WORLD BANK OPERATIONS EVALUATION DEPARTMENT

1999 ANNUAL REVIEW OF DEVELOPMENT EFFECTIVENESS

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FOREWORD

Despite the potential benefits of globalization and technological change, world poverty has increased and growth prospects have dimmed for developing countries. Inequality and instability have increased. Aid flows have stagnated. Public dissatisfaction with the efficacy of development assistance has grown.

The Comprehensive Development Framework (CDF), launched by the President of the World Bank in January 1999, is a response to these alarming trends. It is far too early to evaluate the initiative. Instead, this year's *Annual Review of Development Effectiveness* examines the lessons of development experience through the lens of the CDF principles.

As in past years, the Review tracks the Bank's operational performance based on the findings of recent OED evaluations. The overall performance trends are positive, despite a major increase in the relevance, demandingness, and complexity of Bank operations—a substantial achievement. But future gains will be more difficult to achieve, and quality at exit appears to have plateaued below the Strategic Compact target of 75 percent satisfactory. A growing gap between operational complexity and local capacity confirms the need for the enhanced capacity building efforts highlighted in Mr. Wolfensohn's Annual Meetings speech.

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PREFACIO

A pesar de los posibles beneficios de la globalización y del cambio tecnológico, la pobreza mundial ha aumentado y las perspectivas de crecimiento se han oscurecido en los países en desarrollo. La desigualdad y la inestabilidad han aumentado. Los flujos de ayuda se han estancado. La opinión pública cada vez desconfía más de la eficacia de la asistencia para el desarrollo.

El Marco Integral de Desarrollo (MID), puesto en marcha por el Presidente del Banco Mundial en enero de 1999, es la respuesta a esas tendencias alarmantes. Es todavía demasiado pronto para evaluar esa iniciativa. Por ello, en el *Examen anual de la eficacia en términos de desarrollo* de este año se analizan las enseñanzas obtenidas de las actividades de desarrollo desde la perspectiva de los principios del MID.

Como en años anteriores, en el Examen se consideran los resultados operacionales del Banco teniendo en cuenta las comprobaciones de las evaluaciones recientes del Departamento de Evaluación de Operaciones (DEO). Las tendencias generales observadas son positivas, lo que representa un logro notable si se tiene en cuenta que al mismo tiempo ha aumentado notablemente la pertinencia, dificultad y complejidad de las operaciones del Banco. Pero los progresos futuros serán más difíciles de conseguir y la calidad final parece haberse estabilizado por debajo del objetivo del Pacto Estratégico, es decir,

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PRÉFACE

Malgré les avantages potentiels de la mondialisation et du progrès technologique, la pauvreté dans le monde avance et les perspectives de croissance s'assombrissent pour les pays en développement. Les inégalités se creusent, l'instabilité s'accroît et le volume d'aide se tasse. Le manque d'efficacité de l'aide au développement suscite un mécontentement grandissant.

Le cadre de développement intégré (CDI), lancé par le président de la Banque mondiale en janvier 1999, vise à corriger cette évolution inquiétante. S'il est encore bien trop tôt pour évaluer les résultats de cette initiative, la présente édition de *l'Examen annuel de l'efficacité du développement* dresse le bilan de l'année écoulée en appliquant les principes du CDI.

Comme par le passé, nous mettons en lumière le résultat des opérations de la Banque à partir des conclusions d'évaluations récemment réalisées par l'OED. L'évolution de la performance globale est positive, alors même que les opérations de la Banque sont d'une portée beaucoup plus large et qu'elles sont devenues plus exigeantes et plus complexes. C'est là un résultat non négligeable. Les progrès seront toutefois désormais plus difficiles à réaliser, comme le montre l'évaluation de la qualité à l'achèvement des projets, qui semble plafonner au-dessous du niveau fixé par le Pacte stratégique (75 % d'opérations jugées satisfaisantes). Le fossé qui se creuse entre la complexité des opérations et les moyens locaux

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Implementing the CDF principles, both within and outside the 13 pilot countries, raises tough challenges for the Bank and its partners. The Review draws on extensive evaluation evidence, literature reviews and research findings, country assistance evaluations, background papers, and workshops to identify the tensions and dilemmas likely to be involved in CDF implementation. It identifies promising approaches to meet the challenges implicit in CDF implementation. Finally, it draws broad implications for the Bank's future development effectiveness.

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un 75% de proyectos calificados como satisfactorios. La diferencia creciente entre la complejidad operacional y la capacidad local confirma la necesidad de impulsar las iniciativas de fortalecimiento de la capacidad destacada por el Sr. Wolfensohn en su discurso con ocasión de las Reuniones Anuales.

La aplicación de los principios del MID, dentro y fuera de las iniciativas experimentales, plantea difíciles retos para el Banco Mundial y sus asociados. En el Examen se evalúan atentamente los testimonios disponibles, se examinan las publicaciones y los resultados de la investigación, las evaluaciones de la asistencia a los países, los documentos de antecedentes y los seminarios realizados con el fin de descubrir las tensiones y dilemas que acompañarán, probablemente, a la aplicación del MID. Se localizan planteamientos prometedores para responder a los desafíos implícitos en la aplicación del MID. Finalmente, se extraen algunas conclusiones generales sobre la eficacia futura del Banco en términos de desarrollo.

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montre bien qu'il est nécessaire de redoubler d'efforts pour renforcer les capacités, ainsi que l'a rappelé M. Wolfensohn dans son allocution devant l'Assemblée annuelle.

L'application des principes du CDI dans le cadre des opérations pilotes, et au-delà de celles-ci, est une tâche ardue pour la Banque et ses partenaires. Pour mettre en évidence les tensions et les dilemmes que la mise en œuvre du CDI risque de faire surgir, le présent examen s'appuie sur de nombreux faits observés dans les évaluations, sur des études documentaires et des travaux de recherche, sur des évaluations de l'aide apportée aux pays, sur des documents de référence et sur des ateliers. Il présente des formules prometteuses pour surmonter les difficultés inhérentes à cet exercice. Enfin, il tire les grandes conséquences de la situation du point de vue de l'efficacité que les opérations de la Banque pourront avoir sur le développement des pays.

Robert Picciotto
Director-General, Operations Evaluation

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EXECUTIVE SUMMARY

Changes in the global environment over the past decade have profoundly altered the context of Bank operations. Many developing countries have undertaken major political and economic reforms, opening their economies and political processes. At the same time, globalization has brought new opportunities for gain—and new risks of instability and rising inequality within and among states. Aid flows have stagnated, even as new demands for official resources have escalated. Despite worldwide improvements in social indicators, development progress has been disappointing, poverty trends have worsened, and most low-income countries remain heavily dependent on aid. Per capita incomes actually fell during 1985–95—by 1.4 percent a year in low-income countries (ex-

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RESUMEN

Los cambios registrados en el entorno mundial durante el pasado decenio han modificado profundamente el contexto de las actividades del Banco Mundial. Muchos países en desarrollo han emprendido grandes reformas políticas y económicas, que han representado una apertura de sus economías y de los procesos políticos. Al mismo tiempo, la globalización ha traído consigo nuevas oportunidades, y nuevos riesgos de inestabilidad y aumento de la desigualdad dentro de cada país y entre unas naciones y otras. Los flujos de la ayuda se han estancado, aun cuando se han multiplicado las nuevas demandas de recursos oficiales. A pesar de los progresos mundiales de los indicadores sociales, el avance del desarrollo ha sido decepcionante, las tendencias de la pobreza se han agravado y la mayoría de los países de ingreso más bajo continúan

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RÉSUMÉ ANALYTIQUE

Les changements survenus sur la scène internationale au cours des dix dernières années ont profondément modifié le contexte dans lequel la Banque opère. De nombreux pays ont entrepris d'importantes réformes qui se sont traduites par une ouverture sur le plan économique et politique. Au même moment, la mondialisation ouvrait des perspectives de gains mais faisait aussi naître des risques d'instabilité et creusait les inégalités sur le plan tant national qu'international. Malgré la montée en flèche de la demande d'aide publique, les flux d'assistance ont fléchi. En dépit d'une amélioration des indicateurs sociaux partout dans le monde, la progression du développement a été décevante, les statistiques sur la pauvreté se sont aggravées et la plupart des pays à faible revenu sont restés très dépendants de l'aide. Pendant la période comprise entre 1985 et 1995, le revenu par habitant a en fait baissé, de 1,4 % par an dans les pays à faible revenu (sans la Chine, ni l'Inde) et de 0,7 % dans les pays à revenu intermédiaire.

Dans ce contexte, le manque d'efficacité du développement est devenu un sujet de préoccupation croissante tant pour les autorités des pays développés et des pays en développement que pour le public en général. Face à cette situation, on a recherché différents moyens d'améliorer la façon dont la coopération pour le développement est abordée. Le Cadre de développement intégré (CDI) reprend les grands thèmes autour desquels s'organise le consensus de la communauté du développement. Le cadre stratégique de lutte contre la

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cluding China and India) and by 0.7 percent a year in middle-income countries.

Inevitably, governments of developed and developing countries, as well as the public at large, have become more concerned about development effectiveness. This has led to a wide-ranging search for improved approaches to development cooperation. The Comprehensive Development Framework (CDF) encapsulates major themes around which a consensus of the development community is crystallizing. The Poverty Reduction Strategy Papers—to be prepared jointly by the World Bank, the International Monetary Fund, and borrowing countries—are a closely related response.

Since its unveiling a year ago, the CDF has evoked considerable interest. The basic elements of the CDF are not new. What is new is their joint articulation as a guide to development assistance. First, development constraints are structural and social and cannot be overcome through economic stabilization and policy adjustment alone—they require a *holistic, broad-based approach*. Second, policy reform and institutional development cannot be imported or imposed: without domestic *ownership*, reforms and investments are not sustainable. Third, successful development requires *partnerships* among government, local communities, the private sector, civil society, and development agencies. Fourth, development activities must be guided and judged by *results*. CDF pilot activity is beginning in 13 countries, and its dimensions are still evolving. Although it is too early to assess the CDF as such, this year's *Annual Review of Development Effectiveness* examines development

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dependiendo fuertemente de la ayuda. Los ingresos per cápita retrocedieron de hecho en 1985-95, un 1,4% al año en los países de ingreso bajo (con exclusión de China y la India) y un 0,7% al año en los países de ingreso mediano.

Inevitablemente, los gobiernos de los países desarrollados y en desarrollo, así como la sociedad en general, se muestran ahora más preocupados por la eficacia en términos de desarrollo. Ello ha dado lugar a una búsqueda generalizada de nuevos enfoques que permitan orientar mejor la cooperación en materia de desarrollo. El MID compendia los grandes temas en torno a los cuales se está cristalizando el consenso de todos los interesados en el desarrollo. En ese mismo contexto se están preparando los documentos de estrategia para la reducción de la pobreza, obra conjunta del Banco Mundial, el Fondo Monetario Internacional y los países prestatarios.

Desde que se propuso, hace un año, el MID ha suscitado considerable interés. Sus elementos básicos no son nuevos. Lo novedoso es su articulación conjunta como guía de la asistencia para el desarrollo. Primero, los obstáculos al desarrollo son estructurales y sociales y no pueden superarse únicamente con políticas de ajuste y de estabilización económica, sino que requieren un planteamiento *global, de base amplia*. Segundo, la reforma de las políticas y el desarrollo institucional no pueden importarse ni imponerse: si en los propios países no hay una *identificación* con las nuevas propuestas, ni las reformas ni las inversiones serán sostenibles. Tercero, un desarrollo eficaz requiere el establecimiento de *asociaciones* entre los gobiernos, las comunidades locales, el sector privado, la sociedad

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pauvreté, qui sera conjointement élaboré par la Banque mondiale, le Fonds monétaire international et les pays emprunteurs, est une intervention étroitement liée à cette question.

