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FAST TRACK BRIEF

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The IEG report "The World Bank's Involvement in Global and Regional Partnership Programs: An Independent Assessment," was discussed by CODE on March 10, 2011

The World Bank's Involvement in Global and Regional Partnership Programs: An Independent Assessment

- **The objectives of the GRPPs that IEG has reviewed have been highly relevant. Most programs have had positive achievements in terms of outputs. The sustainability of a number of programs is threatened by weak resource mobilization strategies, failure to keep up with the changing global and regional context, and difficulties in demonstrating results at the outcome level.**
- **The Bank's management and oversight of GRPPs shows strengths and weaknesses. Many task teams have brought extraordinary dedication and ownership to their programs. The Bank has played to its comparative advantage in convening and mobilizing resources for new programs. But the implementation of the Bank's strategic and policy agenda to promote effective partnerships has essentially stalled over the last three years.**
- **The DGF has had a number of successes, but it is no longer the umbrella facility for the Bank's grant financing arrangements. During its strategic reorientation toward a "venture capital" model, the DGF should focus on building sustainable institutional arrangements for new programs that can survive the Bank's financial exit and on securing multidonor financing from the outset.**

The Bank's Involvement in GRPPs

In the absence of a global government that can collect taxes to provide global and regional public goods directly, partnership programs with shared governance arrangements have become the principal instrument for doing so. The number of GRPPs has also grown because of dissatisfaction with traditional aid mechanisms, the involvement of new actors and constituencies in development, new information and communication technologies that facilitate collective action, and collective decisions to concentrate resources on achieving selected Millennium Development Goals.

The Bank is currently involved in nearly 85 global and 35 regional programs—and another dozen are under development. Of these, about 40 percent of their management units (secretariats) are located inside the Bank, about 35 percent in other international or partner organizations, and about 25 percent are freestanding independent legal entities.

The World Bank plays many roles in GRPPs, depending on the program—as convener, financial contributor, trustee, member of the governing body, chair, host of the secretariat, administrative support and/or implementing agency.

The Bank is not a major funding source. Bilateral donors and private foundations provide the lion's share of the $7.0 billion being spent by all 120 programs combined. The Bank contributes about 2.5 percent—from its administrative budget and the DGF—but has become the largest trustee, handling about 80 percent of the trust fund resources ($5 billion annually) dedicated to these 120 programs. Still, the Bank has

operational responsibility for only one-fifth (about $1 billion) of these resources—the remainder being financial intermediary trust funds for programs located outside the Bank.

Almost half the programs are knowledge, advocacy, and standard-setting networks that are generating and disseminating knowledge about development in their sector. Most are being supported by the DGF and are located outside the World Bank. These programs are generally small, with annual expenditures averaging less than $5 million.

An intermediate number (about 27 percent) of somewhat larger programs (averaging $16 million annually) provides country-level technical assistance to support national policy and institutional reforms and to catalyze public or private investments in their sector. Most of these are located inside the Bank because the Bank's country-level presence enables it to supervise such activities.

The remaining programs finance global or country-level investments to support the provision of global, regional, or national public goods. The four largest of these programs—the Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Global Environment Facility; the Consultative Group on International Agricultural Research; and the Global Alliance for Vaccines and Immunization—account for 73 percent of the expenditures of all 120 programs.

Challenges for the World Bank

GRPPs with shared governance arrangements present a number of challenges for the Bank's traditional country-based business model. First, they challenge the Bank's traditional financial and managerial accountability mechanisms. Their legal and governance arrangements do not always confer sufficient clarity on how the collective responsibility for the programs works in practice and may set limits on the Bank's authority that are not consistent with its accountability.

Second, the Bank is dedicating more and more senior management time to the governance of these programs, because the programs generally seek the highest possible level of Bank representation on their governing bodies. This involves contributing to the good governance of the programs, promoting the interests of the Bank's client countries, helping to achieve the greatest possible development impacts, and ensuring that the Bank's own roles, responsibilities, and accountabilities in the program are aligned with the Bank's formal authority and actual control.

Third, the Bank expects each program's objectives to be aligned with its own sector and country strategies, and each program's activities to be appropriately linked to the Bank country operational work. But the way GRPPs plan their activities is different from the way the Bank's country teams plan theirs.

For all these reasons, IEG has focused its own evaluation work on GRPPs with shared governance, rather than on bilateral partnership arrangements or more informal multilateral partnerships.

