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THE WORLD BANK'S PROPOSED PROGRAM FOR RESULTS (P4R):

IMPLICATIONS FOR ENVIRONMENTAL, SOCIAL, AND GENDER SAFEGUARDS AND CORRUPT PRACTICES

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This critique is based on the World Bank's document entitled, "A New Instrument to Advance Development Effectiveness: Program-for-Results Lending" (Revised Concept Note), dated February 23, 2011.

The Bank's new instrument -- "Program for Results" or P4R – provides a platform for the institution to pool its resources with those of many other creditors and donors, including corporations, foundations, NGOs, sovereign wealth funds, in order to finance a government expenditure program in a sector or sub-sector of a country. The World Bank states that "platform" is a way of extending its reach.

> *New bilateral donors with significant resources, such as China, India and Brazil, are now active in their support of infrastructure development in Africa. Sovereign wealth funds and foundations are expanding their outreach and impact...The Bank's role as a partner for other multilateral and bilateral donors has grown to respond to requests for using the Bank's work as a platform for pooled resources….*[2] *[Emphasis added.]*

The P4R is being launched later this year. It would complement the Bank's other two major lending instruments: the budget support loan/grant ("development policy loan" (DPL)) and the project investment loan. The P4R could replace a significant proportion of project investment loans.

This paper critiques the proposed P4R instrument by examining proposed environmental and social safeguards and fiduciary controls (Part I); effectiveness of proposed mechanisms of accountability (Part II); and the integrity of the consultation process on the proposed P4R instrument (Part III). Part IV presents conclusions.

1 With appreciation for input received.
2 World Bank, Investment Lending Reform Concept Note, January 26, 2009, pp. 2-3.

I. ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND FIDUCIARY CONTROLS

P4R will be an entirely new lending instrument – representing a *seismic change* in operational approach for the Bank.

- Bank Operational Policies/Best Practices on audit, procurement, financial management, fiduciary, gender policy, and environment and social safeguards **will not apply under P4R.**
- There is likely to be considerable "blowback" to P4R implementation as the elimination of these policies and standards could result in more extensive corruption and adverse impacts on vulnerable people, including women, and ecosystems.

P4R is expected to be widely used in almost all sectors and almost all countries, irrespective of country capacity, except "where the [material] weaknesses are so severe that credible remedial measures at the program level are judged unlikely to work…" p.42, para 23. [Note: The P4R would be implemented *irrespective* of the failure or weakness, as long as a remedial action can be agreed and somehow implemented concurrently with the operation.]

- The P4R would cover a broad range of sectors – education, health, social protection, roads, water, energy, urban development and agriculture and to apply to national, state and lower levels of government.
- The P4R could be used EXCEPT for large-scale infrastructure and information technology, which are labeled "category A" (high risk) with problems that cannot be mitigated through the [P4R] operation. (See p. 12, para. 27 (d).)

As noted above, for P4R operations, the World Bank is discarding its gender policy as well as its full suite of safeguards[3] -- the ten detailed social and environmental policies which it has employed for decades.

- Already, the Bank's full suite of safeguard policies and its gender policy apply to fewer than half of World Bank operations. They only apply to "ring-fenced" investment projects.
- Now the Bank plans to restrict its use of these policies to only "category A," "high risk" (primarily large infrastructure) projects. "Category B" projects represent one half of the Bank's investment loan portfolio. As these "category B" projects – with "substantial risk" – become P4R operations, they would be exempt from safeguards (as would "category C," "low risk" projects).[4]

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3 The group of Operational Policies (OPs) referred to as "safeguards" have been identified by World Bank Management as being particularly important in ensuring that Bank operations do no harm to people and the environment. There are 10 safeguard policies, comprising the Bank's policy on Environmental Assessment (EA) and policies on: Cultural Property; Disputed Areas; Forestry; Indigenous Peoples; International Waterways; Involuntary Resettlement; Natural Habitats; Pest Management; and Safety of Dams.