Depuis son apparition, il y a un an, le CDI suscite un intérêt considérable. Les éléments sur lesquels il se fonde ne sont pas nouveaux. En revanche, la façon dont ils s'articulent les uns avec les autres pour servir de fil conducteur à l'aide au développement est une donnée nouvelle. Premièrement, les problèmes auxquels se heurte le développement étant de nature structurelle et sociale, les mesures de stabilisation économique et le recadrage des politiques ne suffiront pas pour les surmonter ; l'approche doit être *globale et multisectorielle*. Deuxièmement, ni les réformes, ni le développement institutionnel ne peuvent être importés ou imposés : la pérennité des réformes et des investissements passe par une *adhésion sans réserve* au niveau local. Troisièmement, le développement ne peut réussir que s'il fait appel à des *partenariats* entre les pouvoirs publics, les populations locales, le secteur privé, la société civile et les organismes d'aide au développement. Enfin, les actions de développement doivent avoir le souci du *résultat*. Le CDI est lancé à titre pilote dans 13 pays et il n'a pas encore revêtu sa forme définitive. Bien qu'il soit encore trop tôt pour dresser un premier bilan, la présente édition de l'*Examen annuel de l'efficacité du développement* s'appuie sur les principes du CDI pour apprécier le chemin parcouru et tirer des enseignements qui faciliteront l'application des dispositions prévues.

Évolution générale des projets

Les faits observés dans les évaluations montrent que le résultat des projets est

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experience through the lens of CDF principles, with a view to drawing lessons for CDF implementation.

Project Trends

Evaluation evidence confirms the importance of country policy and institutional factors addressed by the CDF to project performance. Projects are important vehicles of Bank assistance, and most performance at the project level will continue to be a critical element of development effectiveness. Project evaluations have shown improvements over the past decade, along with a considerable increase in project demandingness and complexity—a considerable achievement. Adjustment lending, in particular, has delivered a relatively high share of satisfactory outcomes. But there has been a recent plateauing in performance: 72 percent of evaluated projects exiting in FY98–99 show satisfactory outcomes, while the share of exiting projects likely to sustain their benefits remains below half.

As the complexity of exiting projects has risen, borrower implementation performance has been stagnant, which has contributed to the plateauing of performance. Analysis shows borrower implementation performance to be a key determinant of project success, second only to Bank supervision. The widening gap between complexity and local capacity highlights the importance of these inputs, as well as the need for intensified attention to institutional constraints. Despite substantial improvements in recent years, only 40 percent of exiting projects currently have substantial institutional development impact.

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civil y los organismos de desarrollo. Cuarto, las actividades de desarrollo deben orientarse y juzgarse teniendo en cuenta los *resultados*. La aplicación experimental del MID ha comenzado en 13 países, y sus dimensiones están aún en evolución. Aunque es todavía demasiado pronto para evaluar el MID en cuanto tal, en el *Examen anual de la eficacia en términos de desarrollo* de este año se examina la realidad del desarrollo desde la perspectiva de los principios del MID, con el fin de extraer enseñanzas para su aplicación.

Tendencias de los proyectos

Los datos relativos a las evaluaciones confirman la importancia de los factores normativos e institucionales de los países contemplados en el MID para determinar los resultados de los proyectos. Los proyectos son vehículos importantes de asistencia del Banco, por lo que la multiplicación de esos resultados continuará siendo un elemento crítico de la eficacia del desarrollo. Las evaluaciones de los proyectos han demostrado los progresos conseguidos en el pasado decenio, a pesar de que ha aumentado también notablemente la dificultad y complejidad de los proyectos, lo que representa un importante logro. En particular, el financiamiento para fines de ajuste ha conseguido una proporción relativamente elevada de calificaciones satisfactorias. Pero se ha observado también una estabilización de los resultados: el 72% de los proyectos evaluados finalizados en los ejercicios de 1998-99 presentan resultados satisfactorios, mientras que la parte de los proyectos concluidos con probabilidades de continuar produciendo beneficios se mantiene por debajo de la mitad.

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étroitement lié aux politiques nationales et aux facteurs institutionnels, aspects au cœur du CDI. Les projets étant l'un des grands moyens d'assistance de la Banque, la performance à ce niveau continuera à influer de façon déterminante sur l'efficacité du développement. Sur les dix années écoulées, le résultat des évaluations de projet est en amélioration ce qui, compte tenu de l'exigence et de la complexité toujours croissantes des opérations, constitue un bilan remarquable. Les prêts à l'ajustement, en particulier, ont donné lieu, pour une assez large part, à des résultats jugés satisfaisants. On a toutefois constaté récemment un certain tassement : 72 % des projets évalués qui sont sortis du portefeuille pendant les exercices 98 et 99 ont enregistré des résultats satisfaisants, mais moins de la moitié sont susceptibles de confirmer durablement cette performance.

Les projets étant devenus plus complexes, la performance des emprunteurs au niveau de l'exécution des opérations est restée stationnaire, ce qui contribue à la stagnation des résultats. Les analyses montrent que cette performance est un élément qui vient immédiatement après la supervision de la Banque dans les facteurs qui déterminent le succès d'un projet. Le creusement de l'écart entre la complexité des opérations et les capacités locales souligne l'importance de ces relais et la nécessité d'une meilleure prise en compte des contraintes institutionnelles. Malgré une nette amélioration au cours des dernières années, seuls 40 % des projets sortant du portefeuille ont actuellement un impact important sur le développement institutionnel.

Une tâche ardue

Le CDF repose sur des principes qui tirent parti des synergies. Mais celles-ci

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Tough Challenges Ahead

The CDF principles are synergistic. But their combination carries with it critical tensions that will require careful management.

Short term versus long term. Social transformation and institutional development require long-term and sustained efforts. Yet the incentives and processes in developing countries and aid agencies have tended to focus on the short term. Blueprint planning and the project approach embody this short-term focus. The absence of a long-term perspective has been especially detrimental in dealing with the structural dimensions of reform, such as privatization, civil service reform, and deregulation of the financial sector.

Comprehensiveness versus selectivity. The Bank's expanding agenda has increased the complexity, demandingness, and risk of projects and programs. In the face of these pressures, selectivity has not always been exercised. Yet evaluation findings highlight the risk of excessive complexity, especially when it is built into the design without regard to domestic capacity or ownership. Projects that involve several implementing agencies or cross-sectoral assets tend to perform poorly.

Speed versus broad-based ownership. Sustainable reform requires broad-based ownership. Yet partners may disagree about the distinctive roles of the state, the private sector, and civil society. Achieving agreement among partners may delay reform. Governance reforms may be required to institutionalize participation—a long-term process.

Ownership versus conditionality. How should the apparent tension between country ownership and do-

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A medida que ha aumentado la complejidad de los proyectos concluidos, el desempeño de los prestatarios en la ejecución de los proyectos se ha estancado, lo que ha contribuido a la estabilización de los resultados. Los análisis efectuados revelan que los resultados de la ejecución de los proyectos son un determinante fundamental del éxito de éstos, cuya importancia sólo es inferior a la supervisión del Banco. La diferencia creciente entre la complejidad y la capacidad local pone de manifiesto la importancia de esos aportes, así como la necesidad de intensa atención a los obstáculos institucionales. A pesar de las considerables mejoras de los últimos años, sólo el 40% de los proyectos concluidos tienen actualmente importantes repercusiones en el desarrollo institucional.

Arduos desafíos para el futuro

Los principios en que se fundamenta el MID son sinérgicos, pero la combinación de éstos conlleva tensiones críticas que se deberán manejar con sumo cuidado.

Corto plazo versus largo plazo. La transformación social y el desarrollo institucional exigen esfuerzos sostenidos y a largo plazo. Sin embargo, los incentivos y procesos en los países en desarrollo y en los organismos de ayuda se han centrado en el corto plazo, tendencia que se ha caracterizado por una planificación detallada y un enfoque en los proyectos. La falta de una perspectiva a largo plazo ha sido especialmente perjudicial para abordar las dimensiones estructurales de la reforma, como la privatización, la reforma de la administración pública y la desreglamentación del sector financiero.

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génèrent aussi des antagonismes qu'il faudra gérer prudemment.

Le court terme et le long terme. La transformation sociale et le développement institutionnel supposent un effort de longue haleine. Pourtant, les mécanismes d'incitation et le mode de fonctionnement qui prévalent dans les pays en développement et dans les organismes d'aide ont tendance à privilégier le court terme. La planification à l'aide de modèles et l'approche-projet s'inscrivent dans cette perspective. Les dimensions structurelles des réformes (privatisation, réforme de la fonction publique et déréglementation du secteur financier, par exemple) ont particulièrement souffert de cette absence d'optique à long terme.

Exhaustivité et sélectivité. Du fait de l'expansion du programme de travail de la Banque, les projets et les programmes se sont fait plus complexes, risqués et exigeants. Face à cette situation difficile, on ne procède pas toujours de façon sélective. Pourtant, les évaluations montrent qu'une complexité excessive comporte des risques, surtout lorsqu'il n'a pas été tenu compte des capacités ou de la volonté d'appropriation au niveau local. Les projets faisant intervenir plusieurs organismes d'exécution ou des actifs dans plusieurs secteurs obtiennent généralement des résultats médiocres.

Rapidité et large adhésion. Pour qu'une réforme soit durable, il faut que l'adhésion à l'action menée soit totale. Pourtant, les partenaires ne sont pas toujours d'accord sur les rôles respectifs de l'État, du secteur privé et de la société civile. La réforme pourra prendre du retard du fait du temps nécessaire aux différents acteurs pour parvenir à un accord. Il faudra parfois réformer le mode de gestion

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nor interest in performance (often enforced through conditionality) be resolved? Conditionality is widely viewed as an attempt to impose reforms and blueprint solutions on clients. Yet ownership is essential to sustainable reform. New forms of conditionality—reflecting the CDF principles—should be instituted.

Partnership versus country capacity and ownership. Countries in need of partnership often lack the capacity to coordinate aid. Governments, civil society, the private sector, and external donors may have different agendas, requiring a gradual approach to consensus building. The larger and more diverse the partners, the higher the transaction costs and the greater the difficulty of combining ownership and partnership. Where country commitment is lacking, coherent views among external partners may be perceived as "ganging up."

Country-led partnership versus donor accountability. All development assistance agencies are accountable to their authorities, so placing an unresponsive government "in the driver's seat" involves risks. The challenge is to find common ground and achieve results over the long term through patient nurturing of reform and capacity building.

Results-orientation versus local capacity. The performance of the Bank and most developing countries in monitoring and evaluation has been weak. Yet the international development goals, the recent attention to governance, and the move to programmatic lending reinforce the need for results-based management and stronger evaluation capacities and local accountability systems.

Country-based programs versus global public goods. Development assistance efforts and approaches

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Integridad versus selectividad. El programa de actividades del Banco, que va en aumento, presenta una mayor complejidad, dificultades y riesgos de los proyectos y programas. Ante tales presiones, no siempre se ha aplicado el criterio de la selectividad. Con todo, en las conclusiones de las evaluaciones practicadas se destaca el riesgo de una excesiva complejidad, sobre todo cuando ésta se incluye en el diseño sin tener en cuenta la capacidad local o la identificación del país con las propuestas. Los proyectos que entrañan la participación de varios organismos de ejecución o activos intersectoriales tienden a arrojar resultados deficientes.

Velocidad versus amplia identificación. Para que las reformas sean sostenibles es preciso que exista una amplia identificación con ellas. No obstante, los asociados pueden discrepar con respecto a las diferentes funciones del Estado, el sector privado y la sociedad civil. El logro de un consenso entre los asociados puede demorar las reformas. Puede ser necesario introducir reformas de la función de gobierno para institucionalizar la participación, un proceso a más largo plazo.

