

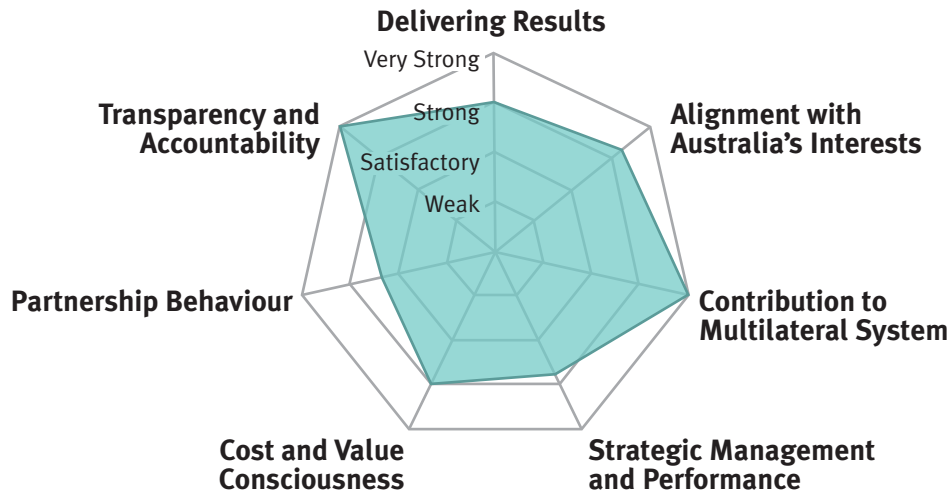


Australian Multilateral Assessment March 2012

World Bank



OVERVIEW OF ORGANISATION RATINGS



ORGANISATION OVERVIEW

This assessment considers two of the five members of the World Bank Group, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together the IBRD and IDA are commonly referred to as the World Bank (the Bank), and that terminology is used throughout this assessment.

The Bank provides concessionary finance and analytical and advisory services to developing countries. It has 187 member nations.

IDA, the Bank's fund for poorer countries, is the largest multilateral channel of concessional financing to the world. It assists 81 of the world's poorest countries by providing funds to support their efforts to boost economic growth, reduce poverty and improve the living conditions of the poor. In 2010–11 new commitments of credits and grants through IDA totalled US\$16.3 billion.

IBRD aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services. New lending commitments from the IBRD totalled over US\$44 billion in 2010–11.

The Bank’s governing arrangements are complex. Each of the Bank’s 187 member countries is represented by a Governor. Governors meet twice a year to discuss the progress and future direction of the Bank at a strategic level. Governors are represented on a day-to-day basis by a 25-member resident board (the board). They meet twice a week and approve all project loans, as well as considering major policy directions. The board’s committees look at issues such as audit, budget, development effectiveness and administrative arrangements in more detail.

Most Board members represent multiple countries, known as constituencies. Australia is in a constituency of 14 countries and holds the position of executive director on the resident Board 50 per cent of the time.

The Bank is a large and growing partner for the Australian aid program, with total funding of more than \$505 million in 2010–11. Australia paid core funding of \$158 million to IDA in 2010–11. Australia’s non-core funding for joint activities at country, sector and global levels was \$347 million in 2010–11. In the most recent replenishment, IDA 16, Australia maintained a burden share of 1.8 per cent. Cumulatively, Australia is the 11th largest contributor since IDA’s inception. Australia was the second-largest contributor of non-core funding to IDA and IBRD in 2010–11.

RESULTS AND RELEVANCE

1. Delivering results on poverty and sustainable development in line with mandate

STRONG

The Bank delivers large-scale aggregate results across a broad range of countries and sectors. Overall, 77 per cent of its projects meet their objectives although effectiveness varies at country and sector-levels. Clear evidence of results was presented during the Australian Multilateral Assessment field visit to Indonesia, including the National Program for Community Empowerment in Rural Areas that directly supports 34 million people across 57 000 rural villages with improved health, infrastructure and other services.

Australian overseas missions report strong tangible results by the Bank in Afghanistan, the Philippines and Vanuatu, although results are less impressive in East Timor.

The Bank’s strong results-based management system provides clear information that is extensively used in management decisions and reporting.

Many of the Bank’s projects benefit the poorest directly or indirectly, although several independent assessments have questioned whether poverty impact assessments are adequately used by the Bank to identify the poorest beneficiaries in planning and implementing activities.

a) Demonstrates development or humanitarian results consistent with mandate	STRONG
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At institution-level, the Bank delivers results on a large scale. The Bank reports that over the past 10 years, IDA alone has benefited 105 million children each year from improvements in the quality of teaching and facilities for learning; immunised 310 million children; provided 98 million children with targeted interventions to improve nutrition; and provided 26 million people with access to an all-season road from the construction and/or rehabilitation of more than 118 000 km of roads, and the maintenance of 134 000 km. The scale and breadth of results is impressive; however it is not possible to make an overall assessment of whether these results represent value for money.