[4] According to the IEG, from 1999-2010 - "9 percent of lending was classified as category A (very high impact), 44 percent as category B (substantial impact), 29 percent as category C (low impact), and 4 percent as category FI (financial intermediary), but the distribution has changed substantially over time. During the review period, the proportion of category A increased from 5 to 11 percent, with the increase in the volume and scale of infrastructure lending. Category B increased from 37 to 51 percent, while category C dropped from 40 to 18 percent." SOURCE: http://web.worldbank.org/WBSITE/EXTERNAL/EXTOED/EXTSAFANDSUS/0,,menuPK:6120534~pagePK:64829575~piPK:64829612~theSitePK:6120524,00.html

In lieu of safeguards, four "principles" (See Attachment A) would apply to the P4R operations:

1. Avoid or minimize impacts on socioeconomic, physical and biological environment, with due consideration to vulnerable groups...
2. Avoid or minimize involuntary resettlement and assist displaced people in improving/restoring livelihoods...
3. Conserve, maintain, rehabilitate natural habitats and their functions...
4. Protect physical cultural resources...

- According to the P4R concept paper, these principles "would be used **not as benchmarks for prescribing remedies**, but rather as a means to evaluate how the government program is designed to identify, avoid, minimize, mitigate, or compensate for such risks and impacts." (Annex B, p. 48, para 39) When governments have inadequate controls, remedies are required.

In all likelihood, the Group of 20 (G20) will call for watering down the full suite of safeguard policies and the gender policy that still apply to large infrastructure projects. The Bank is currently undertaking a two-year consultation process to revise its full suite of safeguard policies, so those consulted should understand that:

- Exempting P4R operations from safeguards may result in only a fraction of the Bank's portfolio being covered by safeguards, albeit an important fraction (big infrastructure).
- **The G20 countries which represent about 65% of the voting power on the World Bank's Board will have a decisive influence on the revision of safeguards governing infrastructure operations.** On February 24, the G20 Finance Ministers announced the appointment of a High-Level Panel (HLP) on infrastructure financing and safeguards. (See individuals and mission here) In reviewing the infrastructure financing plans of all multilateral development banks, the HLP will, among other things, examine operational policies and practices that create obstacles to lending. The safeguards are considered a significant obstacle to lending.
- **The HLP will issue a draft report on infrastructure financing and safeguards to the G20 in June and a final report in November. There is no indication at this time that the HLP will engage in consultation or disclose its draft report to the public.**

The concept behind the P4R instrument is that the level and type of social and environment policies and fiduciary controls applied to each P4R operation should correspond to the level of risk implicit in each operation. The World Bank's new risk framework (Attachment B) shows that the risks arising from non-compliance with social and environmental policies represent 2 of the 38 types of risk to its operations.

- The safeguard policies are already applied differently to Bank-financed operations that present different levels of risk. For instance, "category A" and "category B" operations that present "high" and "substantial" levels of risk are treated differently than "category C" operations that present a low level of risk. Instead of creating additional categories to more finely distinguishing between the levels of risk that are implicit in an operation, the Bank does away with standards altogether.

- **In its risk framework, the Bank under-emphasizes the benefits of safeguards (which it has been unable to measure) and the costs of NOT implementing them.** One generally recognizes the value of regulatory safeguards after the "cow has left the barn" – after the oil spill, after the decimation of an indigenous population, after a critical tropical forest is destroyed, or after unequal access to health or education has affected a generation.

II. Effectiveness of Mechanisms of Accountability

Disbursements of resources through the P4R instrument will occur only when Disbursement-Linked Indicators (DLIs) are achieved by the recipient country. In other words, for each P4R operation, a set of results and performance indicators, including fiduciary controls, will need to be met for disbursements to take place. In theory, this would establish accountability, but:

- **What if environmental, social or corruption-related targets are not named as DLIs?** If an environment, social or corruption-related target is not identified as a "DLI," country performance may not be closely monitored or evaluated.
- **What if there are not robust results frameworks and monitoring and evaluation (M&E) processes?** Over decades, the Bank's performance on monitoring and evaluation (M&E) has been abysmal. In its *2009 Annual Report on Development Effectiveness,* Chapter 3, the Bank's Independent Evaluation Group (IEG) states,