Identificación versus condicionalidad. ¿Cómo debe resolverse la aparente tensión que existe entre la identificación del país y el interés de los donantes en el desempeño (el que a menudo se exige a través de la condicionalidad)? Existe la impresión generalizada de que la condicionalidad es un burdo intento de imponer reformas y soluciones planificadas a los clientes. Sin embargo, la identificación con las reformas es fundamental para que éstas sean duraderas. Deben instituirse nuevas formas de condicionalidad,

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des affaires publiques pour institutionnaliser la participation, une entreprise de longue haleine.

Adhésion au projet et conditionnalité. Comment l'apparente contradiction entre l'adhésion du pays à l'action menée et les résultats demandés par les bailleurs de fonds (souvent au moyen de la conditionnalité) peut-elle être résolue ? La conditionnalité est très souvent perçue comme une tentative non déguisée d'imposer des réformes ou un modèle aux pays clients. Et pourtant, il ne peut y avoir de réformes durables si le pays ne s'identifie pas à l'action menée. Il conviendrait de repenser la conditionnalité, sous une forme plus respectueuse des principes du CDI.

Partenariat, capacité locale et adhésion du pays. Les pays devant faire appel à des partenaires multiples sont rarement à même de coordonner l'aide reçue. Les objectifs des gouvernements, de la société civile, du secteur privé et des bailleurs de fonds peuvent en effet être différents, ce qui obligera les partenaires à rechercher progressivement le consensus nécessaire. Plus les partenaires sont nombreux et différents, plus les coûts de transaction sont importants et plus il est difficile de concilier adhésion et partenariat. En l'absence, de volonté politique de la part du pays bénéficiaire, une communauté de vues des bailleurs de fonds peut être perçue comme une « coalition ».

Partenariat piloté par le pays et responsabilité des bailleurs de fonds envers leur autorité de tutelle. Tous les organismes d'aide au développement ayant à répondre de leur gestion devant leur autorité de tutelle, « passer les rênes » à un gouvernement peu motivé comporte des risques. Il s'agira de trouver un terrain d'entente et d'obtenir des résultats à long terme en

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are focused at the project and country levels. With globalization, development problems require multilateral solutions and stronger links between national strategies and international policies.

Promising Approaches

In order to resolve the above dilemmas and implementation challenges, it will be necessary to employ creativity and innovation and to heed the lessons of experience. Several promising practices emerge from this review. All are predicated on country commitment to poverty reduction and sustainable growth, and a few are quick to take to scale.

- An adaptive learning process starts small and combines top-down direction with bottom-up experimentation and learning. This shifts the emphasis from up-front analysis and detailed design toward developing flexible solutions, building local capacity, and relying on social processes and monitoring systems for adaptation and learning during implementation.
- One way out of the excessive complexity of projects and programs is to sequence interventions within a long-term strategy that builds on past learning. 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.
- Tensions between comprehensiveness and selectivity can be eased by combining comprehensive analysis with strategic actions. Participatory approaches can enable poor people to analyze their realities

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que reflejen los principios del MID.

Asociaciones versus capacidad e identificación de los países. Los países que necesitan establecer asociaciones a menudo carecen de la capacidad para coordinar la ayuda. Los gobiernos, la sociedad civil, el sector privado y los donantes externos pueden tener distintos programas, lo que hace necesario adoptar un planteamiento gradual para la formación de consenso. Mientras más numerosos y diversos sean los asociados, mayores serán los costos de transacción y las dificultades para combinar la identificación y las asociaciones. Cuando en un país falta el sentido de compromiso, la coherencia de opiniones entre los asociados externos puede percibirse como una “alianza”.

Asociación de esfuerzos encabezada por el país versus responsabilidad de los donantes. Todos los organismos de asistencia para el desarrollo son responsables ante sus autoridades, de manera que poner a un gobierno que no reacciona en el “ asiento del conductor” plantea ciertos riesgos. El desafío consiste en encontrar un terreno común y lograr resultados a largo plazo fomentando con paciencia la reforma y el desarrollo de la capacidad.

Orientación a los resultados versus capacidad a nivel local. La actuación del Banco y de la mayoría de los países en desarrollo en lo que respecta a las actividades de seguimiento y evaluación ha sido deficiente. Con todo, las metas internacionales de desarrollo, la reciente atención a los asuntos relativos a la función de gobierno y el avance hacia el financiamiento para programas refuerzan la necesidad de una gestión basada en los resultados,

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renforçant patiemment les capacités et en laissant mûrir les réformes.

Obligation de résultat et capacités locales. Le travail de suivi et d’évaluation de la Banque et de la plupart des pays en développement laisse à désirer. Et pourtant l’existence d’objectifs internationaux de développement, l’accent récemment mis sur le mode d’administration des affaires publiques et le passage à des prêts programmatiques rendent d’autant plus nécessaires des mesures visant à axer la gestion sur les résultats, à améliorer les capacités d’évaluation et à renforcer les systèmes de contrôle.

Programmes au niveau des pays et biens publics de caractère mondial. Les actions et stratégies d’aide au développement sont conçues au niveau des projets et des pays. Du fait de la mondialisation, la solution aux problèmes de développement passe par l’adoption de solutions multilatérales et par un renforcement des liens existant entre les stratégies nationales et les politiques internationales.

Des possibilités intéressantes

Pour sortir des dilemmes mentionnés plus haut et résoudre les problèmes de mise en œuvre qui en découlent, il faudra faire preuve de créativité et d’innovation et savoir tirer les leçons de l’action menée. Plusieurs possibilités intéressantes se dégagent du présent examen. Toutes reposent sur la volonté du pays de faire reculer la pauvreté et de promouvoir une croissante durable, mais rares sont celles qui peuvent être rapidement portées à une plus grande échelle.

- Tout processus d’apprentissage évolutif doit démarrer à petite échelle et allier une démarche venant d’en haut à une acquisi-

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in a comprehensive way, and then express their priorities and choose interventions selectively. An example of a holistic yet selective approach is the sustainable livelihoods approach of the U.K. Department for International Development, CARE, and the United Nations Development Program (UNDP).

- Sectorwide and programmatic approaches can help reduce the rigidities and burdens associated with the proliferation of donor-financed projects. Learning and innovation pilots followed by adaptable program loans can support priority goals, particularly in sectors where flexibility is critical. But moving prematurely from projects to full-scale sector approaches is risky. Capacity building must accompany the process of scaling up. Moreover, sectorwide approaches should be tailored to countries and sectors.
- Conditionality should be reconciled with country ownership. Empirical analysis of past country reforms over a long horizon and of the recent higher-impact adjustment lending in Africa confirms that conditionality is best managed as a flexible, noncoercive policy compact adapted to different stages of reform.
- Broadening ownership across many stakeholders with diverse interests and capabilities requires time and early mobilization, particularly of communities and the poor. It implies the systematic use of participatory processes; informing and giving voice to the weak partners, particularly

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así como de una mayor capacidad de evaluación y de sistemas para asegurar la responsabilidad a nivel local.

Programas basados en los países versus bienes públicos mundiales. Las iniciativas y enfoques relativos a la asistencia para el desarrollo se centran al nivel de los proyectos y de los países. Con el proceso de globalización, los problemas del desarrollo exigen soluciones multilaterales y el establecimiento de vínculos más estrechos entre las estrategias nacionales y las políticas internacionales.

Planteamientos prometedores

Para resolver los dilemas y retos en materia de aplicación señalados anteriormente, será necesario recurrir a la creatividad y la innovación, y poner atención a las enseñanzas de la experiencia. Del presente examen surgen varias prácticas prometedoras. Todas se fundamentan en la determinación de los países para reducir la pobreza y lograr el desarrollo sostenible, y unas pocas se pueden aplicar de inmediato en mayor escala.

- Un proceso de aprendizaje adaptativo comienza en forma modesta y en él se combina una dirección de arriba hacia abajo con experimentación y aprendizaje de abajo hacia arriba. Con esto se cambia de énfasis al pasar de un análisis inicial y un diseño detallado a la formulación de soluciones flexibles, la creación de capacidad a nivel local y el apoyo en los procesos sociales y en sistemas de seguimiento que permitan la adaptación y el aprendizaje durante el proceso de aplicación.
- Una manera de evitar proyectos y programas excesivamente

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tion des connaissances et à une expérimentation partant du bas. Cela permettra de moins mettre l'accent sur les analyses initiales et les plans détaillés et de privilégier la recherche de solutions souples, le renforcement des capacités locales et le recours aux systèmes de suivi et aux mécanismes encadrant les conduites au sein des collectivités pour favoriser l'adaptation et l'apprentissage pendant l'exécution des activités.

- L'un des moyens de remédier à la complexité des projets et programmes est d'échelonner les interventions en appliquant une stratégie qui intègre les acquis sur le long terme. Pour échelonner les interventions, on peut commencer par expérimenter des méthodes globales au niveau local, pour les appliquer ensuite à plus grande échelle dans le cadre d'un processus de renforcement des capacités et de décentralisation qui s'inscrit dans la durée.
- En complétant l'analyse globale d'actions stratégiques, on peut atténuer l'antinomie existant entre exhaustivité et sélectivité. De même, en associant les pauvres à l'action menée, on peut leur permettre d'analyser la réalité de façon globale, puis de fixer leurs priorités et de sélectionner les interventions en conséquence. La façon dont le Département pour le développement international (Royaume-Uni), CARE et le PNUD abordent la question des moyens d'existence viables est un bon exemple d'une approche à la fois globale et sélective.
- Les approches par secteur et par programme peuvent aider à réduire les rigidités et les contraintes liées à la prolifération

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women and marginalized populations; and creating an enabling environment for scaling up and institutionalizing participation.

• Partnership requires two complementary roles for the Bank: supporting country leadership and building the capacity to exercise that leadership, and engaging its development assistance partners to promote selectivity, coordinate interventions, and harmonize procedures. Partnerships may imply up-front investments and must be effectively monitored and managed if transaction costs to donors and countries are to decline over time.

Evaluating Development Effectiveness

The changing global economy and the CDF suggest several principles for evaluating development effectiveness.

Evaluation should focus on results, and this depends on accurate tracking of progress toward development goals, with a clear focus on poverty reduction and growth. Tracking development outcomes should comply with the comprehensive development agenda agreed by the government and its partners.

As the focus of the development effort moves from projects to the higher plane of country programs, so must the evaluation process. Resources and skills should be invested in developing appropriate indicators and information systems. The current preoccupation with project performance and evaluation should be complemented by a sectoral and countrywide focus. Public sector reform needs to include building the evaluation capacity of countries.

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complejos es establecer un orden de sucesión de las intervenciones dentro de una estrategia a largo plazo que se fundamente en las lecciones extraídas del pasado. Tal secuenciamiento puede comenzar con la aplicación experimental de planteamientos globales al nivel local, que luego se pueden ir incrementando como parte de un proceso a largo plazo de desarrollo de capacidades y descentralización.

- Las tensiones entre la integridad y la selectividad pueden suavizarse mediante la combinación de un análisis cabal y acciones estratégicas. Los enfoques participatorios pueden permitir que la gente pobre analice su realidad en forma integral, y luego expresar sus prioridades y escoger selectivamente las intervenciones. Un ejemplo de un planteamiento integral pero selectivo es el enfoque sobre medios de vida sostenibles del Departamento de Desarrollo Internacional del Reino Unido, CARE y el PNUD.
- Los enfoques sectoriales y programáticos pueden ayudar a reducir las rigideces y la carga asociadas a la proliferación de proyectos financiados por donantes. Los préstamos experimentales para el aprendizaje y la innovación seguidos de préstamos adaptables para programas pueden apoyar la consecución de metas prioritarias, sobre todo en sectores en los que la flexibilidad es fundamental. Pero pasar prematuramente de los proyectos a enfoques sectoriales integrales plantea riesgos. El proceso gradual debe ir acompañado de la creación de

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de projets financés par des bailleurs de fonds. Des opérations pilotes pour le développement des connaissances et l'innovation, complétées de prêts à des programmes évolutifs, peuvent aider à la réalisation d'objectifs prioritaires, surtout là où la latitude d'action joue un rôle déterminant. Il est toutefois risqué de transposer prématurément au niveau de l'ensemble d'un secteur les activités réalisées à l'échelon d'un projet. Le passage à l'échelle supérieure doit s'accompagner d'un travail de renforcement des capacités. L'approche devra en outre être adaptée au pays et au secteur considérés.