The 2011 Independent Evaluation Group’s (IEG) report on the Bank’s performance reported that 77 per cent of its projects met their objectives during 2008–10, a slight reduction from the previous three-year period but nevertheless higher than most other multilateral development banks. At country-level the group’s reviews found the Bank’s performance satisfactory in 73 per cent of country programs during 2008–11.

Success varies at regional and sector-levels. In the five-year period to 2009, the IEG reported the percentage of activities to satisfactorily meet their objectives at regional level ranged from a high of 85 per cent in East Asia to a low of 68 per cent in Africa. On a sector basis from 2008–10, the transport, economic policy, and agriculture and rural development sectors each had 80 per cent or higher satisfactory performance ratings, while education had just 57 per cent of projects with satisfactory performance ratings.

This variation in performance in delivering results, particularly at country-level, is reflected in feedback provided through the Australian Multilateral Assessment. During the field visit to Indonesia, feedback from most stakeholders on the Bank’s impact was very positive. Stakeholders pointed to impressive tangible results from the Bank’s work in sectors as diverse as public financial management, infrastructure, community development, education and health. Feedback from Australian overseas missions is also very positive on the results delivered from the Bank-managed Afghanistan Reconstruction Trust Fund and energy and telecommunications work in Vanuatu. In East Timor, by contrast, Australian officers reported a range of concerns with the Bank’s performance, including delays in programs due to lengthy procurement procedures, an over-reliance on technical assistance and insufficient engagement with partners. The preparation of a new country assistance strategy in 2012 provides the Bank with an opportunity to address performance concerns and improve delivery of results.

b) Plays critical role in improving aid effectiveness through results monitoring	VERY STRONG
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The Bank has increased its ability to demonstrate the development results of its work over recent years. It has developed results-based country assistance strategies which enable the planning, monitoring and measuring of results at country-level. The IDA result management system provides comprehensive reporting on both broad development outcomes and the effectiveness of IDA’s own programs. The system has been further

strengthened following improvements agreed on during the 2010 replenishment of IDA (IDA16).

For both IDA and IBRD, progress against results planned in projects, programs and country strategies are systematically monitored. The IEG plays an important role in verifying these results through assessing the accuracy of self-evaluations. This process also requires the development of management action plans, holding the Bank accountable for follow up. The Bank has also made significant use of impact evaluations and has plans to more systematically apply impact evaluations across its activities. The establishment of a corporate scorecard may further improve the Bank's focus on results.

Although the system is strong, there are issues with application of the some aspects of the system. The 2011 IEG's report on the Bank's performance found that the percentage of the Bank's projects that met quality standards at their commencement fell to 68 per cent from 78 per cent in the previous three-year period. The report stated that among the reasons for this was:

... lack of clarity of objectives, poor results frameworks, inadequate monitoring and evaluation frameworks, poor assessment of the capacity of counterpart agencies, and unrealistic assessments of political economy issues and government ownership.

c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging	SATISFACTORY
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Some World Bank programs, such as the National Program for Community Empowerment in Rural Areas in Indonesia, explicitly target the poorest. But many bank programs are designed to tackle broad development challenges and so have clear but indirect benefits for the poor. For instance efforts to improve the capacity of government to reduce corruption through better financial management systems have substantial indirect benefits for the poorest by reducing the amount of leakage in government expenditure on social services. Likewise, infrastructure development (which represented about 30 per cent of Bank financing in 2009–10) such as rural electrification can benefit large numbers of poor.

That said, there is evidence of room for improvement in poverty focus within the Bank's programs. Feedback from Australian overseas missions and submissions from Australian non-government organisations highlighted a range of activity-level examples where Bank programs did not take sufficiently active measures to target the poorest. Several submissions from Australian NGOs were particularly critical of the World Bank's work in the health and education sectors in terms of the lack of attention to targeting the poorest.

2. Alignment with Australia’s aid priorities and national interests	STRONG
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The Bank’s programs are closely aligned with all five of the Australian aid program’s strategic goals.

The Bank’s lending and Australia’s grant programs complement one another, as is evident in the large volumes of co-financing.

The Australian Government, like many other development stakeholders, relies heavily on the Bank’s research, analytical and data work at sector and global levels and often at country-level.

The Bank plays an active role in forums of importance to Australia such as the Group of Twenty (G20).

The Bank’s presence in Pacific Island countries has sharply increased over the past five years, partly in response to urgings from Australia.

The Bank has a strong policy record on gender issues, including its 2012 World Development Report on gender. But at operational level, the Bank struggles to consistently include a gender focus in its projects. There are now corporate commitments in IDA16 and the corporate scorecard, which may improve incentives to adequately consider gender issues at the operational level.

The Bank does not have a formal policy on disability, although Bank policies related to poor and vulnerable populations are pertinent to persons with disabilities, and disability issues are addressed in a range of sector policies (for example, transport and education). The Bank houses the Secretariat for the Global Partnership for Disability and Development.