  Improving M&E is a perennial concern that is raised in IEG reports and discussed in the Bank. The Bank has offered general encouragement, detailed guidelines, and specific requirements aimed at this goal for over a decade. IEG, for its part, has drawn attention to inadequate M&E in numerous sectoral evaluations and in its annual reviews..." Data from projects closing in fiscal 2007 and 2008 show that only 37 percent of projects exiting the portfolio received ratings of high or substantial, while the remaining 63 percent were rated modest or negligible.
- **What if the new controls on fraud and corruption are as effective as the old controls?** In its 2009 "Review of IDA Controls," the Bank's evaluators identify one important weakness (classified as a "material weakness") in the complex of controls to manage the risk of fraud and corruption in operations supported by IDA. It also found six weaknesses (classified as "significant deficiencies"): some fiduciary processes; management oversight of project processes; keeping the Bank's Operational Policies and Bank Procedures (OP/BPs) in line with current policy; maintaining ready access to operational documentation; improving operational risk management; and greater IT security in some areas. The Bank has taken numerous remedial steps, but reportedly, no evaluation of the effectiveness of these steps has been disclosed.

The World Bank's Department of Institutional Integrity (INT) will be diluted, diminished, and severely constrained:

- INT will no longer have presumed first lead on corruption and fraud investigations – giving explicit deference to countries. According to the concept paper, "The preferred approach would be for government systems to carry out the initial investigation in accordance with the overall P4R approach of using and strengthening overall governance and systems." *It is questionable whether having the government investigate the government is a useful approach in rooting out corruption!*

<u>It would be irresponsible for the World Bank's Board to approve the use of the P4R instrument without rigorous testing over time to ensure that the institution has learned how to monitoring and evaluate operations and focus on results</u>.[5]

- Despite the Bank's constant drumbeat about the importance of focusing on results, it has a really poor record of using results frameworks. An IEG Evaluation of World Bank Support for Gender and Development from 2002-08, finds that, since the Bank failed to establish frameworks for measuring results, it could not determine the impact of Bank operations to promote gender equality.
- In 2008 the IEG published an evaluation on environmental sustainability at the World Bank Group (WBG). It concluded that the WBG was doing a poor job of monitoring and evaluating the environmental impacts of the projects it supports. In particular, it noted that the Bank was paying insufficient attention to longer-term sustainable development.
- In 2009, an IEG evaluation of Bank support for health, nutrition and population (HNP) expressed serious concerns about the consequences of poor monitoring and evaluation, and subsequently, the inability to assess the effectiveness of activities of a substantial part of the WBG's portfolio.

Who will be responsible for collecting the data for the monitoring and evaluation process? How will performance on the DLIs be judged? If the client government does not collect data, it will simply not be feasible to supervise and evaluate results, but the governments have few incentives to do this job.

- Responsibility for monitoring against performance indicators for all projects and sectors is always done by the client government. But for the environmental and social safeguards this has not received systematic attention, is not a project requirement, and is not integrated into the project's results framework. Will the Bank gain rigor in its approach to the P4R which will have no safeguard requirements?
- The Bank's responsibility should be to identify and agree on key performance indicators, help establish a baseline, invest in client capacity to monitor safeguard policy results, and utilize the findings in its supervision and completion reports. Supervision should include a high degree of independent verification of the quality of monitoring and, for more complex projects, third party monitoring. However, there is very little in the concept paper that leads one to believe that this would be a rigorous process.

Without standards, the Bank ends the practice of "equivalency" – namely, requiring countries to adopt safeguards in 4 areas (environmental, social, procurement and country systems) which are equivalent to the Bank's policies and procedures.

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[5] See especially, Korinna Horta, Ph.D., "A Trajectory of Evaluation Reports: Taking Stock as the Independent Evaluation Group completes its *Evaluation of World Bank Group Safeguards and Sustainability Policies (1999-2008)*, URGEWALD, January 2010.

- The box below describes the meaning of "equivalency" in the case of the ESKOM coal-fired plant in South Africa as well as how the "equivalency" process together with the use of safeguards, provides a basis for accountability.

What is Equivalency? The Case of the ESKOM Coal-Fired Plant

In order to "do no harm" to people or the environment or protect against corruption, the World Bank has called upon recipient countries to ensure that their social, environment, financial management and other "systems" (i.e., laws and regulations) are equivalent to the Bank's own safeguards and its procurement and financial management policies. For instance, when the Bank provided a $3.75 billion loan to the Government of South Africa and the utility, ESKOM, to support a massive new coal-fired plant, the Government and ESKOM were required to ensure equivalency.