- Il faut concilier conditionnalité et adhésion du pays à l'action menée. L'analyse sur une longue période des réformes entreprises dans les pays et l'examen des récentes opérations de prêt à l'ajustement, qui ont eu des conséquences importantes en Afrique, montrent que la conditionnalité gagne à prendre la forme d'un programme souple, non imposé, qui évolue au fil de son application.
- Pour amener un grand nombre de parties prenantes sans communauté de moyens ni d'intérêts à souscrire pleinement à l'action menée, il faut compter avec le temps et mobiliser rapidement les intéressés, tout particulièrement la population et les pauvres. À cette fin, il faudra systématiquement faire appel à la participation, s'adresser et donner la parole aux partenaires les plus faibles, notamment aux femmes et aux exclus, et créer les conditions qui permettront d'élargir et d'institutionnaliser cette participation.

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Development effectiveness should be evaluated in terms of shared objectives, joint responsibility for outcomes, reciprocal obligations to achieve results, and distinct accountability for performance. In particular, donors and governments should team up to involve civil society and the private sector in monitoring and evaluation, and to help all stakeholders acquire the needed skills and attitudes. Participatory monitoring and evaluation hold significant promise for social learning and managing for results.

Evaluation should be informed by the global perspective of the International Development Goals endorsed by the development community. Far from implying rigid, top-down global planning, this two-way link means adapting the international goals to country conditions and priorities and enhancing partnerships at all levels.

Implications for the Bank

The CDF is not a blueprint—the hallmark of the planning era and the adjustment era. Its aim is to launch a *process* that adapts continually to changing circumstances. Customization should thus replace the "one-size-fits-all" mindset.

To this end, the Bank must do more to learn and listen. The CDF points to the pivotal role of knowledge and learning in development. Too often, it is assumed that the Bank has the answers, and that the only problem is to sell the preferred solution to clients. But the Bank is not a storehouse of universally applicable knowledge just waiting to be transferred. That is why it should empower its clients to tap global knowledge, connect clients to one another and to other sources of

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capacidad. Además, los enfoques sectoriales deberían adaptarse a las circunstancias de los países y los sectores.

- La condicionalidad debería conciliarse con la identificación de los países. El análisis empírico de las reformas introducidas en el pasado durante un prolongado horizonte temporal y el financiamiento para fines de ajuste otorgado recientemente a África confirman que la mejor manera de gestionar la condicionalidad es mediante un pacto de políticas flexible, no coercitivo, adaptado a las diferentes etapas de la reforma.
- Para que la identificación de muchas partes interesadas con diversos intereses y capacidades pueda extenderse se requiere tiempo y un proceso temprano de movilización, especialmente de las comunidades y de los pobres. Para ello es preciso recurrir sistemáticamente a procesos participatorios; informar y dar oportunidades de expresión a los asociados más débiles, sobre todo a las mujeres y a las poblaciones marginadas, y crear condiciones propicias para incrementar e institucionalizar la participación.
- Para las asociaciones se requieren dos funciones complementarias de parte del Banco: el respaldo a los dirigentes nacionales y el desarrollo de la capacidad para ejercer ese liderazgo, y la participación de sus organismos asociados de asistencia para el desarrollo a fin de promover la selectividad, coordinar las intervenciones y armonizar los procedimientos. Las asociaciones pueden entrañar inversiones desde un comienzo y deben vigilarse y gestionarse de manera

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- Pour promouvoir le partenariat, l'action de la Banque doit être double. Elle doit aider les pays à jouer un rôle moteur en contribuant au renforcement de leurs capacités et elle doit inciter ses partenaires bailleurs de fonds à encourager la sélectivité, à coordonner les interventions et à harmoniser les procédures. Les partenariats impliquent parfois un investissement initial et doivent être efficacement suivis et régulés pour que les coûts de transaction à la charge des bailleurs de fonds et des pays diminuent au fil du temps.

Évaluation de l'efficacité du développement

La mondialisation de l'économie et le contenu du CDI donnent à penser que plusieurs principes doivent s'appliquer à l'évaluation de l'efficacité du développement.

L'évaluation doit être axée sur les résultats. Pour cela, il faut pouvoir suivre avec précision les progrès réalisés par rapport aux objectifs de développement, en s'intéressant tout particulièrement à la croissance et à la lutte contre la pauvreté. La mise en lumière des fruits du développement doit correspondre au programme d'ensemble arrêté d'un commun accord par le pays et ses partenaires.

Le recentrage de l'effort de développement, qui est passé des projets aux programmes à l'échelle du pays, doit s'accompagner d'un recadrage analogue du processus d'évaluation. Il convient de mobiliser les ressources et les compétences nécessaires pour mettre au point les indicateurs et les systèmes d'information voulus. Outre l'attention actuellement portée à la performance et à l'évaluation des projets, il faut mettre l'accent sur les résultats au niveau de

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experience, and learn with them about what works.

Practicing selectivity through partnership will require continuous change. Bank management has initiated many changes under the Strategic Compact. More change will be needed to sharpen the Bank's focus and improve the development effectiveness of its operations. That will involve new skills, new approaches, new incentives, and new attitudes—to make room for genuine partnerships. Above all, the Bank will have to be realistic and strategic about its evolving comparative advantage in a fast-changing environment.

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eficaz a fin de que los costos de transacción para los donantes y los países puedan disminuir a lo largo del tiempo.

Evaluación de la eficacia en términos de desarrollo

La cambiante economía mundial y el MID plantean varios principios para evaluar la eficacia en términos de desarrollo.

La evaluación debe centrarse en los resultados, y para ello es necesario un seguimiento exacto de los progresos hacia la consecución de las metas en materia de desarrollo, con un claro enfoque en la reducción de la pobreza y en el crecimiento. El seguimiento de los resultados en términos de desarrollo debe ajustarse al programa integral de desarrollo convenido con el gobierno y sus asociados.

A medida que el énfasis de las iniciativas en pro del desarrollo avanzan del nivel de los proyectos al plano más elevado de los programas nacionales, lo propio debe ocurrir con el proceso de evaluación. Se deben invertir recursos y conocimientos para formular indicadores y sistemas de información adecuados. La actual preocupación por los resultados de los proyectos y la evaluación debe complementarse con un enfoque sectorial y nacional. La reforma del sector público debe incluir el desarrollo de la capacidad de evaluación por parte de los países.

La eficacia del desarrollo debe evaluarse en términos de los objetivos compartidos, la responsabilidad conjunta por los resultados obtenidos, las obligaciones recíprocas para alcanzar resultados y la distinción de responsabilidades con respecto al desempeño. En particular, los donantes y los gobiernos deben unirse para hacer participar a la sociedad civil y al sector privado en las actividades de seguimiento y

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l'ensemble du secteur et du pays. À cette fin, les réformes du secteur public doivent comprendre le renforcement de la capacité d'évaluation des pays.

Des objectifs communs, une responsabilité conjointe des résultats à obtenir, une obligation de résultat réciproque et des impératifs distincts en ce qui concerne les comptes à rendre sont les critères à utiliser pour évaluer l'efficacité du développement. Il faut, en particulier, que les bailleurs de fonds et les pouvoirs publics s'emploient de concert à associer la société civile et le secteur privé au travail de suivi et d'évaluation, et à aider toutes les parties prenantes à acquérir les compétences et l'état d'esprit nécessaires. Ici, l'approche participative laisse bien augurer de l'avenir, car elle est instructive pour la société et permet une gestion soumise à des critères de performance.

Le travail d'évaluation devra s'inscrive dans la perspective mondiale des Objectifs internationaux de développement approuvés par la communauté du développement. Loin de déboucher sur une planification imposée d'en haut et rigide au niveau mondial, ce double lien doit permettre d'adapter les objectifs internationaux à la situation et aux priorités du pays et de renforcer les partenariats à tous les échelons.

Répercussions pour la Banque

Le CDI n'est pas un modèle et ne vise pas à marquer de son estampille l'âge de la planification et de l'ajustement. Il a pour objectif de lancer un *processus* qui ne cessera de s'adapter à l'évolution de la situation. Le « sur mesure » est donc appelé à remplacer la « taille unique ».

Pour cela, il faut que la Banque cherche davantage à apprendre et à écouter. Le CDI insiste sur le rôle

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evaluación, y para ayudar a todas las partes interesadas a adquirir y desarrollar los conocimientos y las actitudes necesarios. El seguimiento y la evaluación con participación ofrecen grandes esperanzas para el aprendizaje social y la gestión de los resultados.

La evaluación debe fundamentarse en la perspectiva global de las metas internacionales en materia de desarrollo aprobadas por la comunidad del desarrollo. Muy lejos de implicar una planificación global rígida, de arriba hacia abajo, este vínculo bidireccional significa adaptar las metas internacionales a las condiciones y prioridades de cada país y mejorar las asociaciones en todos los niveles.

Repercusiones para el Banco

El MID no es un plan detallado, lo cual caracterizó a la era de la planificación y la era del ajuste. Su objetivo es poner en marcha un *proceso* que se adapte continuamente al cambio de circunstancias. En consecuencia, la adaptación debe reemplazar a la mentalidad de "modelo único".

Para ello, el Banco debe esforzarse más para aprender y escuchar. El MID destaca el papel fundamental que desempeñan el conocimiento y el aprendizaje en el desarrollo. Con demasiada frecuencia se supone que el Banco tiene todas las respuestas, y que el único problema es vender la solución preferida a los clientes. Pero el Banco no es un almacén de conocimientos de aplicación universal en espera de ser transferidos. Por esa razón, el Banco debe dar a sus clientes los medios para aprovechar los conocimientos, poner en contacto a sus clientes entre sí y con otras fuentes de experiencia, y sacar conclusiones con ellos acerca de lo que da resultado.

FRANCAIS

déterminant que la diffusion du savoir et le développement des connaissances jouent dans le développement. Trop souvent, on part du principe que la Banque détient la réponse et qu'elle n'a plus qu'à vendre la meilleure solution aux clients. Mais la Banque ne stocke pas des connaissances d'application générale qui attendent d'être transférées. C'est pourquoi elle doit donner aux pays la possibilité d'exploiter les connaissances existant à travers le monde, mettre ses clients en rapport les uns avec les autres, leur fournir d'autres sources d'information et apprendre, avec eux, les formules qui donnent des résultats concluants.

Pour agir de façon sélective dans le partenariat, il faut être constamment prêt à s'adapter. La direction de la Banque a inscrit de nombreux changements dans le Pacte stratégique. Mais l'institution devra continuer à évoluer pour mieux circonscrire son action et améliorer l'impact de ses opérations sur le développement. Cela passe par de nouvelles compétences, de nouvelles approches, de nouvelles incitations et un nouvel état d'esprit, autant d'éléments qui permettront la naissance de véritables partenariats. Et surtout, la Banque devra faire preuve de réalisme et faire des choix stratégiques pour tenir compte de l'évolution de son avantage comparatif dans un environnement en pleine mutation.

ESPAÑOL

Para poner en práctica la selectividad mediante las asociaciones se requerirán cambios continuos. La administración del Banco ha emprendido muchos cambios en el marco del Pacto Estratégico. Serán necesarios otros cambios para definir mejor el enfoque del Banco y para aumentar la eficacia de sus operaciones en términos de desarrollo. Para ello se requerirán nuevas aptitudes, nuevos planteamientos, nuevos incentivos y nuevas actitudes, para dar cabida a auténticas asociaciones. Por encima de todo, el Banco deberá ser realista y estratégico con respecto a su cambiante ventaja comparativa en un entorno en rápida evolución.