Over the past decade the Bank has played a leading research and analytical role in improving donor effectiveness in fragile states and implementing institutional measures to lift its effectiveness. As a whole these measures have had some success (as indicated by improvements in the proportion of activities meeting objectives) although the Bank continues to be less effective in some fragile states, for example East Timor.

a) Allocates resources and delivers results in support of, and responsive to, Australia’s development objectives	VERY STRONG
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The Bank supports Australia’s economic and development objectives at global level in a range of ways. For example, it plays an important technical advisory role in the G20 development working group. The Bank played a leading role in helping developing countries respond to the impact of the global economic crisis. This included working with Australia, Japan and the Asian Development Bank to provide a stand-by loan to Indonesia.

At institution-level the Bank has been open to constructive influence from Australia on issues such as increasing staffing and lending volumes in Pacific Island Countries. The number of staff based in the Sydney regional office has more than doubled over the past five years and new offices have opened in Samoa and Tonga. The institutional

relationship was cemented through the September 2011 signing of a Partnership Agreement between Australia's Foreign Minister and World Bank President.

b) Effectively targets development concerns and promotes issues consistent with Australian priorities

VERY STRONG

The Bank's activities strongly and directly relate to all five of the Australian Government's goals of saving lives, promoting opportunities for all, sustainable economic development and effective governance and humanitarian and disaster response (through reconstruction activities). Staff managing Australia's aid program at country and sector-levels see a high degree of alignment between the Bank's programs and Australia's development objectives. This has seen non-core funding to bank activities grow rapidly over recent years, from around \$70 million five years ago to \$347 million in 2010–11.

Australia relies heavily on the Bank's analytical and research work at global and sector-levels, and often at country-level. Australia values the Bank's convening power and technical expertise in a range of areas. For instance, when considering how to tackle major global challenges, such as climate change and food security, Australia and other donors look to the Bank to play a major role in providing policy advice and leveraging financing. The Bank frequently plays a central convening and financing role in the reconstruction phase following natural or man-made disasters.

c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities

SATISFACTORY

With regard to gender and environment issues the World Bank has been strong at a policy-level but weaker at an operational-level.

The Bank has struggled to embed gender issues into its culture and operations. The IEG's 2010 evaluation showed there has been a weakening in the implementation of the gender strategy at country and project-levels since 2005 (including fewer country gender assessments, less meaningful integration in country assistance strategies, and declining integration in projects). The Bank's management acknowledges that enhancing the strategic focus on gender equality is an ongoing effort, especially in IDA countries. Feedback from Australian overseas missions, including in Afghanistan, Bangladesh, India and Tonga, cited examples of programs in which the Bank had an insufficient focus on gender issues until pushed by other donors.

Nevertheless the Bank has produced leading policy work on gender mainstreaming for many years, most recently its *World Development Report 2012: Gender Equality and Development*. It has also initiated a range of successful programs to advance gender equality, such as the Adolescent Girls Initiative. At country-level the World Bank Group often leads gender assessments, such as in Papua New Guinea. The Bank also committed to initiatives to promote a focus on gender issues as part of the IDA16 replenishment, including a commitment to disaggregate beneficiary indicators for all IDA investment operations in the education, health and water sectors by sex. In addition, all Country Assistance Strategies prepared in IDA16 will: analyse climate change vulnerabilities; include activities in climate change mitigation and adaptation when requested by the partner country; and draw on the findings of a gender assessment.

The Bank has climate and environmental safeguards in place which guide all development interventions. However a 2008 IEG report found that the environmental challenges were not yet sufficiently incorporated into operations and business. An independent advisory panel, when commenting on the report, found that:

Despite major intellectual accomplishments and many policy innovations, and despite state-of-the-art environmental safeguards, the Bank Group continues to give low de facto priority to the goal of enhancing the environmental sustainability of development ... particularly in terms of the levels of financing dedicated to this purpose and the lack of integration of a systematic environmental sustainability perspective across policy and financial instruments. For example, the Bank has too often failed to translate its environment agenda effectively from upstream analytical work, via Poverty Reduction Strategy Papers and Country Assistance Strategies, through to its downstream lending operations.

With regard to disability issues, the Bank’s performance at an operational-level has been stronger than at a policy-level.

The Bank does not have an overarching strategy and systematic approach to disability inclusive development, although Bank policies relevant to poor and vulnerable populations are pertinent to persons with disabilities. In addition, a range of sector strategies include attention to disability-related issues. For example, the transport sector strategy mentions the need to ensure transport accessibility; and the education sector strategy monitoring indicators include an indicator on education of children with disabilities.

