las continuas deficiencias del análisis social que se realiza en la etapa de evaluación inicial, de la participación de los prestatarios y los beneficiarios, y del análisis institucional. Además, en el estudio se señala que sin un consenso claro en cuanto a la forma de mejorar la calidad las etapas iniciales —diseñar proyectos más sencillos, hacer mayor hincapié en los riesgos y dar mayor importancia al aprendizaje mediante una labor sistemática de seguimiento y evaluación— es imposible encontrar los medios para lograr mejoras en el futuro. Cada vez hay más indicios de que los servicios no crediticios del Banco son vitales para mejorar no sólo la calidad del proceso de evaluación inicial, sino la calidad de la gestión económica y el desempeño de los prestatarios.

Los efectos sobre el desarrollo institucional y la sostenibilidad
Por sí sola, una mejora en la clasificación de los resultados no significa necesariamente que se hayan obtenido resultados más favorables en el terreno. Para evaluar la eficacia en términos de desarrollo a más largo plazo de un proyecto es necesario examinar tanto sus repercusiones sobre el desarrollo institucional como sus posibilidades de ser sostenible. Los proyectos, a través de sus efectos sobre el desarrollo institucional, mejoran la capacidad de ejecución de los países prestatarios; la sostenibilidad, en cambio, se refiere a la capacidad de éstos para mantener los beneficios de los proyectos a más largo plazo.

De acuerdo con los últimos resultados, el historial de las operaciones en lo que respecta a su eficacia ha sido desigual. La proporción de proyectos con un efecto sobre el desarrollo institucional calificado de muy importante o considerable aumentó del 30 por ciento en los ejercicios de 1990 a 1995 al 39 por ciento en los ejercicios de 1996 y 1997. El número de proyectos cuyas repercusiones sobre el desarrollo institucional se han calificado de moderadas prácticamente no ha variado, pero la proporción de proyectos con un efecto insig- nificante disminuyó del 25 por ciento al 15 por ciento durante los ejercicios de 1995 y 1996. Aunque estos resultados son alentadores, alrededor del 60 por ciento de las operaciones del Banco siguen teniendo un efecto moderado o reducido sobre el desarrollo institucional.

En lo que respecta a la sostenibilidad, el historial es algo menos halagüeño. Los últimos resultados indican que la proporción de proyectos con probabilidades de ser sostenibles pasó del 46 por ciento durante el período comprendido entre los ejercicios de 1990 a 1995 al 48 por ciento en el ejercicio de 1996. Los resultados parciales correspondientes al ejercicio de 1997 indican otro pequeño incremento, al 51 por ciento, pero los resultados globales son preocupantes: no es seguro, o es improbable, que los beneficios de casi la mitad de todas las operaciones se vayan a sostener a largo plazo.

Mejoramiento de los resultados y la eficacia
Los proyectos acertados ayudan a mejorar la capacidad de ejecución de los países prestatarios. A su vez, los buenos proyectos dan mejores resultados cuando las condiciones son apropiadas. El análisis de los factores que determinan el éxito de los proyectos indica que tanto la credibilidad de los gobiernos como la inexistencia de corrupción están directamente vinculados al resultado de los proyectos. Los análisis a nivel de los países indican que las políticas y las instituciones competentes son importantes para lograr resultados económicos favorables y un buen desempeño de la cartera (Gráfico 2).
Un estudio de las enseñanzas recogidas por medio de los últimos exámenes de la asistencia a los países confirma la importancia que revisten las políticas para el efecto global de la asistencia del Banco. Reitera, además, que las reformas de política rara vez son exitosas si el compromiso de los prestatarios y su identificación con los proyectos son inadecuados. El análisis de los factores que han determinado el mejoramiento de la cartera actual confirma esta afirmación: en los países donde la gestión macroeconómica es deficiente el número de proyectos ha disminuido marcadamente. Ésto pone de manifiesto la fundamental para lograr una mayor eficacia y lograr la identificación con los proyectos en los programas de reforma sectorial a nivel de países.