ABBREVIATIONS AND ACRONYMS

AFR	-	Africa Region
APL	-	Adaptable Program Loan
APPI	-	Aggregate Project Performance Index
ARDE	-	Annual Review of Development Effectiveness
BP	-	Background Paper
CAE	-	Country Assistance Evaluation
CARE	-	Cooperative for Assistance and Relief Everywhere, Inc.
CAS	-	Country Assistance Strategy
CDF	-	Comprehensive Development Framework
CG	-	Consultative Group
CGIAR	-	Consultative Group on International Agricultural Research
DAC	-	Development Assistance Committee
DANIDA	-	Danish Cooperation Agency
DFID	-	Department for International Development
DGO	-	Director-General, Operations Evaluation
EAP	-	East Asia and Pacific Region
ECA	-	Europe and Central Asia Region
ESSD	-	Environmentally and Socially Sustainable Development Network
FERD	-	Foreign Economic Relations Department (Vietnam)
GDI	-	Gross Domestic Investment
GDP	-	Gross Domestic Product
GDS	-	Gross Domestic Savings
HIAL	-	Higher-Impact Adjustment Lending
ICR	-	Implementation Completion Report
ID	-	Institutional Development (Impact)
IDA	-	International Development Association
IDS	-	Institute of Development Studies at Sussex University
LCR	-	Latin America and Caribbean Region
LIL	-	Learning and Innovation Loan
M&E	-	Monitoring and Evaluation
MENA	-	Middle East and North Africa Region
NAFI	-	National Agency for Foreign Investment (Kazakhstan)
NEP	-	New Economic Program (Bolivia)
NGO	-	Nongovernmental Organization
ODI	-	Overseas Development Institute
OECD	-	Organization for Economic Cooperation and Development
OED	-	Operations Evaluation Department
PREM	-	Poverty Reduction and Economic Management
QAG	-	Quality Assistance Group
RBM	-	Results-Based Management
SA	-	South Asia Region
SDC	-	Swiss Agency for Development
SPA	-	Special Program of Assistance to Africa
UN	-	United Nations
UNDP	-	United Nations Development Program
UNICEF	-	United Nations Children's Fund
USAID	-	United States Agency for International Development
WBI	-	World Bank Institute
WDR	-	World Development Report

TOWARD A COMPREHENSIVE DEVELOPMENT STRATEGY

Global development during the 1990s presents a paradoxical picture. Markets and democratic principles continue to extend their reach, and global markets for trade, finance, and information are increasingly integrated. These trends should have helped developing countries to accelerate their growth and reduce poverty. Yet the fight against poverty is being lost, and the efficacy of the development assistance system is being questioned.

A necessary condition for poverty reduction—growth in per capita incomes—is not being achieved by a majority of developing countries:

- During 1985–95, the aggregate of low-income countries (excluding China and India) experienced a decline in per capita income of 1.4 percent a year—and middle income countries, a decline of 0.7 percent.[1]
- The number of poor people living on less than US$1 a day rose from 1,197 million in 1987 to 1,214 million in 1998. Excluding China, there are 100 million more poor people in developing countries than a decade ago.

These numbers have led to much soul-searching in the development community. The United Nations Development Programme (UNDP) has adopted human development as its focus. The Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) has formulated a set of international goals for the first decades of the next century that stress poverty reduction, education, health, and the environment. Most bilateral agencies have realigned their policies to emphasize these priorities. OED's evaluations (ARDE 1998) have stressed the importance of looking beyond projects, getting clients to own and broaden their programs of reform, coordinating the Bank's work with that of other donors, and injecting more accountability into the development effort—both for countries and for donors.

The Comprehensive Development Framework (CDF), proposed by President Wolfensohn in January 1999, pulls together many strands of thought within four overarching themes:

- *Holistic*. A development strategy has to go beyond macroeconomic management and incorporate governance, human, and social development objectives.
- *Ownership*. The country has to be in the driver's seat in formulating and implementing develop-

TABLE 1.1 THREE DEVELOPMENT PARADIGMS

Planning	Adjustment	Comprehensive Development Framework
• Pervasive market failures • Government-led development	• Pervasive government failures • Market-led development	• Situation-dependent failures • Country-led development through partnerships
• Centrally driven; detailed blueprints	• Short-term adjustments	• Long-term vision, social transformation, adaptive learning process
• Investment-led development • Resource allocation by administrative fiat	• Incentive-led development • Investments and institutions follow it	• Investment, incentives, and institutions considered jointly
• Planners and engineers dominant	• Economists and financial experts dominant	• Multidisciplinary approach
• Industrialization with import substitution	• Liberalization and privatization	• Liberalization, regulation, and industrial policy to match state capability
• Donors fill resource gap	• Donors determine resource envelope	• Country drives aid coordination based on comparative advantages
• Donors place foreign experts	• Donors impose policies	• Donors provide advisory assistance to empower stakeholders with options
• Marginal role for monitoring and evaluation	• Donor-driven monitoring of policy implementation	• Participatory monitoring and evaluation to enhance learning and adaptation

ment strategy, and it must involve the private sector and civil society.

- *Partnership*. Donors and multilateral institutions should harmonize their programs and practices, concentrate on areas of comparative advantage, and work with country partners in a framework of mutual accountability.
- *Results-orientation*. Success has to be judged by progress on the ground toward equitable and sustainable growth.

The principles of the CDF differ significantly from those of the planning and adjustment eras.

The principles of the CDF differ significantly from those of the planning and adjustment eras (table. 1.1). The planning era focused on investment, and neglected policies. The adjustment era focused on policies, and neglected public investment. Both neglected institutions. By contrast, the CDF emphasizes institutions, including governance, the judicial framework, financial intermediation, and social capital creation. It draws on both old and recent lessons of development.

Long-Term, Holistic, Balanced

A recurrent theme of OED reports has been that institutions matter (Picciotto and Wiesner 1998). Evaluation evidence confirms the need for a broad-based concept of development, including effective public expenditure management, suitable institutional capabilities, and safety nets. Recent research also highlights the value of a comprehensive approach to create virtuous circles (Dollar 1999; Thomas and others 1999). Governance and institutional quality are key to growth, poverty reduction, and project success (Evans and Battaile 1998; Buckley 1999).

Poverty is multidimensional and location-specific. It can be reduced only through programs tailored to the local context (Narayan 1999; World Bank 1999l). An OED case study of health determinants suggests the need to go beyond the confines of the health sector—transport, pollution, communications, the environment, and education must all be considered to get results (World Bank 1999b). Similarly, getting girls into schools and keeping them there transcends the education sector—concurrent investments in transport, water, sanitation, and domestic labor-saving technologies may also be necessary.

Ownership

Lack of ownership has compromised the development effectiveness of many Bank-supported operations (World Bank 1998e, 1998f, 1998m, 1999c). Projects have tended to perform poorly when they were prepared by outsiders, did not engage stakeholders and beneficiaries, exceeded local implementation capacity, and did not engender borrower commitment. Success in both investment and adjustment operations has been associated with ownership and beneficiary participation.[2] It is important to nurture ownership among senior government officials involved in negotiations, civil servants concerned with implementation, and those affected by the intervention, as well as among Bank staff (World Bank 1998m).

Decentralization involves risks, but can help improve ownership (World Bank 1999o). Over time, decentralized systems create commitment to reform as lower-level officials, accountable to elected officials, move to higher posts, bringing with them enthusiasm for pluralistic, consensual, and responsive modes of governance (Crook and Manor 1999 BP).[3] Decentralization also broadens the scope for partnerships among local government institutions, civil society, and grassroots communities.

Partnership and Development Cooperation

Spurred by global economic and political change, development cooperation is undergoing fundamental changes in its rationale, strategy, and mode of operation. The development assistance system is too fragmented and onerous, particularly for poor and weak countries. Recent studies have concluded that there is an urgent need for a country-led partnership approach to development assistance (World Bank 1998i, 1999m). An OED study recommends that the Bank "let go" in areas where it does not have a comparative advantage, and concentrate instead on mainstreaming promising programs, relying on other agencies to pilot new approaches (World Bank 1999c). Similarly, for multicountry, grant-based collaborative programs, an OED study concludes that the Bank should team up with private foundations and development assistance agencies with a long tradition of awarding grants.

Lack of ownership has compromised development effectiveness.

Conflicting interests among donors and barriers to progress within countries must be addressed in order to achieve reforms. The Bank can help forge strategic alliances with other lenders and donors to overcome these constraints and nurture consensus on policy changes and capacity building requirements (World Bank 1995b). Active involvement by senior management and well-staffed Resident Missions facilitate cooperation (Kreimer and others 1998). The OED aid coordination study also highlights the need to build local capacity for effective aid management (World Bank 1999m).

Results, Learning, Accountability

The aid business has been overly focused on inputs, financial commitments and disbursements, and supply-driven technical assistance. An OED study on resettlement suggests that disappointing outcomes were largely the product of reliance on "plans" rather than "results" as the touchstone of quality management (World Bank 1998k). Better performance indicators and learning processes can help manage projects and strategies toward successful outcomes (World Bank 1999d).

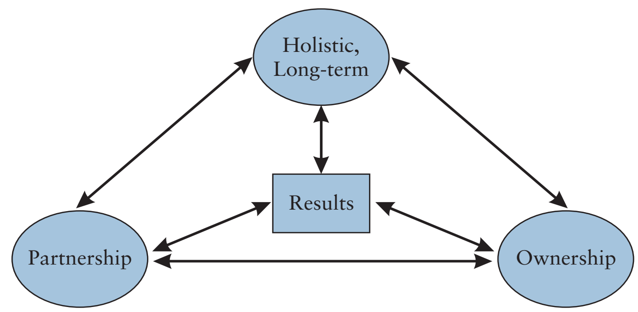
An extensive evaluation literature provides evidence of the crucial role of monitoring for development effectiveness (World Bank 1999d). Results orientation connected to a learning process requires mechanisms to generate and share knowledge, both within a country and among partners. OED's assessment of public expenditure reviews recommends a focus on the goals of expenditure reform from the beginning, both for proper selection of expenditure instruments and for better implementation (Datta-Mitra 1997).

Challenges and Tensions

The CDF principles, a regular staple of research and evaluation findings, are rarely practiced. We need to understand why and find ways to overcome the implementation challenges. There is tension as well as synergy among the CDF principles. The distinctive contribution of the CDF is to have brought these well-established principles together. Each is valid on its own, but it is their combination that promises high rewards, as well as significant risks (figure 1.1).

The challenges arise from current incentives and capacity constraints within developing countries and the development assistance system. Leadership, a new authorizing environment, and broad-based ownership of the CDF principles must be combined with systematic learning.

FIGURE 1.1 INTERACTION OF CDF PRINCIPLES



2 CHALLENGES AT THE PROJECT LEVEL

Trend analysis shows that the quality at exit of Bank-supported development projects has improved over the 1990s, but the most recent evaluations suggest a stalling of gains below the Strategic Compact goal of 75 percent satisfactory.[1] The quality at exit has taken a slight downturn from a peak of 74 percent satisfactory for projects exiting the portfolio in FY97 to 72 percent for FY98–99 exits. Moreover, institutional development impact and sustainability of project benefits continue to lag.

The demandingness, complexity, and risk of projects have also climbed over the past decade, making the modest performance gains more impressive.[2] But stagnant performance in borrower implementation has led to a growing gap between complexity and capacity, contributing to the recent downturn in project outcomes. Improving project performance will require greater emphasis on developing borrower capacity. Lessons from project experience also point to the continuing importance of the Bank's appraisal and supervisory roles.