The Bank has housed the Secretariat for the Global Partnership for Disability and Development since 2008. The Secretariat has jointly implemented several activities, such as the disability and development donor forum that includes all major bilateral and multilateral development organisations with the objective of fostering international cooperation for the implementation of the *Convention on the Rights of People with Disabilities*. Nevertheless, the overall impact of the partnership has been limited due to a lack of resources.

At an operational-level, the Bank does support a wide range of activities related to people with disability. The Bank is involved in the removal of barriers that limit participation of persons with disability in areas including education, employment, safety nets, transport, infrastructure, health and nutrition, water and sanitation, post-conflict and natural disasters.

d) Performs effectively in fragile states	STRONG
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The World Bank has taken measures to improve its effectiveness in fragile states over the past decade. This has included modifying its financing allocation model and lending procedures to ensure more timely and flexible assistance to fragile states. The administrative budget has also been de-linked from lending to encourage more non-lending assistance. Staffing levels in fragile states have increased rapidly over the past decade particularly after a 2006 Independent Evaluation Report on the Bank’s engagement in fragile states (Evaluation of World Bank Support to Low income

Countries Under Stress) found shortcomings in number and quality of the Bank's staff in fragile states.

The Bank has played a leading role over the past decade in policy and analytical work on ways to improve the effectiveness of donor interventions in fragile states. The *2011 World Development Report on Conflict, Security, and Development* makes a wide range of recommendations for the Bank and other donors to implement to improve effectiveness in fragile states, and bank management is acting on these. Supporting fragile and conflict-affected states was one of the special themes for IDA 16. These are all welcome developments.

More recently, a hub was established in Nairobi, designed to have staff on the ground to ensure follow-through on basic actions required for the preparation and implementation of reform programs and projects. It is too early to judge the success of this initiative.

In aggregate the measures to improve the Bank's effectiveness in fragile states appears to be working, with the proportion of projects found to have met their objectives improving.

Feedback from Australian overseas missions in fragile states painted a mixed picture of the Banks effectiveness. For example, feedback from Afghanistan was that the Bank was doing a good job in difficult circumstances, while feedback from East Timor was less positive.

3. Contribution to the wider multilateral development system	VERY STRONG
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In areas such as climate change and food security, the Bank's convening power, technical expertise and strong fiduciary and accountability systems mean it often manages multi-donor trust funds that support large-scale interventions and improve coordination in specific sectors.

With annual lending through IDA of around US\$16 billion, the Bank is the largest provider of development assistance to low income countries.

Many parts of the multilateral system and, indeed, many bilateral donors including Australia, rely on the Bank's platform role in providing research, data and analytical work. A 2010 study by the World Bank's Development Research Group found evidence that many of its publications influence development thinking. In the 2009 Multilateral Organization Performance Assessment Network (MOPAN) report stakeholders rated the Bank relatively highly for its knowledge management and contributions to policy dialogue.

a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts	VERY STRONG
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At global-level, the Bank is instrumental in promoting the coordination of development efforts. The Bank's governance mechanisms, such as the Development Committee, provide a key forum for agreeing on collective action on major global development challenges such as the response to the impact of the global economic crisis or means of responding to high fuel and food prices. The Bank's convening power sees it play

a leading role in coordinating global action in sectors such as food security and climate change.

At country-level, the extent of World Bank leadership in coordination efforts varies significantly, often hinging on the size of its program and presence. During the field visits to Indonesia and the Philippines, both countries in which the Bank has a large presence, stakeholders praised the leadership and coordination role the Bank played across a range of sectors.

b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise	VERY STRONG
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The Bank is a critical player in providing large-scale finance. Through IDA, the Bank is the world's largest provider of concessional financing to low income countries. The Bank's lending to middle income countries has become less important (in terms of volume) over the past 20 to 30 years, given the growth in international trade and investment, but remains important in terms of providing a vehicle to lift quality across broad government programs in sectors such as infrastructure. World Bank Trust Funds for reconstruction in the aftermath of disasters (for example, in Aceh and Afghanistan) and in key sectors (for example in climate change and food security) provide an important vehicle for uniting international financing efforts.

Feedback from Australian overseas missions suggests the Bank in-house specialist expertise in sectors such as public financial management and parts of the infrastructure sector is highly valued by stakeholders.

Although the World Bank does not have a mandate to set norms and standards itself, it plays an important role within the multilateral systems in supporting others to set norms and standards through its data, analytical work or expertise. For instance, other multilateral organisations have followed the World Bank's lead on issues such as safeguard policies and monitoring and evaluation systems.

c) Fills a policy or knowledge gap or develops innovative approaches	VERY STRONG
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The World Bank's knowledge products such as the global monitoring reports, the world development reports and the doing business surveys are made easily available and are widely circulated to development stakeholders. The *2011 Global Monitoring Report*, for example, provided useful analysis of the recovery of developing countries from the global economic crisis. Initiatives such as the Bank's open data catalogue, which provides open access to more than 7000 indicators from World Bank datasets, form an important basis for the planning and analysis of all development stakeholders.