Perspectivas

Es indudable que ha habido progreso, pero el margen para mejorar la labor realizada sigue siendo muy amplio. Además, no se ha determinado aún la importancia a largo plazo de las mejoras registradas en el ejercicio de 1997. Los análisis muestran que con un esfuerzo sostenido por mejorar la calidad de la gestión, el Banco puede mantenerse en la dirección correcta para cumplir la meta fijada por la administración en el sentido de alcanzar un nivel del 75 por ciento de proyectos satisfactorios en el año 2000. Las metas relativas al mejoramiento de la cartera durante el próximo año, que se enuncian en el Informe anual sobre el desempeño de la cartera, incluyen el aumento a un nivel del 75 por ciento o mayor de la proporción de operaciones cuya supervisión es satisfactoria, y un aumento al 85 por ciento o más de la proporción de nuevos proyectos con un nivel de calidad satisfactorio desde el inicio. Al incluir estas metas en un análisis de sensibilidad de más de 300 de las operaciones evaluadas recientemente (ejercicios de 1995 a 1997) se observa que, de lograrse ambas metas simultáneamente, el porcentaje de proyectos con resultados satisfactorios aumentaría al 75 por ciento. Si el desempeño de los prestatarios sigue mejorando como lo ha hecho recientemente, es posible vislumbrar un mejoramiento de los resul-
tados cercano al 80 por ciento de proyectos satisfactorios en promedio⁴.

El Presidente del Banco Mundial, James Wolfensohn, es partidario de aplicar un enfoque enérgico consistente en mejorar la calidad de los procedimientos del Banco para lograr resultados 100 por ciento satisfactorios. Aunque es improbable que esta meta se logre antes del año 2000, la adopción de esta estrategia podría traducirse en un nivel de satisfacción del 80 por ciento o superior en términos de los resultados globales. Mediante la introducción de mejoras juiciosas en el desempeño de los prestatarios, la proporción de proyectos satisfactorios podría alcanzar el 85 por ciento.

La prosecución decidida de estas metas a nivel sectorial y regional parece ser necesaria y aconsejable. Mediante la aplicación de este plan estratégico, el Banco restablecería la solidez de su cartera al nivel que tenía a fines de la década de 1970. Naturalmente, este plan exigiría una intensificación de los esfuerzos, por parte de todas las oficinas regionales y redes, por mejorar la calidad de los proyectos desde las etapas iniciales, la supervisión, la gestión de los riesgos, y la labor de seguimiento y evaluación.

Además de un esfuerzo continuo por mejorar la calidad y gestión de la cartera del Banco, el mejoramiento a largo plazo de la eficacia de la asistencia de la institución hará necesario un respaldo ininterrumpido para aumentar la capacidad de los prestatarios en la selección, el diseño y la gestión de los proyectos. Se requiere también una mayor selectividad en la distribución del financiamiento a los países prestatarios que cuenten con marcos de políticas y de gobierno adecuados, así como en los esfuerzos por equiparar los servicios e instrumentos del Banco con la capacidad de los prestatarios. La selectividad no consiste en “seleccionar países con buenas perspectivas de éxito”, sino en la adopción, por parte del país, de un compromiso de desarrollo y de buen gobierno, y en orientar la labor del Banco mediante una asistencia financiera y no financiera apropriad y oportuna. Una estrategia selectiva conlleva también el establecimiento de mejores asociaciones a fin de multiplicar el impacto de la labor del Banco, y la adopción de enfoques más participatorios y adaptados a fin de incrementar la identificación de los prestatarios con los proyectos y obtener mejores resultados en el terreno.

Nota

1. Las condiciones económicas comenzaron a mejorar en muchos países en desarrollo a fines de la década de 1980, sobre todo en los países en que el ajuste fue más exitoso. La mayoría de las operaciones evaluadas una vez que dejaron de formar parte de la cartera del Banco en el ejercicio de 1996 fueron aprobadas en 1989.

