WORLD BANK OPERATIONS EVALUATION DEPARTMENT

OED REACH

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1999 Annual Review of Development Effectiveness (ARDE): Toward a Comprehensive Development Strategy

- Decreasing per capita income and increasing inequality in most developing countries are adding to the ranks of the poor. The CDF is a response to these development trends.
- It is too early to assess the CDF. Instead, this year's ARDE examines development experience through the lens of CDF principles. The basic principles of the CDF are grounded in development experience and evaluation evidence.
- Tough challenges and tensions are embedded within the CDF principles. Their implementation will be demanding, but promising approaches are available to help renew the Bank's tools, skills, incentives, and culture.
- The percentage of satisfactory project outcomes has been rising over the past five years, along with project complexity. But there has been a recent plateauing in performance—72 percent of evaluated projects exiting the portfolio in FY98–99 had satisfactory outcomes.

Based on the *Annual Review of Development Effectiveness,* to be presented to CODE on December 8, 1999.

Box 1: Project Trends

- Improvements in outcomes over the last decade are a considerable achievement given that complexity and demandingness have increased (figure 1).
- Strong rise in adjustment loan outcomes over the 1990s, especially in recently completed sector loans.

Worrying features:

- Institutional development, while rising, is still substantial in less than 40 percent of projects.
- Sustainability—still poor, with less than half of exiting projects likely to sustain their benefits.
- Borrower implementation performance has been stagnant throughout the 1990s, yet borrower performance is a key determinant of project success.

Determinants analysis suggests:

- Improved borrower implementation would lead to major gains in the development impact of projects.

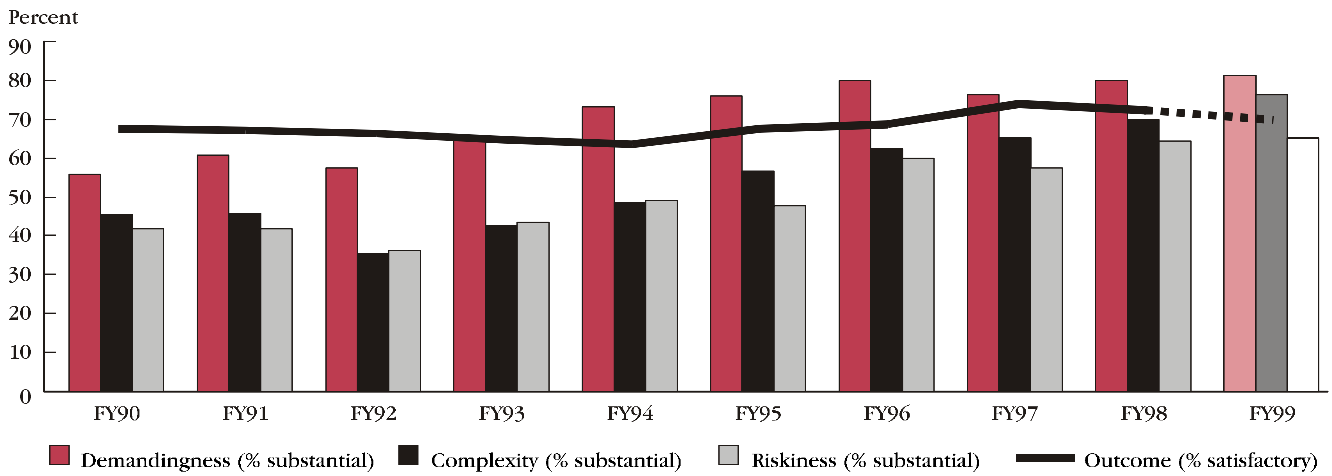
The CDF Challenge

Evaluators and workshop participants, as well as research reviews undertaken by think tanks, helped identify the challenges inherent in CDF implementation, and promising approaches to address them.

Short term vs. long term. Institutional development requires sustained, long-term efforts. Yet the incentives and processes in developing countries and aid agencies have focused on the short term. The absence of a long-term perspective has been especially detrimental in dealing with structural dimensions of reform, such as privatization, civil service reform, and deregulation of the financial sector.

Comprehensiveness vs. selectivity. The Bank's expanding agenda has increased the complexity of projects, often sacrificing selectivity. Yet evaluation findings highlight the risk of excessive complexity, especially when it is built into the design, regardless of domestic capacity or ownership. Projects involving several implementing agencies or cross-sectoral dimensions often perform poorly.