A 2010 study by the Bank's Development Research Group found evidence that many of the Bank's publications influenced development thinking, as indicated by the citations found using Google Scholar and in bibliographic data bases (although the study also found that some smaller publications received no citations, suggesting they have had little scholarly influence).

The 2011 IEG's report on the Bank's performance found that the Bank lacked a comprehensive framework for evaluating the results of its analytical and advisory work and that monitoring and evaluation was inadequate. This placed a constraint on the influence of analytical and advisory work and learning across the Bank. Bank management has taken measures to address this shortcoming, including publishing a report on knowledge (*The State of World Bank Knowledge Services: Knowledge for Development 2011*) and improvements to the guidelines for Advisory and Analytical work.

ORGANISATIONAL BEHAVIOUR

4. Strategic management and performance

STRONG

Given its broad mandate, the key aspects of the Bank's strategic management occur at country and sector-levels, rather than at institution level. Country and sector strategic planning is robust and genuinely guides decision making.

Governance arrangements work reasonably well, with the Bank's resident executive board holding management to account for performance on a day-to-day basis, although the Board can tend to micromanage and lose focus on strategic issues.

Monitoring and evaluation practices are embedded in operations and inform decision making. The Bank's Independent Evaluation Group, which has oversight over monitoring and evaluation systems, is viewed as being broadly effective.

Nevertheless the extent to which the Bank's procedures enable adjustments to programs based on feedback from monitoring and evaluation is an issue. The Bank was rated by stakeholders as inadequate on adjusting procedures in the 2009 MOPAN survey and feedback from Australian overseas missions also identified lack of flexibility in procedures as a concern. Recent reforms to investment lending are designed in part to increase flexibility to adjust programs.

The Bank's management has shown strong leadership on a range of global challenges over the past few years, including through overseeing a rapid increase in lending to help mitigate the impact on developing countries of the Global Financial Crisis. In the 2009 MOPAN report stakeholders rated the Bank as adequate in managing human resources.

a) Has clear mandate, strategy and plans effectively implemented

STRONG

The breadth of bank activity makes it difficult to develop a comprehensive strategy at institution level. Nevertheless the *Post-Crisis Directions* paper represents a good corporate strategy across the World Bank Group.

The Bank's rigorous budget process and the centrality of country assistance strategies in driving activity at country-level means the Bank's resources are guided by clear strategic direction. Strategic coherence is being improved further through the bedding down of IDA results frameworks, the introduction of regional updates and strategies and the development of a World Bank corporate scorecard.

At country-level, the Bank's activities are driven by partner government priorities. The 2011 IEG report on the Bank's performance found there has been limited progress in selectivity due in part to government and donor demand for the Bank's broad presence.

b) Governing body is effective in guiding management

STRONG

Governors have shown a capacity in recent development committee meetings to successfully guide the Bank on major policy and strategic directions, such as expanding lending in response to the impact of the Global Financial Crisis.

The Bank has a resident board which exercises a high degree of day-to-day oversight over management activities. This provides Board members with a high level of real-time understanding about the Bank's performance. As a consequence, however, the Board can lose focus on strategic direction and tend towards an unhealthy degree of micro-management.

There are examples of where the governing body, through the resident board and the Development Committee, has helped to improve practice. For example, pressure from the governing body has helped to accelerate improvements in governance such as the increased attention to supervision and broadening the coverage of evaluations by the Independent Evaluation Office.

One complication in governance arrangements is the relative roles of IDA deputies (who take a leading role in the replenishment negotiations of IDA) and Board members. Although IDA deputies have no formal power on the Bank's policy direction, many policy directions tend to be agreed during IDA replenishment negotiations. IDA negotiations have helped to advance a range of reforms including greater attention to results measurement and reporting. At times, however, this creates tension with some Board members.

c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results

SATISFACTORY

The Bank has a strong monitoring and evaluation framework.

The IEG provides oversight of the self-evaluation process and undertakes regular independent evaluations, including an increasing number of real-time evaluations to supplement and/or complement bank monitoring. The IEG has produced a range of critical evaluations but is not entirely independent of management, in that IEG staff (with the exception of the Head) can return to the Bank's management.

The size of budgets for supervision of activities has increased substantially over recent years and now represents around 18 per cent of all administrative operational expenditure. The 2011 IEG report found 93 per cent of projects in East Asia and the Pacific had satisfactory supervision. This included:

- ... early identification of problems and timely adjustments to address design and implementation weaknesses; good coordination between the Bank, implementing agencies and key stakeholders; frequent and intensive missions by teams consisting of specialists from all relevant sectors; good continuity among Bank teams; and high quality and timely Bank staff advice on procurement, disbursement, and financial management issues.

Nevertheless, some officers from Australian overseas missions reported that bank programs can be overly risk averse or inflexible when circumstances change. This is consistent with the 2009 MOPAN survey, in which stakeholders rated the Bank as inadequate on adjusting procedures.