2. Proyectos que dejaron de formar parte de la cartera del Banco entre el ejercicio de 1993 y el de 1997.


4. Estos logros se basan en el número de proyectos, no en el volumen de los desembolsos. El modelo que sirve de base para los análisis de sensibilidad no permitió producir pronósticos basados en el volumen.
Préface

Le 23e Examen annuel du Département de l’évaluation des opérations marque un changement radical par rapport à ceux qui l’ont précédé. La publication de cette année — la première depuis l’approbation par le Conseil de la Banque mondiale d’un nouveau Pacte stratégique — s’efforce d’évaluer de façon plus approfondie l’efficacité de l’action de la Banque en faveur du développement, comme l’exige le programme de renouvellement de l’institution. Non seulement ce rapport analyse 325 projets achevés durant les exercices 96 et 97 et évalue les résultats obtenus par rapport aux tendances des performances à long terme, mais en outre il offre une vision stratégique des facteurs ayant contribué aux résultats obtenus « sur le terrain » en matière de développement. Entre autres choses, il souligne combien il est important de s’orienter vers un système axé sur les résultats pour améliorer l’apprentissage et la responsabilisation au sein de la Banque.

Au cours de la dernière décennie, on a vu l’action en faveur du développement s’orienter essentiellement non plus vers des investissements physiques, mais vers un appui aux pays pour les aider à parvenir à une croissance durable prenant en compte des considérations sociales et environnementales. Ce nouveau consensus en matière de développement a amené la Banque à réexaminer les moyens par lesquels elle opère et évalue son impact sur le développement. Le Pacte stratégique vise à adapter la Banque aux nouveaux impératifs des clients, à tirer parti des opportunités offertes au plan mondial et à aider notre institution à réaliser plus efficacement son objectif primordial qui est la réduction de la pauvreté. L’évaluation et l’amélioration de l’efficacité de son action aux fins du développement sont donc devenues le défi majeur que pose l’évaluation du développement.

La conclusion de l’évaluation de cette année sont encourageants. Les résultats des projets et les performances des emprunteurs se sont améliorés. La proportion de projets aux résultats satisfaisants est passée de 71 pour cent durant l’exercice 96 à 74 pour cent pour l’échantillon de l’exercice 97. Les clients de la Banque mondiale ont manifestement tendance à mieux préparer les projets et à en respecter davantage les clauses. Alors que la performance des emprunteurs s’est améliorée, celle de la Banque est restée inchangée. Mais, comme les projets sont devenus plus exigeants et complexes, cela signifie que la Banque n’a pas démérité dans un environnement difficile et évolué et que l’on peut attribuer aux services hors prêt une partie de l’amélioration des performances des emprunteurs.

Bien que la notation des résultats se soit améliorée, cela ne s’est pas toujours traduit par des résultats durables sur le terrain. L’impact et la durabilité du développement institutionnel conditionne de façon vitale l’efficacité du développement. Dans ce domaine, les résultats sont mitigés. Alors que le développement institutionnel s’est légèrement amélioré, la durabilité des projets reste préoccupante compte tenu de l’instabilité de l’environnement dans lequel ceux-ci sont exécutés. La durabilité d’environ la moitié des opérations de la Banque est incertaine dans le meilleur des cas et les progrès restent lents.

Pour améliorer l’efficacité à long terme de l’aide de la Banque, il faudra continuer à apporter un soutien aux capacités des emprunteurs au niveau de la sélection, de la conception et de la gestion des projets. Il faudra également faire preuve d’une plus grande sélectivité tant en orientant les prêts vers des pays emprunteurs dont les politiques et la gouvernance sont appropriées qu’en adaptant les services et instruments de la Banque aux capacités des emprunteurs. La sélectivité ne consiste pas à « choisir des gagnants », mais à s’assurer tout d’abord de l’engagement d’un pays vis-à-vis du développement et d’une bonne gouvernance et à moduler la réaction de la Banque par le biais d’une assistance financière et non financière appropriée et fournie en temps voulu. Cela signifie également établir de meilleurs partenariats pour démultiplier l’impact de la Banque mondiale et utiliser des approches plus participatives et adaptées afin de favoriser l’appropriation des projets par les intéressés et obtenir de meilleurs résultats sur le terrain. De même, une saine gestion des risques liés au développement implique une évaluation et un suivi plus efficaces des performances.