Keeping up with Complexity

The changing nature of Bank-financed projects must be kept in mind when considering results trends. The exiting portfolio has become more ambitious relative to the implementation environment (figure 2.1). Development work in traditional sectors has become more complex, and the Bank has expanded its activities in more challenging areas (environment, human development, governance). The increased complexity and the more adverse operating environment suggest that the modest improvement in results during the 1990s represent a substantial improvement. But the gains in project performance appear stalled, highlighting the need for intensified attention to institutional constraints.

OED evaluators assess project results along three related dimensions—outcome at the time of evaluation, sustainability of benefits, and institutional development impact. Last year's ARDE introduced a new performance indicator that combines these three dimensions into an aggregate project performance index (APPI). The latest evaluation results show a broad-based improvement in the aggregate performance of exiting projects.

Demandingness, complexity, and risk of projects have climbed over the past decade.

Across exit years, the APPI shows a leveling off in performance since the improvement from the decade's nadir in FY94, both by projects and by disbursements (see figure A1.1). Since FY97 the APPI by projects has remained at 6.7, and by disbursements at roughly 7.1. The recent results reflect stability in overall performance, but also hide the dynamics among the three dimensions of the index. A modest downward shift in the outcomes of recently evaluated projects has been offset by an increase in institutional development impact (although from a low base).

To ensure future performance gains, greater project complexity must be met with improvements in borrower capacity and increased vigilance in quality assurance.

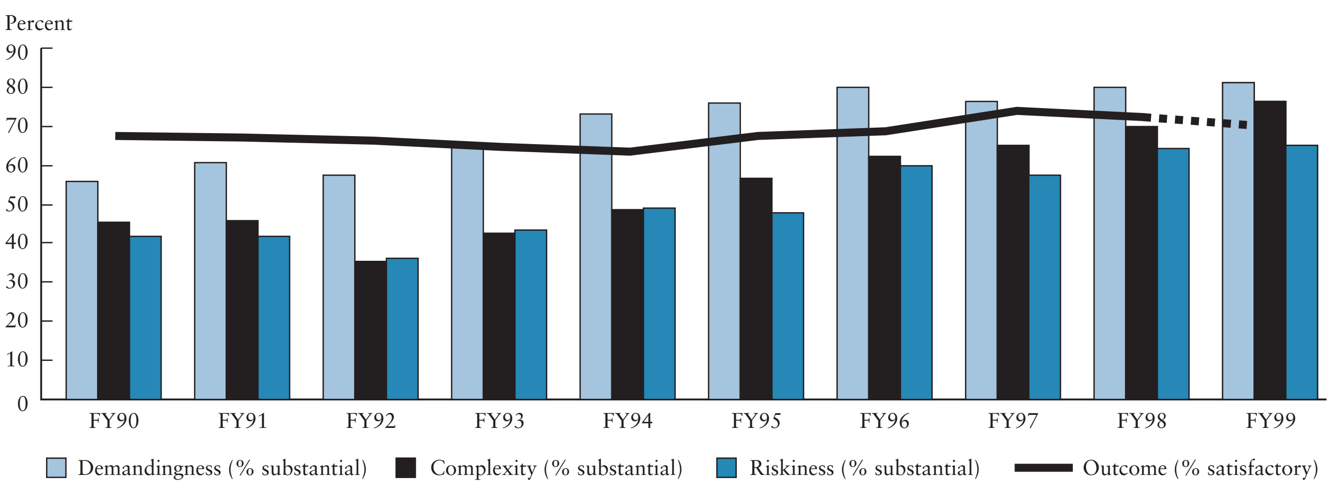
The percentage of projects with satisfactory outcomes at exit—projects that have efficiently met or exceeded their major relevant objectives—has increased over the 1990s, rising above the 70 percent threshold of the early 1990s (see figure A1.2).[3] The share of satisfactory projects exiting in FY98–99 is 72 percent, confirming a move beyond the trend for FY90–96, when outcome performance averaged 66 percent satisfactory. But while FY98 is the second consecutive year in which more than 70 percent of exiting projects had satisfactory outcomes, the share is down from 74 percent in FY97, and preliminary results for FY99 (which may not be statistically significant) show a further decline to 70 percent. The recent downturn in project outcomes combined with the steady increase in complexity suggests a possible tradeoff between the two under current conditions. To ensure future performance gains, greater project complexity must be met with improvements in borrower capacity and increased vigilance in quality assurance.

Over the short term, outcome performance is expected to remain below Strategic Compact levels. The Quality Assurance Group (QAG) reports an increased share of projects exiting the portfolio with unsatisfactory ratings, including most of the projects to be evaluated by OED over the next six months. But among the remaining active projects, a declining share are at risk of failing to achieve their development objectives, which is a promising signal for improvements over the long term.

Varied Performance among Regions, Sectors, and Types of Lending

Regions fall into three groups according to the performance of projects exiting in FY98–99 (see figure A1.3). The top performers are Latin America and the Caribbean, Europe and Central Asia, and East Asia and the Pacific—all with more than 80 percent of projects rated satisfactory in outcome, and more than half as likely to be sustainable. The Middle East and North Africa and South Asia rank in the middle, with roughly two-thirds of projects having satisfactory outcomes. Sub-Saharan Africa ranks lowest on all three dimensions, despite solid improvement in project outcomes and sustainability. The Region had

FIGURE 2.1 DEMANDINGNESS, COMPLEXITY, RISKINESS, AND OUTCOME, BY EXIT FISCAL YEAR



Note: Results for FY99 are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

the second-largest gain in the share of projects with satisfactory outcomes between FY94–97 and 1998–99, from 55 to 61 percent.

Performance has improved dramatically in Latin America and the Caribbean over the past decade, and more recently in Europe and Central Asia. The gains have put projects in these regions on par with those in East Asia and the Pacific, where the financial crisis has led to a deterioration in outcomes and sustainability. The Latin America and the Caribbean Region has seen improvement in all three dimensions. The gains in institutional development impact are particularly promising for the Region's future performance; 52 percent of projects exiting in FY98–99 were rated as having substantial impact, the highest share among all the Regions for this period. In Europe and Central Asia, recently exiting projects show solid gains in outcomes and sustainability (83 percent with satisfactory outcomes and 69 percent with likely sustainability in FY98–99). But performance in institutional development impact has improved only slightly, and self-evaluations of the active portfolio in the Region suggest a diminished development impact in the future. Active commitments at risk rose from 25 percent in FY98 to 47 percent in FY99, making the Europe and Central Asia portfolio the riskiest in the Bank. The increased riskiness reflects a rapid deterioration in the Russia portfolio.

Outcome performance varied significantly among sectors between FY94–97 and 1998–99, deteriorating in six sectors while improving in five (see figure A1.4).[4] But several of the improving sectors made tremendous gains, lifting Bankwide performance. Gains were particularly strong in three sectors: the share of projects with satisfactory outcomes rose by 41 percentage points in public sector management (to 93 percent), by 25 points in urban (85 percent), and by 17 points in transportation (93 percent). The latest self-evaluation data show that public sector management is a key problem area for the Bank, however, suggesting much lower performance in the future. The two best-performing sectors in the FY94–97 exit cohort—social sector and multisector—both experienced deterioration in project performance. Performance declined most for multisectoral projects, with the share showing satisfactory outcomes falling from 83 percent for projects exiting in FY94–97 to 65 percent for those exiting in FY98–99. The decline reflected lower than average performance for structural adjustment and technical assistance loans.

Overall, adjustment loans have shown strong improvement in outcomes since the 1980s and early 1990s—satisfactory outcomes rose from 69 percent in FY90–93 to 85 percent in FY98–99.[5] Performance has improved in Sub-Saharan Africa (79 percent satisfactory, up from 69 percent in FY94–97) and in the Finance, Private Sector, and Infrastructure Network (94 percent, up from 74 percent). But sectoral adjustment lending has accounted for the bulk of the gains; structural adjustment lending has shown stagnating performance.

Fewer than half the evaluated projects exiting in FY98–99 are likely to have sustained results, a performance similar to that throughout the 1990s.

Despite the overall improvement in the performance of adjustment lending, concerns have been expressed about its social and environmental content. A 1996 evaluation of completed adjustment operations by OED has identified a need for greater emphasis on cost-effective management of public social expenditures, along with effective safety nets to protect the extremely poor and those vulnerable to the effects of adjustment (Jayarajah, Branson, and Sen 1996). Management reviews of the extent of recent progress are under way, following QAG and Environmentally and Socially Sustainable Development Network (ESSD) assessments. Better dissemination of relevant Bank policy directives to increase the congruence between policy and practice should be considered.

Institutional Development and Sustainability Flagging

Sustainability of project benefits and institutional development impact remain major concerns (see figures A1.5 and A1.6).[6] Fewer than half the evaluated projects exiting in FY98–99 are likely to have sustained results, a performance similar to that throughout the 1990s. A volatile external environment has suppressed improvements in sustainability, particularly in East Asia and the Pacific, because of the recent financial crisis, and in Europe and Central Asia. Operations with large disbursements perform somewhat better on sustainability—two-thirds of evaluated disbursements for fiscal 1998–99 are judged likely to have sustained results.

An emphasis on institutional development is critical if the Bank is to move beyond simple project financing to long-lasting improvements in developing countries and full ownership by borrowers. At the project level, the Bank has been making slow progress in institutional impact. Still, only 39 percent of the exiting projects in FY98–99 show substantial institutional development impact. Better ways to achieve this crucial objective must be found.

Recent evaluations show marked improvement in the institutional impact of projects directed primarily to institutional development. Half deliver substantial impact, a significantly higher share than the Bankwide average. These focused institutional development interventions, which make up only a quarter of the exiting portfolio, thus contribute disproportionately to the gains in the institutional impact of Bank-supported projects.

Promising evidence suggests that projects can produce an institutional development impact at the national level.[7] Among countries in which more than half the evaluated projects achieve substantial institutional development impact, three-quarters show corresponding improvements in institutional quality at the national level. This impact is strongest for projects that advance the regulatory framework, streamline public sector operations, and improve the enabling environment for private sector activity.

Bank and Borrower Performance Must Improve

For this Review, OED conducted econometric analyses of the key determinants of success for investment and adjustment lending (box 2.1). The results for invest-

BOX 2.1 UPDATED DETERMINANTS ANALYSIS PUTS SPOTLIGHT ON BANK PERFORMANCE

This Review revisited the econometric analysis of the determinants of performance for investment projects using a methodology employed in the 1994 and 1997 ARDEs. And for the first time, a similar treatment was given to adjustment operations, using a methodology developed in the Development Research Group. The main goal was to assess the relative impact of Bank and borrower inputs on the success of projects, while controlling for country factors such as the macroeconomic environment and quality of governance. Single-equation probit analysis was applied, with outcome—satisfactory or unsatisfactory—as the dependent variable.

Investment projects. The results for the most recently exited investment projects (FY98–99) broadly confirm the conclusion of the earlier analyses: borrower and Bank performance are the most important determinants of project success, with Bank supervision and borrower implementation performance both crucial in determining the final outcome. Other things being equal, improved Bank supervision increases the likelihood that a project will be successful by 51 percentage points—and satisfactory borrower performance by 43. Quality at entry increases a project's likelihood of success by 28 percentage points, and borrower compliance by 20. Borrower preparation turned out to be insignificant.

Compared with the results for projects exiting in FY95–97, the most striking difference is the greater importance of Bank supervision; its contribution to the likelihood of success increased fourfold. This finding is intuitive given the increased complexity of Bank projects and the stagnant performance in borrower implementation.

Adjustment operations. Bank and borrower performance also turned out to be key determinants of the success of adjustment projects, along with political economy factors. Borrower performance during implementation is critical: when it is satisfactory, a project's likelihood of success increases by 50 percentage points. Satisfactory quality at entry increases the estimated likelihood of success by 12 percentage points, Bank supervision by 13. Political economy factors also help predict whether a project will succeed: a one standard deviation increase in the incumbent's time in power at the start of the operation reduces the likelihood of success by 13 percentage points, and a one standard deviation increase in the number of average government crises reduce it by 5 percentage points. The other political economy variable, a dummy capturing whether the incumbent was democratically elected, turned out to be insignificant.

ment projects show that Bank supervision has become the most important factor in determining outcomes. This makes intuitive sense, given the increased complexity of Bank projects and the volatility of the operational environment. Bank and borrower inputs are both important for adjustment operations, but borrower performance is of greatest significance. This finding confirms the prime importance of country ownership to successful policy reform.