Robust fiduciary and accountability systems are one of the Bank’s great strengths and are supported by shareholders including Australia. But Board approved policies in fiduciary and safeguard areas that are important for maintaining accountability can lead to lack of flexibility in implementation of activities when circumstances change. Recent reforms to investment lending are designed in part to increase flexibility to adjust programs. It is too early to judge the success of these reforms.

d) Leadership is effective and human resources are well managed	STRONG
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All positions, with the exception of the President, are filled through merit-based processes. Discussions were held at the April 2011 Development Committee meeting on moving to an open, merit-based and transparent selection process for the position of President.

Senior management positions are filled from internal and external talent. Internal incentives for staff within the Bank are complex, but tend to lead to a culture of excellence and continuous improvement. There are some problems with staff incentives, such as attracting the best staff to work in fragile states, but management is attempting to address this.

In the 2009 MOPAN report, stakeholders rated the Bank as ‘adequate’ in managing human resources.

5. Cost and value consciousness	STRONG
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The Bank’s administrative costs are high on the surface, but this reflects the important range of non-lending functions the Bank plays such as analytical work, coordination and policy advice. Many of these services are provided to the international community as a whole. This makes it difficult to benchmark the Bank’s administrative costs against organisations that do not provide this range of ‘public goods’.

The Bank has been operating with a flat real administrative budget since 1999 and disciplines within the budget system help constrain costs. Starting in 2009–10, all major financial and budget decisions have been brought together to ensure fully informed decision making.

The Bank’s performance-based allocation system helps promote value for money at country-level. A 2006–07 Common Performance Assessment System analysis rated 96 per cent of Bank projects as ‘moderately satisfactory or better’ on the quality and coherence of economic rationale and analysis underpinning the project. Nevertheless, the IEG has highlighted a fall in the use of cost-benefit analysis over recent years.

The Bank’s work in public expenditure management and stringent operational requirements help ensure partners focus on value for money issues.

a) Governing body and management regularly scrutinise costs and assess value for money	STRONG
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Overall, the Bank has a higher ratio of administration to lending relative to regional development banks. The Bank’s administrative budget in 2010–11 was approximately US\$2.3 billion, or approximately 3.9 per cent of total IDA and IBRD lending. By way of comparison, the Asian Development Bank’s administrative budget was US\$430 million, approximately 2.5 per cent of total lending.

This relatively high administrative budget is partly explained by the Bank’s large amount of non-lending work (for example, analytical work and technical assistance), which is one of the Bank’s core strengths.

Management and the Board agreed the Bank will operate within a flat real administrative budget, which it has done since 1999. Sub-committees of the Board scrutinise aspects of the Bank’s administrative costs and the Bank has a rigorous budget process that includes incentives to keep administrative costs down. A productivity tax has been introduced that penalises relatively inefficient Bank units and provides an incentive to all units to seek cost efficiencies. Actions have been taken to improve efficiency, such as compensation and benefits reform, preferred airlines and office space initiatives. These measures have generated cumulative cost savings of 10 to 12 per cent over the past few years.

b) Rates of return and cost effectiveness are important factors in decision making	STRONG
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The Bank’s investment projects require consideration of rate of return. But according to the IEG, the use of cost-benefit analysis has steadily decreased over the years and now only around 25 per cent of projects include it.

In the case of IDA, the performance-based allocation model provides a means of channelling the bulk of resources into environments where they are most effective in terms of delivering development benefits. The top performing IDA countries receive per capita allocations around 2.7 times greater than the lowest performing countries.

IBRD country allocations are determined taking into account exposure and portfolio considerations that are central to ensure an efficient and effective use of IBRD capital. A model-based framework is used that allows for the establishment of maximum IBRD allocations consistent with the capital base and individual country exposure limits. The system is designed to ensure consistency in setting limits across IBRD’s diverse group of eligible borrowing countries and to improve IBRD’s responsiveness to changes in external environment.

c) Challenges and supports partners to think about value for money	STRONG
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In many countries the World Bank plays a strong role in helping governments to design and implement governance reform programs, particularly in areas of public financial management. The performance-based allocation system also incorporates measures related to public financial management effectiveness and fiduciary controls which provide incentive to partner government to improve performance.

The Bank's procurement policies and other program management measures promote attention to value for money for governments and other partners involved in implementing bank activities. These policies and systems are robust in seeking value for money through international competitive bidding and strong fiduciary standards. Any company involved in a bank activity found to be engaging in fraud or other inappropriate activity faces severe sanction, including debarment. Less directly, the Bank's focus on transparency, open data and its access to information policy help promote a focus by partners on value for money.

6. Partnership behaviour

SATISFACTORY

The Bank has substantially improved its partnership behaviour over the past 15 years, with decentralisation a major driving factor. Relations with partner governments and other donors have improved, although a number of Australian overseas missions overseas continue to report insufficient consultation at country-level.