Au total, des progrès considérables ont été réalisés dans le sens des objectifs du programme actuel d’améliora-
tion du portefeuille de la Banque mondiale, mais il reste beaucoup à faire. Pour suivre la voie définie par le Pacte stratégique, la Banque mondiale aura besoin d'un système de gestion qui soit axé sur les résultats et qui réponde à la nouvelle façon de concevoir son rôle, à savoir celui d'une institution polyvalente. À l'aube du nouveau millénaire, la réorientation des opérations vers des buts plus réalistes, la modification des procédures opérationnelles dans le sens d'un meilleur rapport coût-efficacité et la refonte de l'organisation pour lui permettre d'opérer dans le cadre de partenariats constituent le double problème fondamental auquel doit faire face la Banque mondiale pour assurer l'efficacité de son action en faveur du développement.

Robert Picciotto
Directeur général
Évaluation des opérations
Résumé

Le développement pose aujourd'hui des problèmes sans précédent. La Banque mondiale, avec d’autres institutions, recherche des moyens de faire face simultanément aux impératifs des économies à croissance rapide et de celles qui sont exposées à un risque de marginalisation et de stagnation. Dans son programme de développement en évolution, elle met davantage l’accent sur la viabilité sociale et environnementale, le renforcement des capacités locales, l’égalité des sexes et la participation. Les problèmes sont devenus si vastes et si complexes que des partenariats sont de plus en plus indispensables.

Plus ce programme exigeant avance et plus il devient difficile d’évaluer et d’améliorer l’efficacité de l’action de la Banque mondiale en faveur du développement. Il n’est plus possible d’évaluer l’efficacité de la Banque en examinant uniquement les projets et il faut désormais mesurer également l’impact de toute la gamme de ses activités au niveau sectoriel et national. Cela implique que l’on dispose de nouveaux instruments et modalités d’évaluation pour prendre en compte les efforts conjugués des services de prêt et hors prêt, et la contribution des partenariats à l’impact des projets et programmes. Le Département de l’évaluation des opérations (OED) a lancé un programme de rénovation pour mettre en œuvre le nouveau cadre d’évaluation, mais cette rénovation ne fait que commencer et les résultats se feront attendre.

Le présent Examen annuel de l’efficacité du développement est un premier pas vers une évaluation plus globale de l’efficacité de la Banque. Il expose les problèmes posés par la définition et la mesure de l’efficacité de l’action de la Banque en faveur du développement dans un monde en pleine mutation, et souligne combien il est important de se diriger vers un système qui soit plus axé sur les résultats pour permettre une amélioration des connaissances et de la responsabilisation au sein de la Banque compte tenu des objectifs stratégiques à réaliser. Il examine certains des aspects stratégiques des résultats des évaluations et analyse les facteurs déterminants de la performance des projets au niveau des portefeuilles-pays et des différents projets. Afin d’assurer la continuité de l’amélioration des connaissances au sein de la Banque, il analyse aussi les résultats des évaluations des projets effectuées par l’OED au cours des deux exercices précédents et on les compare aux tendances de la performance à plus long terme.