This means that the World Bank needed to prove equivalency, which it tried to do. The Bank stated that "*South Africa's legal, regulatory, and institutional framework is equivalent to the World Bank's safeguard policies for Environmental Assessment, Natural Habitats and Physical Cultural Resources. South Africa's policies are aligned with their commitments to international environmental agreements with respect to these safeguards. With respect to Involuntary Resettlement, the Bank's Safeguards Diagnostic Review (SDR) identified one key gap, relating to the form of documentation, and Eskom has already taken actions to bridge that gap during project preparation. As such, this project will use country systems for the applicable environmental and social safeguards.*"[6]

One can argue, as has been done, that the Bank did a poor job of establishing equivalency, but the process itself permits stakeholders to work with the Bank, the Government, and the company to be accountable to the safeguards. Moreover, stakeholders can evaluate the World Bank's "determinations" of equivalency.

In addition, if there are allegations that the World Bank has violated its own policies by allowing an operation to go forward when equivalency is lacking, then affected communities have a basis for taking a claim to the World Bank's Inspection Panel and requesting an investigation. Indeed, affected communities have taken such a case to the Panel regarding the ESKOM loan and an investigation is currently underway.

Instead of requiring countries to meet standards, the P4R proposes four principles, but the P4R concept paper gives little sense of how these principles would protect people and the environment or prevent corruption. If a disbursement-linked indicator (DLI) were linked to achievement of a standard, then there is some likelihood that it would be achieved. However, donors and creditors will not employ DLIs in all of the areas needed to ensure that operations "do no harm."

[6] World Bank Group, "Eskom Investment Support Project Questions & Answers, April 14, 2010

Communities affected by P4R operations may have little recourse to the World Bank Inspection Panel. Claims to the Panel are based on allegations that the World Bank has violated its own operational policies (OPs) and Bank Procedures (BP). However,

- the P4R operational policy (OP) is not disclosed and we do not know what it will say
- the P4R does not establish benchmarks or standards (only "principles"); ergo, standards cannot be violated.
- **The P4R is a program (not a project) instrument and, in the history of the Inspection Panel, only about 5 of the 65 cases it has investigated have been program instruments.**

The participation of communities affected by P4R operations is not ensured.

- The concept paper states that the only legitimate stakeholders would be those **involved in** the government program which the P4R operation finances. Under some interpretations, this could exclude those persons who might actually be **affected by** the program. In other words, those "involved" in a government program might be defined as those delivering an educational or environmental service rather than those affected by the delivery (e.g., parents and teachers in a school system or farmers affected by land use policies).

The P4R puts an end to the time-tested method of accountability – namely, "following the money."

- Because the P4R provides a platform upon which resource flows from multiple sources would be merged (as envisioned by the Paris Declaration), it will be impossible to "follow the money" of any single source. "Following the money" has been the foundation of all advocacy efforts vis a vis the multilateral development banks, bilateral and others.

The P4R instrument should identify the DLIs and conditions of each and every source of financing for the instrument – whether that source is a sovereign wealth fund, corporation, or bilateral donor.

- In any program operations (DPL or P4R) where there are multiple sources contributing financing to a country's budget, there is no transparency relating to the conditionality of these sources with the exception of the World Bank, which discloses its conditions. The conditionality frameworks of multi-donor operations ("performance assessment frameworks") only disclose the binding legal conditions of sources other than the Bank as "benchmarks."
- A study by the author shows that *12 multi-donor/creditor program operations* managed by the World Bank from 2006-2008 contained 132 conditions and 549 benchmarks or 11.1 conditions and 45 apparent benchmarks per operation, on average. Many of the "apparent" benchmarks are actually binding conditions of other donors and creditors. However, lacking the documentation from donors/creditors other than the World Bank, it is impossible to determine the extent of binding conditionality. (See Attachment C.)
- Recipient governments are not only influenced by the conditions and DLIs on program loans, their policies are also profoundly affected by the Country Policy and Institutional Assessment (CPIA) – at least this is the case for low-income governments. The volume

of financing to which a developing country has access and the types of conditions which are imposed depend upon its performance scores on the CPIA, a World Bank-administered instrument. In her August 2010 presentation to the African Governors in Sierra Leone, the author presented ways in which the CPIA induces governments to adopt misguided policies as well as ways that it misallocates resources: http://www.boell.org/web/134-647.html

III. Integrity of the P4R Consultation Process

There are several problems with the consultation process.