Submissions from Australian non-government organisations to the Australian Multilateral Assessment review were generally critical of the Bank, suggesting more work is needed on consistently engaging civil society at program and policy-levels.

The Bank's programs align with partner priorities through country strategies jointly developed with partner governments. Programs must align with country strategies. The 2009 MOPAN survey showed stakeholders are generally satisfied with the Bank's support of national plans. The Bank's development policy lending is provided through country systems. The use of country systems for investment lending, however, has been more mixed, particularly for procurement. The 2009 MOPAN survey rated the Bank in the low band of adequate for use of country systems, although more recent reports such as the Quality of ODA index and the 2011 OECD Paris Declaration Survey rate the Bank more favourably. The Bank's management has acknowledged it wants to make greater use of country systems. Increasing the use of these systems, however, remains a contentious issue at executive board level.

The Bank's safeguard policies are complex, but work well in some circumstances, as the Australian Multilateral Assessment observed during its field visit to Indonesia where project-level safeguards drove improvements to government water policy.

Recent shareholder reforms have seen a shift in voting share towards developing countries, although in practice the greatest impact in increasing the voice of low income countries has been agreement to an additional board member from Africa. The voice of client countries in IDA replenishment processes has been improved through including borrower representatives, although their influence over decision making remains limited.

a) Works effectively in partnership with others

SATISFACTORY

World Bank has historically been criticised by partner governments, civil society and other donors for its partnership behaviour. The main criticisms have been a lack of willingness to listen to other perspectives, a lack of willingness to engage when not playing a leadership role and a lack of consultation during the preparation and implementation of activities.

There is no doubt that Bank management have worked hard to improve partnership orientation over the past 15 years or so, and this was reflected in most of the feedback received by the Australian Multilateral Assessment. The substantial decentralisation process since the late 1990s has undoubtedly helped to build much stronger relationships at country-level. Feedback from major programs such as Afghanistan, Indonesia, the Philippines and Vanuatu was generally positive about the Bank's partnership behaviour. The relationship with most partner governments has strengthened through much more inclusive approaches to developing country strategies and a sharp reduction in the use of conditionality in loans. The 2011 IEG reviews found that the Bank's donor coordination activities were generally effective in meeting the three objectives of reducing transaction costs to the government, improving the quality of the policy dialogue, and building government capacity.

Nevertheless, a number of Australian overseas missions noted continued concerns with the Bank's engagement with other donors. A common complaint was lack of engagement during program designs or monitoring missions of jointly funded activities, particularly where activities were managed from the Bank's office in Washington through a 'fly in, fly out' model.

The Bank's relationship with civil society is complex. During the field visit to Indonesia, the views of civil society were mixed. While some civil society representatives were critical of the Bank claiming that it took insufficient account of the views of local communities, others civil society representatives considered the Bank had significantly improved its engagement with civil society over the past decade. The Bank's office in Jakarta has established a dedicated forum to seek input from civil society. This initiative is one of many by the Bank at institution and country-levels to try to improve engagement with civil society on program and policy issues.

Yet submissions from Australian non-government organisations to the Australian Multilateral Assessment were generally critical of the Bank's lack of engagement with civil society, both at a policy and program-level. For example, a submission from Save the Children Australia highlighted criticism levelled at the Bank for lack of civil society engagement in the assessment led by the Bank (and Asian Development Bank) in the aftermath of the 2010 floods in Pakistan. Submissions from NGOs included no recognition of the Bank's efforts to reach out to civil society over recent years.

So whether it is a matter of perception or reality, the Bank has more work to do on improving partnerships with civil society. In his 2011 Annual Meeting speech President Zoellick acknowledged this and committed the Bank to do more. He noted that a 'modernized multilateralism' needs to recognise that investments in civil society and social accountability are key to development. As part of its forward looking efforts, President Zoellick suggested that 'it is now time for the World Bank to examine with its Board and shareholders, whether the Bank needs new capabilities or facilities that could leverage support from countries, foundations, and others to strengthen the capacity of civil society organisations working on accountability and transparency in service delivery' while helping '[to improve] the enabling environment for social accountability'.

b) Places value on alignment with partner countries' priorities and systems	STRONG
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The Bank's country strategy process and lending model generally promotes a high degree of alignment between investment lending and partner country priorities. The 2009 MOPAN survey showed stakeholders are generally satisfied with the Bank's support of national plans.

The Bank's development policy lending is provided through country systems. The use of country systems for investment lending, however, has been more mixed, particularly for procurement. The 2009 MOPAN survey rated the Bank in the low band of adequate for use of country systems, although more recent reports such as the Quality of ODA index and the 2011 OECD Paris Declaration Survey rate the Bank more favourably. The 2011 IEG report on the Bank's performance found that progress in the use of country financial management and procurement systems has been constrained by inadequate capacity in countries, weaknesses in public financial management systems and the Bank's fiduciary obligations.