Since a pilot phase in 2006, IEG has now completed 17 Global Program Reviews (GPRs), which are representative of the Bank's portfolio of GRPPs. All but one of these were based on an external evaluation. Among the four largest programs, IEG completed an evaluation of the Consultative Group on International Agricultural Research in 2003, is currently undertaking a review of the Bank's engagement with the Global Fund, and is planning to undertake a review of Global Alliance for Vaccines and Immunization in the near future. Three of the 17 programs reviewed have been supported by the Global Environment Facility.

This report addresses three key aspects of the Bank's involvement in GRPPs: (a) the performance of individual programs; (b) the Bank's management and oversight of its GRPP portfolio; and (c) the role of the DGF in supporting GRPPs. Key findings in each area are summarized below.

GRPP Performance

The following findings and lessons emerge from the 17 GPRs that IEG has completed since 2006 and from the external evaluations commissioned by the programs' governing bodies.

Independence and Quality of Evaluations

Monitoring and evaluation (M&E) are critical to measuring and tracking program results, and the independence of evaluations is key to their credibility. IEG found that 10 of 16 evaluations were independent at all stages of the evaluation process, from initiation to the delivery of the final report, and that the quality of the evaluations was satisfactory in 7 of the 16 cases. The most common issues that adversely affected their quality were (a) unclear terms of reference, (b) inadequate budget and time, (c) weak M&E frameworks for the programs, and (d) lax evaluation methodology and tools.

Notwithstanding these shortcomings, the external evaluations have had notable impacts on the pro-grams' governance and strategies. Led by the global health partnerships, individual GRPPs are developing a positive culture of evaluation. But many programs continue to regard periodic evaluations as a substitute for the hard work of putting adequate M&E systems in place to track program outputs and outcomes, and some programs appear to undertake regular evaluations more to mobilize funds for the programs than to learn lessons to improve their performance.

Development Effectiveness

IEG found that the objectives of virtually all pro-grams were highly relevant but that many programs had design weaknesses. Objectives were generally relevant in terms of collectively addressing important global and regional issues, but few

programs had a well-articulated theory of change indicating how their strategies and priority activities were expected to lead to the achievement of their objectives. Some programs, IEG found, needed to scale down the ambition of their objectives to match their resources, or to be more selective in their choice of activities in accordance with their comparative advantage. A number of the knowledge and advocacy networks had surprisingly weak communications strategies for knowledge networks.

In the absence of robust M&E frameworks, systematic evidence relating to the achievement of the programs' objectives at the outcome level is scarce. However, almost all programs can point to some achievements in terms of outputs, as illustrated by the following positive examples.

Among the investment programs, the Stop Tuberculosis Partnership and its Global Drug Facility have contributed significantly to global efforts to control tuberculosis. Key drivers of its achievements have been a clearly operationalized control strategy and broad consensus among partners on the technical features of that strategy, because infectious disease control programs are to a large extent technology-driven. The Medicines for Malaria Venture has been effective in efficiently managing a portfolio of candidates for new malaria drugs through the various phases of drug discovery and clinical development that precede formal registration with public authorities, as well as in raising sufficient funds to establish a strong pipeline of new malaria drugs that are expected to be affordable in developing countries.

Among the technical assistance programs, the Cities Alliance has become a global leader in supporting city development strategies and slum upgrading—two of the most pressing issues in urban development today. The Extractive Industries Transparency Initiative and its associated Multi-Donor Trust Fund in the Bank are in the process of achieving their narrowly defined objective of increasing transparency over payments and revenues in the extractive sector.

Among the knowledge networks, the Association for the Development of Education in Africa has become the premier forum for educational policy development and agency cooperation in Africa—promoting policy dialogue and analytical work on African educational problems through a variety of forums, such as biennial meetings, technical gatherings, and working groups. The Consultative Group to Assist the Poor (CGAP) has become a powerful and pivotal force in the microfinance field, playing a critical role in helping build inclusive financial systems by providing advisory services, developing and setting standards, advancing knowledge, and training and capacity building.

Governance and Management

IEG found a strong qualitative correlation between the effectiveness of the programs' governance and the achievement of their objectives but also observed a range of legitimacy, accountability, efficiency, and transparency issues in the governance and management of the 17 programs reviewed.

There has been an observable trend from shareholder models of governance, in which only financial contributors are entitled to sit on the governing body, to stakeholder models with representation from beneficiary countries and civil society organizations as well, but this often comes at a cost to efficiency if the number of participants representing diverse interests becomes so large. The packed agendas of annual general meetings have often hindered considered debate and decision, particularly of budgets.