Brevity. The Bank is conducting a brief, two-month consultation based on its P4R "concept note" through May 31, 2011: http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTRESLENDING/0,,contentMDK:22748955~pagePK:7321740~piPK:7514729~theSitePK:7514726,00.html. This is an insufficient time to analyze the concept and learn about the potential strengths and weaknesses of the P4R instrument.

Alternatives. The concept paper does not present alternatives to the P4R that its sister institutions are using. For instance, the Inter-American Development Bank (IDB) rejected the concept of the P4R instrument and, instead, has adopted measures that it believes will be more effective in building the capacity of recipient countries to manage risks. The IDB's approach to the "use of country systems" represents a credible, viable development approach dedicated to building capacity within its member countries that will allow borrowing countries to compete in 21st century according to global international best practice standards.

Vagueness of the Concept. In a "report to all capitals" (referring to its worldwide offices), the Bank indicates that the text of the concept note "is not that which will appear in the related Operational Policy (OP) and Bank Procedure (BP) for the new instrument." OPs and BPs will describe how the P4R instrument will actually function **and there are conflicting reports about whether consultations will be carried out on these critical documents that have far greater importance than the concept note.**

For such a radical reshaping of the Bank's development mission, the public should be fully informed of the Bank's detailed intentions.

Purposes. Annex C of the concept note, "Draft Consultation Plan," the Bank describes five objectives of the consultations including: to raise awareness of the rationale for the P4R; provide information and guidance on the potential benefits of the instrument; create a space for exchanges on how to moving the instrument forward; elicit feedback; and establish a dialogue. Another section of the Annex says that feedback will be used to inform the design of the instrument (p. 57, para. 14), but this is not included as an objective of the consultation process. This fact should discourage participation.

Indeed, there are other indications that the Bank views the consultation as a marketing exercise. A recent World Bank paper states, *The Bank must become thoroughly versed in NGO and stakeholder concerns and fears about the reforms, so that it can justify Bank positions in a credible, convincing, well-thought-out way. Within each audience, it will be necessary to work on building coalitions of support, so that changes that make sense can be well presented, justified, supported, and successful. Senior management needs to take a strong stand on whatever position is taken or the approach is unlikely to be successful.*[7]

Context. The above-referenced paper calls for coordinated action to overhaul the accountability systems of the World Bank as "an enormous step toward realizing the World Bank's stated goal of embracing the `new world' and `multipolar' economy." The Bank's Board has hired a consultant to advise it on this overhaul which threatens the independence of the Independent Evaluation Group (IEG), the functioning of the Inspection Panel, and the powers of the Department of Institutional Integrity, among other things.

Moreover, there are multiple, parallel World Bank consultation processes not only on the P4R concept and safeguards, but also sector strategies.

The multiple consultations and overhaul of the accountability systems are driving the creation of a new World Bank Group. Who said an "ocean liner" couldn't turn on a dime? The emerging market countries are driving these changes and it is important that they have a loud voice in reforms, but the reforms should not be precipitous, accompanied by showcase consultations, and non-transparent procedures (as is the case with the revamping of accountability mechanisms).

IV. Conclusion

World Bank watchers should understand the P4R concept as part of a major overhaul, which could undermine the integrity of the mechanisms through which the Bank could be held accountable, not only for the impacts of the P4R, but also for its entire portfolio.

The process of consultation on the P4R should be redesigned. The consultation process should be much longer and include consultation on the operational policy and bank procedures that will guide the implementation of this important new instrument.

The P4R instrument should be launched as part of a modest pilot program, so that results can be assessed and scaled up, when and where it is appropriate.

Until the Bank's capacity to responsibly identify performance benchmarks; create results frameworks; establish data collection processes; and monitor and evaluate operations is vastly improved, the P4R should not be scaled up.

The P4R concept paper proposes replacing 10 safeguard policies, a gender policy, and procurement and financial management policies with <u>one</u> operational policy. The burden of

[7] "Use of Country Systems for Environmental Safeguards," by Juan Quintero, Alberto Ninio, and Paula J. Posas, World Bank, February 22, 2011, p. 21.

proof should be on the Bank to demonstrate how its one policy will provide all of the protections afforded by multiple policies developed over the course of decades.