La performance du portefeuille commence à s’améliorer

Tendances de la performance
Les tendances et changements globaux du programme de développement ont radicalement modifié l’environnement dans lequel sont mises en œuvre les opérations financées par la Banque. Au début des années 80, les exigences de ce nouvel environnement ont commencé à porter gravement atteinte à la qualité initiale des projets. La performance de la Banque pour les opérations achevées a commencé à se détériorer. Le pourcentage des opérations de la Banque évaluées et jugées satisfaisantes est tombé de 80 pour cent au début des années 80 à 60 pour cent à la fin de cette décennie. La direction de la Banque avait alors reconnu la nécessité de renforcer la gestion du portefeuille, en accordant une attention particulière à la qualité initiale des projets, à la participation de l’Emprunteur à la préparation et à la mise en œuvre, et aux résultats obtenus en matière de développement. Cela demandait une profonde modification des attitudes, des compétences et des incitations données au personnel d’encaissement. Il est encore trop tôt pour juger des effets de ces changements, mais les derniers résultats des analyses de la performance de la Banque montrent que ses opérations commencent à s’améliorer (figure 1).

Le pourcentage des projets dont les résultats ont été jugés satisfaisants par l’OED pour l’exercice durant lequel ils ont été achevés est passé de 67 pour cent en moyenne pour les exercices 90-95 à 71 pour cent pendant l’exercice 96 et, sur la base d’un simple échantillon, à 76 pour cent pour l’exercice 97.

Toutes les régions et tous les secteurs ne voient pas leurs résultats s’améliorer dans les mêmes proportions. L’Afrique subsaharienne continue à enregistrer des résultats inférieurs à ceux de la moyenne pour toute la Banque et, selon le dernier Rapport annuel sur la performance du portefeuille, c’est encore elle qui compte le pourcentage le plus élevé de projets à risque. Dans le secteur de l’approvisionnement en eau et de l’assainissement, la performance s’est dégradée de façon spectaculaire, tombant de quelque 80 pour cent pour l’exercice 93 à 40 pour cent pendant l’exercice 96. Là encore, selon le dernier Rapport annuel
sur la performance du portefeuille, c'est le secteur le plus « à risque » dans le portefeuille actuel.

Facteurs à l'origine de l'amélioration de la performance

Il ressort des analyses que deux facteurs au moins peuvent être à l'origine de l'amélioration des résultats. Premièrement, la performance de l'emprunteur — l'exercice des droits de propriété et des responsabilités — s'est améliorée, de même que la fourniture par celui-ci des éléments nécessaires à la préparation et à la mise en œuvre des opérations financées par la Banque. Les derniers résultats montrent que la proportion des projets pour lesquels la performance de l'Emprunteur a été jugée satisfaisante est passée de 65 pour cent en moyenne pendant les exercices 1990-95 à 71 pour cent durant l'exercice 96, et à 74 pour cent pour l'échantillon de l'exercice 97. Deuxièmement, l'amélioration de la situation économique globale, dont témoigne le nombre de projets évalués pendant l'exercice 96 et exécutés dans des pays devenus plus formants, a eu un effet bénéfique sur l'environnement dans lequel les opérations financées par la Banque sont mises en œuvre.

Selon les conclusions de l'analyse économétrique de plus de 900 projets achevés, la performance de l'emprunteur joue un rôle déterminant dans les résultats des projets. Si elle est bonne, elle augmente de 35 à 40 points la probabilité de résultats satisfaisants. Par conséquent, c'est vraisemblablement d'une meilleure performance de l'emprunteur que dépend en premier lieu l'amélioration de la performance globale du projet.

La situation économique des pays est importante elle aussi et, de pair avec la qualité de la performance de la Banque au début des projets et pendant leur mise en œuvre, elle renforce de 15 à 20 points de pourcentage la probabilité de résultats satisfaisants. Bien que l'on ait des raisons de penser que la situation économique des pays s'est améliorée, ce que confirme le Rapport annuel sur la performance du portefeuille en ce qui concerne le portefeuille actif, il n'est pas encore bien établi que la performance de la Banque s'est améliorée. Elle a été satisfaisante pour 74 pour cent des opérations évaluées durant l'exercice...
96 et pour 77 pour cent de l’échantillon limité de l’exercice 97. Mais une comparaison de ces chiffres avec ceux des exercices 90-95 révèle que le pourcentage des projets pour lesquels la performance de la Banque a été jugée satisfaisante est resté relativement constant (70-75 pour cent). Cela montre que les efforts entrepris pour améliorer la qualité initiale des projets et la gestion du portefeuille devront encore se poursuivre quelque temps avant de se traduire par une amélioration significative de la performance de la Banque.