Accountability is enhanced when the roles and responsibilities of the partners, the governing bodies, and the management units are clearly articulated in a program charter and when accountabilities are well defined. IEG found many cases where accountabilities are not articulated, understood, or accepted, with negative effects on the performance of the programs.

Three-quarters of the 120 programs are located in the World Bank or other partner organizations. Such hosting arrangements are going to be a continuing feature of GRPPs because the benefits of being located in an existing organization generally outweigh the costs, particularly for small programs. Many programs have succeeded in establishing effective working relationships with their host organizations.

Real and perceived conflicts of interest are a prevailing and essentially unavoidable feature of GRPPs, deriving primarily from multiple roles that the principal partners play in a given program. IEG agrees with the recommendations of a recent internal report, commissioned by the Concessional Finance and Global Partnerships (CFP) Vice Presidency in FY10, intended to manage these conflicts more transparently.

Sustainability

IEG found that the sustainability of half the pro-grams was adversely affected by ineffective resource mobilization strategies, poor governance and management, failure to keep up with the changing global and regional context, or difficulty in demonstrating results. One program has closed, and several others are in danger of doing so for these reasons.

A key message that has emerged from IEG's reviews is that the governing body of each program has central responsibility for financial and organizational sustainability, as well as programmatic sustainability. This should not be a secretariat responsibility. Yet many governing bodies have not seriously addressed this issue.

Another key message is the importance of paying attention to the sustainability of program benefits early on—to focus on long-term capacity building, to establish criteria for devolving activities, and to define potential exit strategies—even when

the short-run need for the partnership is regarded as indisputable. Very few programs have done this.

Bank Management and Oversight of GRPPs

The Bank has two overlapping strategies—for partnerships and for global public goods—that aim (a) to strike an appropriate balance between global and country programs in supporting global and national public goods, (b) to establish criteria for engaging in individual GRPPs, and (c) to lay out the respective roles and responsibilities of Network, Regional, and Central vice presidential units (VPUs) in managing and overseeing the Bank's GRPPs, consistent with the decentralized nature of the Bank.

These two strategies have committed Network and Regional VPUs to strengthening global-country linkages, ensuring a results focus, mobilizing stable funding for key GRPPs, planning exit strategies, strengthening oversight, and ensuring well-functioning control environments for in-house programs. Central VPUs are responsible for putting in place business processes to facilitate the approval and tracking of the Bank's GRPPs from initial concept to evaluation. Overall, the Bank has fallen substantially short of these commitments to the Bank's Board.

Network and Regional Management of GRPPs

The Bank expects all partnerships to have a clear strategic rationale consistent with the relevant Sector Strategy Paper (SSP) and expects that all "partnerships should demonstrate a clear linkage to our core institutional objectives and, above all, to our country operational work." SSPs are expected to contain an explicit and focused discussion of how partnerships will help achieve goals within each sector.

Based on IEG analysis, Sector Strategy Papers have not proven useful for formulating sector partnership strategies because they focus on the Bank's country operations and because their extended time periods (typically ten years) are not well synchronized with partnership programs' own strategic planning periods (typically 3–5 years). The Bank needs a different approach and instrument for strategic planning in relation to partnerships.

Evidence for effective operational linkages between GRPPs and country operations is weak and anecdotal. IEG found strong linkages in only 4 of the 17 programs reviewed—the Association for the Development of Education in Africa, the Cities Alliance, the Extractive Industries Transparency Initiative, and the Mesoamerican Biological Corridor.

The broad lesson is that effective global-country linkages do not happen automatically. Strong legitimacy for a program, arising from developing country representation on the governing body, appears to foster stronger linkages. Being located in the Bank does not guarantee effective linkages with the Bank's country operations, as the cases of CGAP and the Population and Reproductive Health Capacity Building Program demonstrate. Some programs have been designed with explicit operational linkages (such as those that purchase cross-support from regional operations), and many have not. There has been no systematic assessment of whether these linkages are working effectively as designed.

The Sustainable Development Network (SDN) is currently conducting a promising effort to review its portfolio of GRPPs. It aims to provide a strategic framework for management decisions on entry into new programs or on changes to existing programs. The exercise is already influencing SDN policies and procedures related to business planning, results frameworks, improved quality-at-entry for new programs, a more strategic selection of DGF proposals, and harmonization of resource management across GRPPs in SDN. This could potentially serve as a model for other vice presidencies.