With P4R, the Bank abandons its historic and value-added development leadership in procurement, environment and social protection, and fiscal management and fiduciary oversight. The World Bank is a public, not a private institution. Yet, the P4R instrument (as well as the DPL) pools World Bank resources with those of the private sector. In this process, private firms are not going to propose mandatory standards for performance; that is the job of a public institution.

Numerous World Bank officials talk about how, once the safeguards are either eliminated or "back-loaded" in an operation, the institution will be in a better place to compete with emerging market economies, particularly China. However, it is completely inappropriate for the World Bank to be competing with one of its member countries. Instead, the World Bank and other development actors should be negotiating with China about how to ensure that standards are "harmonized upward."

The P4R instrument is designed to transfer more responsibility and accountability to borrowing governments for performance and development results. This is a positive and needed step. But the prerequisite for future Bank lending has to be strengthened controls to ensure that significant percentages of its loans are no longer stolen and that basic environmental and social safeguards are better implemented to ensure that investments do not irreversibly destroy critical ecosystems nor harm vulnerable communities.

Attachment A

Principles Governing Program Lending

In addition to P4R operations, program lending includes budget support operations, called "development policy loans" (DPLs). (For low-income countries, DPLs are often called "Poverty Reduction Support Credits/Grants" (PRSCs/PRSGs).)

A. Proposed Principles Governing P4R – excerpted from concept paper

39. The assessment of the program's system for managing environmental and social impacts would be based on the following **key principles**:

- Avoiding or minimizing potential impacts and risks of program activities for the socioeconomic, physical, and biological environment,[6] with due consideration to vulnerable groups including, but not necessarily limited to, indigenous peoples.
- Avoiding or minimizing involuntary resettlement and assisting displaced people in improving or restoring their livelihoods to pre-displacement levels.
- Conserving, maintaining, and rehabilitating natural habitats and their functions, or supporting efforts to realize the potential of forests to reduce poverty in a sustainable manner by integrating forests into sustainable economic development.
- Protecting physical cultural resources of archaeological, paleontological, religious, aesthetic, or historic value.

These environmental and social principles would be used not as benchmarks for prescribing remedies but rather as a means to evaluate how the government program is designed to identify, avoid, minimize, mitigate, or compensate for such risks and impacts.

B. Development Policy Lending

Actual Principles Governing Development Policy Lending EXCERPTED FROM OP 8.60 - http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20240031~menuPK:4564185~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html

Design of Development Policy Operations

8. *Development Objectives*. The Executive Directors consider and approve each development policy operation as meeting the special circumstances provision of the Bank's Articles of Agreement.[6] The Program Document sets out

the country's program being supported and the specific results expected from the resource transfer. The program design includes measurable indicators for monitoring progress during implementation and evaluating outcomes on completion.

9. *Analytic Underpinnings*. A development policy operation draws on relevant analytic work on the country undertaken by the Bank, the country, and third parties. Drawing on a consultative process, the CAS assesses the adequacy of analytic work on the country and indicates how gaps will be addressed. The Program Document describes the main pieces of analytic work used in the preparation of the operation and shows how they are linked to the proposed development policy program. As appropriate, prior analytic work includes analyses of the country's economy wide or sectoral policies and institutions aimed at stimulating investment, creating employment, accelerating and sustaining growth, as well as analyses of the poverty and social impacts of proposed policies,[7] environment and natural resource management,[8]governance and public expenditure management, procurement, and financial accountability systems.