Bank management are sympathetic to greater use of country systems in investment lending. Increasing the use of country systems, however, remains a contentious issue at executive board level.

c) Provides voice for partners and other stakeholders in decision making	SATISFACTORY
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The Bank has a robust set of social safeguard policies in place. The 2010 IEG Review on the Bank's safeguards and sustainable policies found that bank policies have helped avoid social and environmental consequences from its projects. During the field visit to Indonesia, for example, the Australian Multilateral Assessment found a good example of where implementation of the Bank's social safeguard policies had helped drive broader government policy reform to help mitigate the impact of local flooding.

The Bank's policies encourage the involvement of direct beneficiaries and stakeholder groups in monitoring and evaluation processes although feedback from civil society groups suggest that extent to which engagement is perceived as genuine varies considerably across the Bank's activities.

The Bank's Inspection Panel provides a redress mechanism for those adversely impacted by the failure to follow bank policies and procedures in conjunction with Bank-financed operations. This process is somewhat bureaucratic and cumbersome. In its submission to the Australian Multilateral Assessment, Australian non-government organisation Manna Gum noted that the technical and bureaucratic structure of the Inspection Panel's function makes it highly inaccessible to most project-affected people. Nevertheless, this function does work in certain circumstances, as demonstrated by two recent Inspection Panel cases in Albania (a coastal zone management project and a power-generation project) that were highly critical of the Bank's performance.

7. Transparency and accountability

VERY STRONG

The Bank's Access to Information policy (July 2010) includes a presumption of disclosure and makes the Bank among the most transparent multilateral organisations. It was rated the most transparent donor in the November 2011 Publish What You Fund index and in the November 2011 transparency component of the Quality of Official Development Assistance index. The Bank is an active member of the International Aid Transparency Initiative and has already reached the expected standards.

The IDA allocation system for lending is transparent in that it uses a publicly available formula, although this is quite complex and not easily understood by stakeholders.

The Bank has robust systems for financial management, audit, risk management and fraud prevention. In the 2009 MOPAN survey, all stakeholders rated the Bank highly for its financial accountability, including for its strong external audit practices at corporate and project levels.

The Bank's systems and processes help to promote the transparency and accountability of partners, including through the work of its specialist team of investigators and accountants in its Integrity Vice Presidency.

The Bank is a party to the cross-debarment agreement with the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank Group.

a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality

VERY STRONG

The Bank's Access to Information policy that has been in place since July 2010 makes it among the most transparent donors. The presumption is that all documents will be disclosed, apart from those covered by specific exceptions. Exemptions are reasonable, such as safeguarding Board discussions to allow for a free and frank exchange between management and shareholders.

The Bank publishes a high volume of information about each project on its website including project appraisals, country assistance strategies with results frameworks; IEG evaluations of country assistance strategies and sector reviews; and monthly updates on financial data. The Bank's open data initiative provides free, open and easy access to statistics and indicators about development for all users.

The Bank is an active member of the International Aid Transparency Initiative and has already reached the expected standards. It was rated the most transparent donor in the November 2011 Publish What You Fund index and in the November 2011 transparency component of the Quality of Official Development Assistance index.

b) Is transparent in resource allocation, budget management and operational planning	VERY STRONG
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IDA's resource allocation is made through a transparent, rules-based system with published allocation criteria. Although the formula is complex and there are a range of agreed exceptions (for example, for small states), this system could not be made more transparent without a radical overhaul.

IBRD country allocations are determined through a model-based framework that allows for the establishment of maximum IBRD allocations consistent with the capital base and individual country exposure limits. This is not as publicly transparent as IDA allocations, but is overseen by the executive board.

c) Adheres to high standards of financial management, audit, risk management and fraud prevention	VERY STRONG
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The Bank's management and Board have a strong focus on internal controls and fiduciary management. In the 2009 MOPAN survey, all stakeholders rated the Bank highly for its financial accountability, including for its strong external audit practices at corporate and project levels. There are strong internal controls over financial risk and resource management. An audit committee of the Board meets monthly to scrutinise and review the Bank's reporting and systems.

The Bank has a strong integrity unit that has doubled the number of staff investigating fraud and corruption in the Bank's operations over the past five years. The Bank has debarred more than 400 firms and individuals for wrong doing.

d) Promotes transparency and accountability in partners and recipients	VERY STRONG
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The Bank has strong requirements in its operations that promote transparency and accountability within its activities. In some cases bank operations can help to improve transparency and accountability more broadly across government systems, as has been the case in the Indonesia National Program for Community Empowerment in Rural Areas.

The Bank's Integrity Vice Presidency, a highly specialised team of investigators and trained forensic accountants, help to promote transparency and accountability within bank activities through investigating fraud and corruption allegations, preventing recurrence and supporting the capacity of national authorities.

The Bank is a party to the cross-debarment agreement with the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank Group.