Central Support

The Bank has not so far established a reliable system for keeping track of the GRPPs in which it is involved—and of the associated trust funds that finance them—in spite of a promising start in December 2004. New business processes were put in place at that time that recognized GRPPs as a separate product line and that aimed to integrate GRPPs into the Bank's regular operational and information systems. New processes were also put in place to improve selectivity and oversight, and the Quality Assurance Group initiated quality-at-entry reviews of DGF-supported programs in 2006.

In its second biennial report to CODE in March 2008, IEG pointed out deficiencies in the Bank's information systems on GRPPs, including inaccurate classifications of individual programs and their governance structures, the failure to update information regularly, and incomplete and unreliable financial information. Three years later, these issues persist. CFP has recently started a new effort to correct these and other deficiencies.

Recognizing the desirability of reaching a common understanding of GRRPs among the Bank's major development partners, CFP sponsored an international workshop in February 2010, along with counterparts in the World Health Organization and UNICEF (United Nations Children's Fund), on improving institutional engagement in GRPPs. Also attended by bilateral donors, private foundations, international experts on GRPPs, and IEG, the workshop addressed the challenges that GRPPs present to existing international organizations, harmonization of definitions, understanding governance structures, good practice engagement, and M&E. This workshop was a positive first step in bringing about a greater degree of shared understanding about approaches to proactive engagement with GRPPs to enhance their development effectiveness.

Oversight and Risk Management

Oversight is the responsibility of the Bank's representative on each program's governing body, sup-ported by the Bank's task team leader. IEG has found little evidence that Bank oversight of GRPPs has improved significantly since its 2004 evaluation on global programs. In its formal response to that evaluation, Bank management agreed with IEG's recommendation to clarify the roles, responsibilities, and accountabilities of Bank staff serving on the governing bodies of GRPPs by means of standard terms of reference and training. Bank management took some initial steps to implement this recommendation in 2009 by commissioning an internal report on the issue.

This internal report confirmed many of IEG's findings and found that the Bank lacks an effective way to monitor the risks which partnership programs pose for the Bank. The report made five recommendations to enhance the transparency and effectiveness of the Bank's participation in the governance of partnership programs. It also noted that there would first need to be a Bank-wide decision to adopt a more disciplined approach to partnership programs to implement its recommendations, since the CFP Vice Presidency by itself currently lacks both the mandate and the tools to implement the recommendations.

IEG agrees with the substance of these recommendations and recommends that the Bank implement them expeditiously, while also clarifying VPU responsibilities for doing so.

The Development Grant Facility

The DGF was established in 1998 to bring under one umbrella all the various grant financing arrangements that had been started over the years—the Consultative Group on International Agricultural Research, several health research programs, the onchocerciasis (riverblindness) programs, the Institutional Development Fund, and CGAP—as well as two new programs that year—the Post-Conflict Fund and the Information for Development Program.

Today, the DGF is no longer the umbrella facility for all the Bank's grant financing arrangements because a number of significant grant programs—the CGIAR, the Institutional Development Fund, the Post-Conflict Fund, and the Africa Capacity Building Foundation—have now left the DGF, but continue to be funded by other Bank resources.

There is still a sound rationale for the Bank to be engaged in grant making in a small way. The DGF is, in effect, the Bank's own trust fund to support partnership activities outside the Bank. But the DGF has been adversely affected by governance and management issues and by the inconsistent application of its own eligibility criteria—issues identified in previous IEG reports.

Eligibility Criteria for DGF Grants

IEG has found a strong qualitative correlation between programs' compliance with these criteria and their development effectiveness, indicating that the criteria are doing a reasonable job of screening programs for likely development effectiveness to the extent that they are consistently applied. However, there has been considerable variation in compliance among the criteria and among programs. Four of the eight eligibility criteria remain sound: subsidiarity, comparative advantage, multicountry benefits, and managerial competence. The other four criteria—promoting partnerships, financial leverage, arm's length relationship, and disengagement strategy—have proven problematic.

IEG recommends (a) specifying more precisely the types of partnerships to be promoted, particularly in light of the strategic reorientation of the DGF toward a "venture capital" model; (b) enforcing the leverage requirement consistently, both ex post and ex ante, while clearly specifying allowable exceptions; (c) eliminating the arm's length requirement, which is superfluous and sends confusing signals; and (d) emphasizing the Bank's engagement strategy—rather than disengagement—with each program, along with the timeframe for the various ways in which the Bank plans to be engaged.