For projects exiting in FY98–99, overall borrower performance—based on the average of preparation, implementation, and compliance with legal covenants—rose to 73 percent satisfactory, up from 68 percent satisfactory in FY94–97 (see figure A1.7). This improvement in performance, consistent with last year's findings, keeps borrower inputs on par with Bank inputs. Three of four evaluated projects now show overall satisfactory Bank and borrower inputs.

Yet while overall borrower performance is up, implementation performance continues to hover around 60 percent satisfactory, and remains the weakest aspect of borrower project processing. This stagnant performance reflects the difficulty of improving borrower capacity and underscores the need for sustained emphasis on capacity building. The determinants analysis suggests that improved borrower implementation would lead to major gains in the development impact of projects.

Bank performance shows mixed results for evaluated projects exiting in FY98–99 (see figure A1.8). Compared with results for FY94–97 projects, identification performance has declined from 82 percent satisfactory to 78 percent, appraisal performance has stagnated at 62 percent satisfactory, and Bank supervision has improved to 76 percent satisfactory. Disaggregating the Bank supervision measure turns even this positive result into a mixed signal, however: while the share of projects reporting satisfactory supervision was 80 percent for FY98, it dropped to 69 percent for the partial FY99 sample. As the econometric determinants analysis confirms, this drop is closely associated with the downturn in outcomes for evaluated projects exiting in FY99.

CDF would have significant implications for Bank appraisal and supervision. Upstream activities are the entry point for several key principles of the framework. Project appraisal would include consideration of beneficiary participation and local capacity to ensure ownership. And it must build in a focus on results from the beginning. Equally important, if not more so, is Bank supervision, which would assist the borrower in ensuring the flexibility to adapt to changes in the implementation environment and in working with and benefiting from partners. This process role is critical in developing a learning environment while maintaining a focus on development impact.

Project Performance and CDF Principles

A sample of recent project evaluations was reviewed to assess the importance of CDF principles in project performance.[8] For investment projects, the review covered all four pillars of the framework. A smaller number of adjustment project evaluations was reviewed to assess the balance between attention to social issues and the macroeconomic components of the reform program.

India's Agricultural Development Project in Tamil Nadu provides a good example of the way synergies among policy reforms, institutional development, and public investment can help achieve broad-based, sustainable rural development. The project shows how a committed borrower, with a coherent policy framework and decentralized project execution, can implement a successful, long-term, holistic program. The Tamil Nadu Project now serves as a model for rural development projects in other Indian states.

The Ghana Feeder Roads Project shows the benefits of ownership and strong partnership among donors. The project aimed to help the rural poor by improving access to markets and agricultural areas and by promoting labor-intensive construction methods to provide employment. It also sought to integrate the transport and agricultural sectors more closely. The Department of Feeder Roads, the implementing agency, exhibited strong ownership and commitment during all stages of the project. The project's institutional development activities improved the department's work programming and resulted in a thriving construction and consultancy industry in Ghana. Partnership with the Danish Cooperation Agency (DANIDA) and the U.K. Department for International Development was exceptional, with periodic formal meetings enhancing coordination.

Determinants analysis suggests that improved borrower implementation would lead to major gains in the development impact of projects.

Bank loans often supply the institutional framework for expanded activities that attract other multilateral and bilateral donors. This additional funding can help multiply project benefits and impacts, as in Poland's Environmental Management Project. Bangladesh's Agricultural Support Services Project and Poland's Energy Resource Development Project, both carried out in partnership with another donor, illustrate the benefits of donor cooperation. The success of these projects can be attributed in part to joint missions, the smooth exchange of information, and the coordination of technical assistance.

Where coordination is lacking, projects suffer. This was the case for Kenya's Forestry Development Project. Originally designed, in collaboration with five donors, to foster donor coordination and promote balanced development of the forestry sector, the project was drastically pared down after donors withdrew. But even the reduced project suffered from lack of cooperation, this time between the Bank and the borrower.

Chile's Primary Education Improvement Project and India's Industrial Technology Development Project highlight the benefits of building flexibility into project implementation. An adaptable design gave India's project the flexibility to respond to a changing economic environment, contributing strongly to its success. And in Chile's education project, adapting instructional processes in response to the results of monitoring by the Bank and the borrower ensured highly satisfactory outcomes. But adequate resources for effective and permanent monitoring are seldom provided. Many projects, such as Mauritius's Industrial and Vocational Training Project, fail to design clear performance targets for project activities—and even when targets are identified, supervision missions often ignore them.

Chile's Primary Education Improvement Project and India's Industrial Technology Development Project highlight the benefits of building flexibility into project implementation.

Adjustment operations face the challenge of balancing a focus on macroeconomic issues with an equal focus on their social implications. Panama's Economic Recovery Project shows how this can be done. The project included a poverty reduction program to mitigate the employment effects of labor market reforms and to reduce the cost of basic consumption needs, including public transportation. The government also set up a social emergency fund to protect those most susceptible to malnutrition and disease.

CHALLENGES IN SECTORAL AND THEMATIC PROGRAMS

The difficulties involved in practicing the CDF principles vary across sectors (see Annex 2). CDF principles have been easier to practice in technology-driven sectors, such as infrastructure, than in the softer sectors, such as human development, or the social and structural dimensions of hard sectors. The challenges involved within and across CDF principles reflect dilemmas the Bank has been grappling with for decades.

Five key tensions are at play: short versus long term, comprehensiveness versus selectivity, speed versus broad-based ownership, partnership versus country capacity, and accountability for results versus local capacity. Resolving such tensions lies at the core of quality management in development assistance.

Short versus Long Term

Many factors contribute to the short-term orientation of development efforts: the project approach, financial crises, political instability, the election cycle, and the incentive systems of the civil service in developing countries, as well as the incentives and planning processes of donors and the Bank. Yet the most fundamental problems of development, such as institutional development and governance, require long-term strategies and sustained efforts.

A long-term perspective is especially important in dealing with the structural dimensions of reform. Among recent examples of failures to take the long view are privatization in transition economies, civil service reform, and deregulation of the financial sector (Mathieu 1998; Stiglitz 1999b; World Bank 1999c). Privatization increases inequality if the appropriate regulatory framework and environment for private sector development are missing. In transition economies, the rush to mass privatization, without establishing the underpinnings of capitalism, led to corrupt sales, lack of restructuring, insider-dominated transactions, and unregulated actions by investment funds.

The more ambitious the reform, the more time and resources are needed to prepare the way. A long-term commitment is essential to success. OED's study of financial sector reform found that countries with

Many factors contribute to the short-term orientation of development efforts, yet the most fundamental problems of development require long-term strategies and sustained efforts.

unsatisfactory outcomes averaged only 1.5 reform operations dealing with the financial sector over a 12-year period; countries with satisfactory outcomes averaged 2.3 operations. Equally, resettlement operations call for involvement of affected communities many years before the infrastructure investments take place (World Bank 1998j).

Comprehensiveness versus Selectivity

More comprehensive approaches frequently imply greater complexity and implementation difficulties for sectorwide and multisectoral programs. Thematic, cross-sectoral, and structural dimensions are particularly challenging for sector-bound aid agencies and government ministries. For example, it took decades of external pressure and top management leadership to bring environmental considerations into the Bank's operations. Gender, public sector management, and private sector development issues raise similar challenges (Murphy 1997). Cross-sector themes are often ignored or resisted by sector-bound organizations, both within the Bank and in developing countries.

Following the debt crisis, the Bank broadened its view to address systemic problems. Although now more relevant, the success rate of the more demanding financial sector operations dropped to 50 percent, even prior to the 1997 financial crisis.[1] An OED review of recently closed operations supporting financial sector reforms shows that success is often attributable to government ownership and commitment, consensus-building, a favorable political climate, and good policy dialogue (Mathieu 1998).

The challenges of managing multisectoral, multiagency programs are compounded by weak incentives and mechanisms for intersectoral coordination, both in countries and within the Bank.

A focus on discrete investments rather than integrated packages of investments has been a frequent feature of multisectoral programs, as noted in a recent review of social protection activities based on beneficiary assessments. Going around ministries has advantages, but these are often enjoyed at the expense of sustainability. Services provided through social fund agencies are particularly vulnerable because of the programs' weak links to existing government structures. The Bolivia Social Fund's emphasis on speed and autonomy from line ministries worked against fitting projects into sectoral plans. The assessments for social funds in Armenia, Ecuador, and Peru highlighted the need for complementary actions, such as funding educational material, equipment, and other inputs along with infrastructure in school projects or including training for water and sanitation projects. According to the Ecuador beneficiary assessment, if the social fund does not permit the financing of complementary works, serious consideration should be given to not financing the project. "Inattention to complementary requirements can . . . put at risk the impact of the project, not to mention the satisfaction with, use, and maintenance of projects."

Multisectoral program services have been difficult to sustain without good coordination with ongoing programs of sectoral ministries. In Mali's integrated Health, Population, and Rural Water Supply Program, implemented by different line agencies, the population and water supply components were not always well coordinated with the health component. With the involvement of many agencies, programs proved difficult to monitor—and implement. The challenges of managing multisectoral, multiagency programs are compounded by weak incentives and mechanisms for intersectoral coordination, both in countries and within the Bank.

Integrated programs may also generate tensions between line agencies and oversight bodies, such as ministries of finance. Activities requiring recurrent funding can create ownership conflicts between central and local governments, especially in non-revenue-earning operations such as highways. Implementation of a Thailand highways project, an integrated intervention designed to address cross-sectoral issues, was marred by conflicts among agencies. Implementing agencies were strongly committed to the physical works, but less committed to policy reforms, in part because policymaking rested elsewhere in government. Similarly, urban development projects involving multiple sectors have provoked detrimental competition among oversight agencies, making them unmanageable. While the Bank has approved no new Integrated Urban Development Projects since 1986, the performance of some recently completed operations, such as the Brazil Salvador Metropolitan Development, suffered from needlessly complex designs involving disparate activities implemented by too many agencies.

Sectorwide approaches are necessarily ambitious, complex, and demanding of Bank involvement, especially supervision. In the energy sector, for example, both the sector development model and the Bank's agenda have grown in complexity. The global move from public monopolies toward privatization and deregulation has required tackling a much broader range of issues: sector unbundling, private participation, regulation, competition, interregional trade, resettlement, environment, access by the poor, and renewable energy sources, among others. Operationalizing a sectorwide approach through programmatic lending has had mixed results. Energy sector loans to Pakistan, the Philippines, and Turkey fell short of their objectives because they were too complex—the FY89 Pakistan energy sector adjustment loan had more than 40 conditions. Phased or incremental approaches have been more successful. In China a succession of power sector operations of incrementally increasing policy intensity succeeded because of a realistic assessment of institutional capacity, judicious use of technical assistance loans to build greater capacity, and effective use of economic and sector work. But a gradualist approach may be difficult for the Bank to replicate in countries where the assistance strategy can accommodate only one energy operation every few years, or where strong government ownership may develop only during brief periods of political opportunity, as in Argentina and Bolivia.

Speed versus Broad-Based Ownership

The lack of government ownership of reforms or community ownership of local projects has undermined development efforts. OED evaluations show that ownership is difficult to achieve in sectors that have a broad array of stakeholders with different interests, such as health and education; in thematic and structural areas, such as environment, rural development, and civil service reform; and in sectors such as agriculture, where resources provided through state channels are under pressure. Partners may have different views of the roles of the state, the private sector, and civil society. Coalition building and media campaigns to overcome vested interests or hold the bureaucracy to account may not be feasible. Governance reforms may be required to institutionalize participation, and this may take decades to accomplish.