Une étude effectuée récemment par l’OED sur le processus d’évaluation (OED 1997) fait également apparaître une légère amélioration de la performance de la Banque. Elle confirme l’importance du lien existant entre la qualité initiale des projets et leurs résultats, mais elle insiste aussi sur la faiblesse de la qualité de l’analyse sociale faite lors de l’évaluation, de la participation de l’emprunteur et du bénéficiaire, et de l’analyse institutionnelle. En outre, cette étude affirme qu’il est impossible de prédire l’origine des améliorations futures si l’on ne se met pas clairement d’accord sur les moyens de renforcer la qualité initiale (conception plus simple des projets, attention accrue accordée au risque et à l’apprentissage par le biais d’un suivi et d’une évaluation systématiques, etc.). Il y a de plus en plus lieu de penser que les services hors prêt de la Banque ont un rôle crucial à jouer non seulement dans l’amélioration de la qualité du processus d’évaluation, mais aussi dans celle de la gestion économique et la performance de l’emprunteur.

L’impact et la viabilité du développement institutionnel constituent des mesures plus rigoureuses de l’efficacité du développement. Incidence et viabilité du développement institutionnel Ce n’est pas parce que la notation d’un projet s’améliore que les résultats sur le terrain sont forcément meilleurs. Pour évaluer l’efficacité à long terme d’un projet du point de vue du développement, il faut examiner aussi bien son impact sur le développement institutionnel que sa viabilité probable. Par leur impact sur le développement institutionnel, les projets améliorent la capacité de mise en œuvre des pays emprunteurs, tandis que la viabilité est l’aptitude à préserver les avantages des projets à plus long terme.

En matière d’efficacité, un examen des résultats les plus récents fait apparaître un bilan contrasté. La proportion des projets considérés comme ayant un impact considérable ou appréciable sur le développement institutionnel est passée de 30 pour cent au cours des exercices 90-95 à 39 pour cent durant les exercices 96 et 97. Alors que le nombre des projets dont cet impact a été jugé modeste est resté à peu près constant, le pourcentage de ceux ayant un effet négligeable est tombé de 25 à 15 pour cent entre les exercices 95 et 96. Ces résultats sont encourageants, mais quelque 60 pour cent des opérations de la Banque n’ont encore qu’un impact modeste ou insignifiant sur le développement institutionnel.

Pour ce qui est de la viabilité, le tableau est un peu moins encourageant. Les derniers résultats montrent que la proportion des projets dont la viabilité a été jugée probable a faiblement augmenté entre les exercices 90-95 (46 pour cent) et l’exercice 96 (48 pour cent). Les résultats partiels pour l’exercice 97 montrent un léger accroissement (51 pour cent), mais le résultat global donne à réfléchir : la viabilité à long terme d’environ la moitié des opérations de la Banque est incertaine ou peu probable.

Améliorer les résultats et l’efficacité Les bons projets aident à améliorer la capacité de mise en oeuvre des pays emprunteurs, mais ils donnent de meilleurs résultats dans un environnement favorable. L’analyse des facteurs qui déterminent le succès d’un projet montre que la crédibilité du gouvernement de même que l’absence de corruption ont un effet positif sur ses résultats. Au niveau d’un pays, elle montre que des politiques appropriées et des institutions compétentes sont nécessaires du point de vue des résultats économiques que de la performance du portefeuille (figure 2).