Governance and Management of the DGF

The DGF Council is a legitimate body for allocating a fixed quantity of the Bank's own financial resources among different partnerships, because it is comprised of representatives from all the Network and Regional VPUs, as well as CFP and the Legal Department. However, IEG has observed a number of issues with respect to efficiency, transparency, and conflicts of interest.

The DGF follows an annual cycle, culminating in the presentation to the Bank's Executive Board in June each year of the Council's recommended allocation of next year's DGF budget. Almost no one whom IEG interviewed viewed this system as efficient. The structure and content of the application forms have not been conducive to efficient consideration of existing and new proposals. IEG has identified some of the deficiencies and made suggestions for improvement. In particular, the forms should include some criteria and questions that relate to the way in which the programs will subsequently be evaluated.

IEG's Global Program Reviews have also revealed a number of deficiencies in the transparency of information reported by the DGF Council and Secretariat.

Strategic Reorientation of the DGF

The ongoing strategic reorientation of the DGF toward a "venture capital" approach provides an opportunity to revitalize it, if it addresses a number of yet unanswered questions, based on the findings and lessons from IEG's review of 16 DGF-supported programs.

If the Bank is going to help initiate and then exit a new venture after a few years, it should focus on building sustainable institutional arrangements that will survive the Bank's financial exit. This would imply a preference for supporting partnership programs with formal governance structures and multidonor financing at the outset, rather than more informal types of partnerships.

The DGF has also provided long-term financial support to a number of important global partnerships, particularly in the health sector. These generally small but flexible contributions have given the Bank a "seat at the table" to contribute to the governance of the global health system for the benefit of the Bank's client countries. These contributions have also been valued by the recipient programs because the funds have contributed to core rather than earmarked funding. If such grants are still viewed as important but inconsistent with the new approach, then the Bank would have to find another instrument to make such grants.

Recommendations

This report makes the following recommendations to strengthen the Bank's management and oversight of GRPPs. The intent is to improve the development effectiveness of the programs themselves. The recommendations follow the same logical framework as those in IEG's 2004 evaluation of the Bank's involvement in global programs.

Strategic and Policy Framework

1. The Bank should continue to work with its global partners to develop shared understanding and information about the role and nature of GRPPs in the new aid architecture, from the initiation and establishment of new programs through their independent evaluation and impact assessment.

2. The Bank should develop a formal policy on engaging with GRPPs, including among other things:

- Standard approval processes for Bank engagement with new partnership programs, independent of how they are financed
- A policy for hosting the management units (secretariats) of GRPPs inside the Bank.

Financing

3. The Bank should revise the eligibility criteria for receiving DGF grants, taking into account the role of GRPPs and the DGF in the new aid architecture and the Bank's mixed experience with the existing DGF criteria.

Selectivity

4. The Bank should not formally engage in new GRPPs that do not have well-articulated governance arrangements, theory of change, monitoring and evaluation framework, and resource mobilization strategy at the outset.

5. The Bank should have an explicit engagement strategy for each GRPP in which it is involved, including the following:

- The expected roles of the Bank in the program at both the global and country levels, along with the expected duration of these roles
- How the program's activities are expected to be linked with the Bank's country operations
- How the risks to the Bank's participation will be identified and managed, including conflicts of interest among the Bank's roles in the program.

6. The approval of new programs should include criteria against which programs will subsequently be evaluated, including:

- Evidence of an international consensus
- Evidence of developing country demand
- Subsidiarity
- The absence of alternative sources of supply.

Oversight and Risk Management

7. The Bank should strengthen its oversight and risk management of GRPPs by:

- Establishing and maintaining a definitive, continuously updated, and searchable database of the GRPPs in which the Bank is currently engaged
- Requiring standard terms of reference for Bank staff serving on partnership boards
- Preparing Bank-wide guidelines for task team leaders of GRPPs
- Providing sufficient budgetary resources for effective oversight and risk management
- Requiring each vice presidency to produce an annual report on its involvement in GRPPs, including new entrants and exits.

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Contact IEG:

Director-General, Evaluation: Vinod Thomas
Director: Cheryl Gray (IEGPS)
Manager: Mark Sundberg (IEGPS)
Task Managers: Chris Gerrard (IEGCC)
Anna Aghumian (IEGCC)

For more information, please contact us at:
http://www.worldbank.org/ieg
IEG Help Desk: (202) 458-4497
E-mail: ieg@worldbank.org