Figure 1: Complexity Rising—Performance Plateauing



Speed vs. broad-based ownership. Sustainable reform requires broad-based ownership, but achieving agreement among partners may delay reform. In addition, governance reforms may be required to institutionalize participation—a long-term process.

Ownership vs. conditionality. The conflict between country ownership and donor conditionality can be resolved through selectivity and a new approach to conditionality that emphasizes mutual responsibility and distinct accountabilities for outcomes.

Country-led partnership vs. country capacity and commitment. Donor requirements for financial accountability can only be reconciled with client-led partnerships by nurturing ownership of good governance and by building capacity ahead of large-scale lending.

Poor accountability vs. scaling up. Despite continuing emphasis by OED on the importance of monitoring and evaluation for learning and accountability, the record remains far from satisfactory. With poor monitoring and evaluation, both learning and accountability are hindered and scaling up becomes risky.

Promising Approaches

Resolving these tensions will require innovation and learning, based on strong country commitment to poverty reduction and sustainable growth. Few approaches are quick to take to scale.

- *Adopt a learning process approach.* An adaptive process combines top-down direction with bottom-up experimentation and learning. This shifts the emphasis from up-front analysis and detailed design to developing flexible solutions, building local capacity, and relying on social processes and monitoring systems to adapt and learn during implementation.
- *Sequence interventions in a long-term strategy.* One way to deal with excessive project complexity is to sequence interventions in a long-term strategy. Such sequencing can start by piloting comprehensive approaches at the local level, then scaling them up as part of a long-term process of capacity building and decentralization.
- *Combine comprehensive analysis with strategic actions.* At the national level, comprehensive analysis can be conducted with key partners. Complex interventions can then be reduced by exercising selectivity in line with comparative advantage. At the local level, participatory approaches can enable poor people to analyze their situations in a comprehensive way, and then express their priorities and choose interventions selectively.
- *Move toward sectorwide approaches.* Moving toward flexible sectorwide approaches takes time and systematic capacity building. The pace will vary across sectors and countries.
- *Reconcile conditionality with country ownership.* Analysis of country reforms over a long period and high-impact adjustment lending in Africa confirms that conditionality is best managed as a flexible, noncoercive policy compact adapted to different stages of reform.
- *Take the time to broaden ownership.* Broadening ownership across many stakeholders with diverse interests and capabilities requires time and the early mobilization of poor communities. It implies the systematic use of participatory processes, informing and giving voice to the weak partners, and creating an enabling environment for scaling up and institutionalizing participation.
- *Invest in partnerships and be selective.* Partnership requires the Bank to support country leadership and to engage its development assistance partners in promoting selectivity, coordinating interventions, and harmonizing procedures. Because partnerships imply up-front investments, they must be effectively selected, monitored, and managed if transaction costs to donors and countries are to decline over time.

For all this, the Bank needs to develop new approaches, skills, incentives, and attitudes, and make room for genuine partnerships. Above all, the Bank will have to be strategic in choosing what to do and what not to do in line with its evolving comparative advantage in a fast-changing environment.

The CDF is certain to increase the demand for nonlending tools and advisory services, to engender ownership, partnership, and long-term holistic thinking. These tools should be used to empower clients and support local processes and institutions. Donor-led economic work and policy prescriptions—the hallmarks of the adjustment era—should give way to country-led approaches that build on local processes and experiences and nurture commitment for policy reforms. Bank processes have been attuned to a different paradigm, and have begun to change to implement the CDF.

Box 2: Challenges and Promising Approaches

Challenges and tensions	Approaches
• Short versus long term • Comprehensiveness versus selectivity	• Learning process, not blueprints • Management of complexity by sequencing • Comprehensive analysis and selective actions • Sectorwide approaches
• Ownership versus conditionality	• Adaptable conditionality
• Speed versus broad-based ownership	• Building consensus • Broadening participation
• Accountability for results versus local capacity • Poor accountability record versus scaling-up	• Information for accountability and learning • Capacity building to manage for results
• Partnership versus country capacity and transaction costs • Country focus versus global public goods	• From aid coordination to development partnership and capacity building • Links between global and country strategies

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