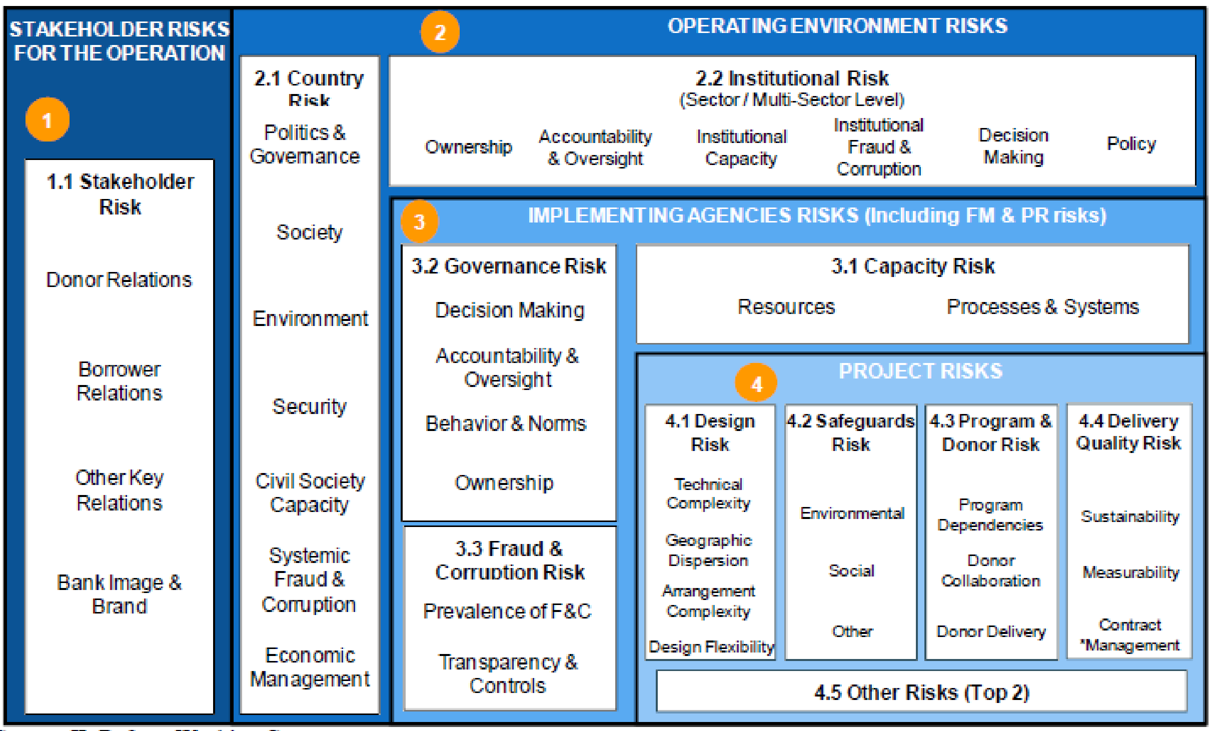
10. *Poverty and Social Impacts*. The Bank determines whether specific country policies supported by the operation are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups.[9] For country policies with likely significant effects, the Bank summarizes in the Program Document relevant analytic knowledge of these effects and of the borrower's systems for reducing adverse effects and enhancing positive effects associated with the specific policies being supported. If there are significant gaps in the analysis or shortcomings in the borrower's systems, the Bank describes in the Program Document how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

11. *Environmental, Forests, and other Natural Resource Aspects*. The Bank determines whether specific country policies supported by the operation are likely to cause significant effects on the country's environment, forests, and other natural resources.[10] For country policies with likely significant effects, the Bank assesses in the Program

The World Bank's New "Operational Risk Assessment Framework" (ORAF)

The World Bank employs an Operational Risk Assessment Framework for its operations in which are 38 types of risk grouped into four categories. The risks arising from non-compliance with social and environmental safeguard policies[8] represent 2 of the 38 types of risk. (See chart below.)

Figure 2. Operational Risk Assessment Framework for Investment Lending



Source: IL Reform Working Group.

[8] There are 10 safeguard policies, comprising the Bank's policy on Environmental Assessment (EA) and policies on: Cultural Property; Disputed Areas; Forestry; Indigenous Peoples; International Waterways; Involuntary Resettlement; Natural Habitats; Pest Management; and Safety of Dams. They are described here: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/0,,contentMDK:20124315~menuPK:559747~pagePK:148956~piPK:216618~theSitePK:244381,00.html

More Conditions are attached to Multi-Donor Program Operations than to Operations that the Bank Finances Alone

This analysis by the author pertains to 24 operations in 23 countries implemented between 2006 and 2008. The operations are listed in Table 1.