La portée des facteurs « politique générale » et « gouvernance » au niveau du projet et du pays étaye les conclusions des travaux sur le sujet, à savoir que l’aide au développement a plus d’impact sur la croissance économique lorsqu’elle est fournie dans le cadre d’une saine politique gouvernementale (Dollar et Burnside, 1997). Elle montre aussi combien il importe que la Banque se montre plus sélective dans l’aide qu’elle apporte, c’est-à-dire qu’elle accorde aux pays qui suivent une saine poli-
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Des progrès ont incontestablement été réalisés, mais il reste beaucoup à faire. De plus, la portée à long terme des améliorations notées durant l'exercice 97 reste à déterminer.

L'analyse montre que la poursuite des efforts visant à améliorer la qualité de la gestion pourrait permettre à la Banque d'atteindre l'objectif fixé par la direction, à savoir parvenir à un pourcentage de projets satisfaisants de 75 pour cent en l'an 2000. En ce qui concerne l'amélioration du portefeuille au cours de l'année prochaine, les objectifs énoncés dans le Rapport annuel sur la performance du portefeuille consistent notamment à porter le minimum à 75 pour cent la proportion des opérations dont la supervision est satisfaisante et à au moins 85 pour cent celle des nouveaux projets dont la qualité initiale est satisfaisante. Lorsqu'on applique ces objectifs dans une analyse de sensibilité portant sur plus de 300 des dernières opérations évaluées (exercices 95-97), il apparaît que, s'ils sont atteints simultanément, on en arrive à 75 pour cent de projets aux résultats satisfaisants. Si la performance de l'emprunteur continue à s'améliorer comme elle l'a fait récemment, il est possible d'envisager un chiffre proche de 80 pour cent3.

M. Wolfensohn, président de la Banque, prône une approche énergique consistant à améliorer la qualité des méthodes de la Banque afin de parvenir à 100 pour cent de résultats satisfaisants. Bien qu'il ne soit pas possible d’atteindre cet objectif d’ici l’an 2000, agir en ce sens permettrait de parvenir à des résultats globaux satisfaisants pour 80 pour cent des projets au moins. Si la performance de l'emprunteur s'améliore elle aussi, il est même possible d'arriver à 85 pour cent.

Il semble à la fois souhaitable et nécessaire de viser cet objectif en établissant un plan par secteur et par région. Un plan stratégique de ce type permettrait au portefeuille de la Banque de redevenir aussi sain qu'à la fin des années 70. Cela exigerait bien entendu que
toutes les Régions et tous les Réseaux redoublent d’efforts pour améliorer la qualité initiale, la supervision, la gestion du risque, le suivi et l’évaluation rétrospective.

Pour améliorer l’efficacité à long terme de l’aide de la Banque, il faut non seulement déployer des efforts soutenus afin d’améliorer la qualité et la gestion de son portefeuille, mais aussi renforcer les capacités de l’emprunteur au niveau de la sélection, de la conception et de la gestion des projets. Cela exige aussi que l’on se montre plus sélectif, ce qui signifie à la fois accorder des prêts aux pays emprunteurs ayant des politiques et une gestion des affaires publiques appropriées et offrir aux emprunteurs des services et des instruments adaptés à leurs capacités. Il s’agit non pas de « tirer les bons numéros », mais d’avoir dès le départ des pays attachés aux principes du développement et d’une bonne gouvernance et de moduler la réponse de la Banque en apportant une aide financière et autre adéquate et opportune. Appliquer une stratégie sélective signifie aussi établir de meilleurs partenariats afin de maximiser l’impact de l’action de la Banque et recourir à des approches plus participatives et mieux adaptées qui permettent de renforcer l’adhésion aux projets et d’obtenir de meilleurs résultats sur le terrain.

**Note**

1. La situation économique d’un grand nombre de pays en développement (et surtout de ceux où l’ajustement a été le plus réussi) a commencé à s’améliorer vers la fin des années 80. La plupart des opérations achevées et évaluées pendant l’exercice 96 avaient été approuvées en 1989.

2. Projets ayant cessé de faire partie du portefeuille entre les exercices 93 et 97.


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The word “processed” describes informally reproduced works that may not be commonly available through libraries.

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