Table 1. Country operations[9] (2006-2008) addressed by this study:

Group 1: World Bank Mostly** "Solo" Program Operations		Group 2: World Bank Mostly** "Collaborative" Program Operations	
Afghanistan (PSIB-3)	IDA	Armenia (PRSC-3)	IDA
Bhutan (DPG-2)	IDA	Benin* (PRSC-3)	IDA
Burundi (ERSG)	IDA	Benin* (PRSC-3)	IDA
Cambodia (PRSO)	IDA	Cape Verde* (PRSC-3)	IDA
Croatia (PAL-2)	IBRD	Ghana (PRSC-5)	IDA
Guatemala (DPL-2)	IBRD	Mozambique* (PRSC-3)	IDA
India-Andhra Pradesh(ERLC-3)	Blend	Nicaragua* (PRSC-2)	IDA
Mali (PRSC-1)	IDA	Niger (RSRC-2)	IDA
Mauritius (DPL-1)	IBRD	Rwanda* (PRSG-3)	IDA
Peru (DPL-1)	IBRD	Tanzania* (PRSC-5)	IDA
Senegal (PRSC-3)	IDA	Uganda* (PRSC-6)	IDA
Uruguay (DPL-1)	IBRD	Vietnam* (PRSC-6)	IDA
* indicates those budget support operations that include the World Bank and have the greatest level of collaboration among other creditors and donors. ** The word "mostly" acknowledges that there is a continuum of collaboration. For instance, while the documentation of the Afghanistan operation does not include a PAF, there is substantial collaboration with other donors.			

Tables 2 and 3 show that in Group 1, the *12 solo program operations (financed by the World Bank alone)* contained 125 conditions and 269 benchmarks or 10.5 conditions and 22 benchmarks per operation, on average. The *12 multi-donor/creditor operations* of the World Bank (Group 2) contained 132 conditions and 549 benchmarks or 11.1 conditions and 45 benchmarks per operation, on average. In Group 2, many of the benchmarks are actually binding conditions of other donors and creditors. However, lacking the documentation from donors/creditors other than the World Bank, it is impossible to determine the extent of binding conditionality.

[9] The 24 operations in the sample addressed by this report are called by the following names: DPG (Development Policy Grant); DPL (Development Policy Loan); ERLC (Economic Reform Loan Credit); ERSG (Economic Reform Support Grant); PRSC (Poverty Reduction Support Credit); PSIB (Programmatic Support Grant for Institution Building); PRGO (Poverty Reduction and Growth Operation); PRSC (Poverty Reduction Support Credit); PRGO (Poverty Reduction and Growth Operation); RSRC (Rural and Social Policy Grant); and RSRC (Rural and Social Policy Grant).

Table 2: Types of World Bank Conditions in 24 Program Loans

	1 Group 1: World Bank "Solo" Operations		2 Group 2: World Bank Multi-Donor Program Operations		3 Total	
Types of Conditions	Number	%*	Number	By %*	Total Number	By %*
1.Legislative/ Cabinet	32	26%	20	15%	52	20%
2.Key Policies	42	34%	36	27%	68	26%
Commercialization/Privatizatn	*25*	*20%*	*25*	*17%*	*50*	19%
Labor Market	*8*	*6%*	*6*	*5%*	*14*	5%
Trade Reform	*5*	*5%*	*3*	*2%*	*8*	3%
Land Reform	*4*	*3%*	*2*	*2%*	*6*	2%
3.Financial Mgmt	68	54%	68	52%	136	53%
4.Other	21	17%	26	21%	47	18%
5. Total Conditions	125		132		257	
6.Total with Double Counting	163		150		313	

*Percentages do not add up to 100% because many conditions are in more than one category. The benefit of displaying the data in this manner is that the reader can see the proportion of each type of condition relative to the total number of actual conditions in line 5. To obtain percentages that add up to 100%, one would divide the number of conditions per category by the number in line 6 (total with double counting), but the product diminishes the actual concentration of each type of condition.

Table 3. Numerical Comparison: Conditions and Benchmarks in Groups 1 & 2						
	Conditions		Benchmarks		Total Conditions + Benchmarks	
	# Con-ditions	Average # Per Operation	# Bench-marks	Average # Per Operation	# Conditions & Benchmarks	Average # Per Operation
Group 1 WB "Solo"	125	10.5	269	22	394	33
Group 2 WB "Collabor-ative"	133	11.1	549	46	682	57
Total	258	10.7	848	35	1076	44.8
*With double counting the total number of conditions is 305						