Speed often compromises ownership. In a spirit of priority setting and capacity building, the Bank has helped a number of governments address environmental issues through National Environmental Action Plans and programs to strengthen national and local environmental institutions. But a 1996 OED review revealed that the environmental plans had generally not elicited local ownership. Many of the plans were prepared in haste and driven by deadlines that left little time for participation.[2] Making the plans a requirement for lending further eroded country support.

The interests of different ministries (and the priorities of the center and the districts) can vary, and even conflict. Uneven stakeholder commitment and weak capacity can pose risks. OED evaluators found that the success of health sector projects was significantly correlated with how well program designers had assessed ownership by key stakeholders, including concrete evidence of commitment. In education, too, the number of stakeholders is very large, with many agencies and institutions involved in executing policies. Responsibility for selecting policy reform measures and deciding on mechanisms to encourage support must come from within the country and be grounded in broad-based support for reform. The clear implication is that borrowers should be encouraged to take a leadership role in the preparation of projects and that all stakeholders, including women and the poor, should be fully engaged.

Speed often compromises ownership.

Thematic strategies have a better chance of being successfully implemented when a range of public and private stakeholders participate. Lessons from The Gambia, Ghana, Madagascar, and Mauritius suggest that this holds true for the environment. In Madagascar and Mauritius, national environmental action plans were able to increase local environmental capacity more than in some other countries because of substantial local ownership. The more participatory plans were also successful in information gathering and public education.

Partnership versus Country Capacity and Transaction Costs

Partnerships of external partners may be essential to coordinate sectorwide programs and reduce demands on government capacity. OED evaluators have spotlighted examples of effective coordination with donors in such sectors as transport, telecommunications, and energy. In other areas, however, partnerships have a long way to go, especially in rural development, education, and private sector development.

While aid coordination can reduce demands on government capacity, a lack of implementation capacity can still undermine reform. An evaluation of the Ghana Private Sector Adjustment concluded that "required expertise should be on board before the process begins, and potential legal issues, like land transfers, which proved problematic in Ghana, should be carefully reviewed in advance." An evaluation of Jamaica's Private Sector Development Adjustment highlighted the need to assess borrower capacity to implement reforms, as well as borrower commitment. The borrower's own evaluation was highly critical of unrealistic demands by the Bank on Jamaica's weak implementation capacity.

Partnership and coordination imply high transaction costs. In a Ghana health operation, the Bank adopted a sectorwide approach but provided only marginally higher supervision resources than for a conventional investment project. This limited the Bank's ability to establish local presence, include appropriate technical expertise in supervision missions, or adequately participate in coordination meetings.

In tracking the development impact of projects, the Bank has been weak, almost across the board.

A better alternative may be to promote strategic selectivity—that is, to share responsibility among donors, to rely more on pooled technical assistance support under government control, and to resist the inclination to take on all tasks and cover all bases.[3] More intense supervision of increasingly complex Bank-assisted projects will undoubtedly raise their effectiveness, but complex projects also involve opportunity and transaction costs for governments: the attention of senior officials is directed to Bank missions at the cost of neglecting other issues that may be more pressing. Donor pressure also diverts a disproportionate share of scarce local budgets and staff to service a bewildering number of donor projects.

An OED review of completed infrastructure projects raises a number of issues surrounding the role of external financiers:

- Too little involvement of partners and cofinanciers in project design and supervision
- Divergence, sometimes serious, between external financiers and the Bank on stated project objectives
- Discrepancies in sector policies and procedures for program implementation
- Little interest in contributing to the Implementation Completion Reports (ICRs), depriving the reports of the views of cofinanciers
- Problems with cofinanced technical assistance, such as reluctance of cofinanciers to replace inappropriate technical assistance personnel
- Dropping out of the project at appraisal after expressing support during preparation.

Accountability for Results versus Local Capacity

In tracking the development impact of projects, the Bank has been weak, almost across the board. Monitoring and evaluation (M&E) for results has been easier to achieve in infrastructure lending than in structural lending (institutions, public and private sector development), social lending (health, education), or thematic lending (environment, rural development). OED evaluators have consistently identified weak M&E capacity (including tracking inputs and outputs) and the need for greater attention to sectorwide and thematic efforts. Decentralization, privatization, and weak regulation have all compromised monitoring and evaluation. Chile's power sector is typical: the combination of unbundling, privatization, and weak regulation led to a deterioration in monitoring and evaluation. A clear lesson is that the Bank should focus on sectorwide M&E as an integral part of its assistance to setting up regulatory frameworks. A broader M&E issue is that of cross-sectoral links and the dearth of data on the social impact of energy policies and sector reform.

Identification of relevant indicators has been a challenge, both at the technical level (balancing process with outcome indicators, and ensuring coverage of key issues) and in negotiating a limited list among key stakeholders. A concern expressed in Ghana's health sector program was that the indicators placed greater emphasis on donor priorities than on the priorities of national stakeholders or consumers. In addition, institutional mechanisms have rarely been crafted in order to create incentives for increased performance at the district and facility levels. Excessive emphasis on process indicators (decentralization, budget allocations) may compromise achievement of outcomes (as in Zambia) (World Bank 1999d).

M&E in thematic programs has also been weak, particularly in newer dimensions such as gender, informatics, and the cross-cutting areas of environment and poverty. The Bank has rarely used its lending portfolio to systematically collect evidence on what works in reducing poverty, what does not, and why. Few rural projects have supported those who work with the poor or enhanced monitoring of resource allocations to the poor. Indicators used were generally input measures, such as the number of personnel trained or wage expenditures, rather than outcomes. Seldom were these gender-disaggregated.

4

CHALLENGES AT THE COUNTRY LEVEL

This chapter assesses Bank Country Assistance Strategies (CASs) from the perspective of the CDF. It focuses on results—growth and poverty reduction over the long term. It also highlights the tensions in implementing principles of the CDF at the country level and identifies examples of good practice. The analysis covers 28 countries that have received OED Country Assistance Evaluations (CAEs). These evaluations were prepared to fit the Bank's CAS schedule, but relevance, regional coverage, and importance to the Bank's portfolio were additional selection criteria. The sample thus includes developing countries that range widely in size and income, and achieves regional balance.[1]

The facts of growth and poverty in the 28 countries between 1981 and 1997 are sobering (see Annex 3):

- In 40 percent of the countries, per capita income either failed to grow or shrank.
- In 25 percent, the share of the population in absolute poverty increased.
- In 23 percent, life expectancy declined.
- In 54 percent, the people experienced stagnating per capita income, rising poverty, declining life expectancy, or a combination of these events.
- In 85 percent, per capita income grew 1 percent a year or less in the 1990s.
- In 59 percent, gross savings as a percentage of GDP were low (less than 10 percent) or declining.
- In 67 percent, investment efficiency was less than 10 percent or declining.[2]

These findings confirm the view underlying the CDF: that the battle against poverty is being lost and that business as usual will not accomplish the objectives of the development community.

Addressing Social Issues

The CDF conceives of development as a social transformation process. Increased emphasis on social services forms part of the new development consensus. The United Nations Children's Fund (UNICEF) and the International Labor Organization, along with other observers, have argued that the inadequate progress in reducing poverty can be traced to neglect of social priorities under adjustment programs (World Bank 1999l). Yet the country evaluations show no significant decline in the share of social spending in government budgets during the period under study; countries such as Côte d'Ivoire, Ghana, Morocco, Poland, and Togo fully sustained their social spending.

OED's forthcoming study on poverty shows that many countries launched social protection and development programs during the 1990s, some with financial support from the Bank. An earlier OED report on the social dimensions of adjustment concluded that in most countries that implemented adjustment policies, "real spending per head on health, education, and social security and welfare programs either rose during the adjustment period or rebounded soon after . . . few of the Bank's early adjustment programs provided for safety net programs, but such programs have become more common" (Jayarajah, Branson, and Sen 1996: xi).

Social problems stem more from the inefficiency and anti-poor bias of social programs than from lack of budgetary allocations.

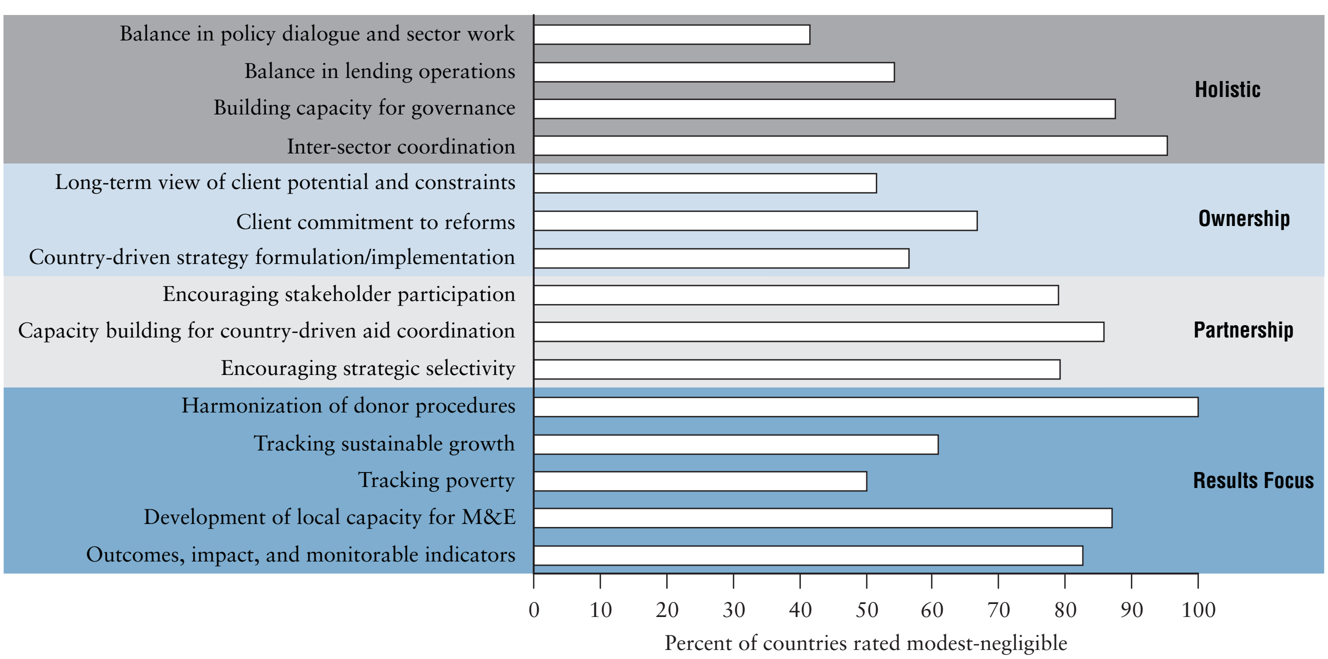
Social problems stem more from the inefficiency and anti-poor bias of social programs than from lack of budgetary allocations. The CAS for Côte d'Ivoire notes that the unfavorable cost-benefit ratio in education was produced by four factors—abnormally high wages for teachers, low internal efficiency caused by high drop-out rates, low employment potential, and inequitable access.[3] Public spending on education typically benefits the wealthy at the expense of the poor, and boys at the expense of girls. Health sector spending reflects similar biases: more is spent on hospitals than on basic health centers, on curative than on preventive care, in capital cities than in rural areas, and on wages than on basic supplies (particularly generic drugs).

Addressing Institutional Capacity and Structural Issues

Disappointing growth is associated with neglect of structural issues. Many OED reports emphasize a gap between institutional capacity and policy reform. A 1996 review highlighted the importance of institutional and capacity development issues over and above macroeconomic stability, price liberalization, trade reform, and wage and interest rate liberalization.[4] The report emphasized the need for prudential regulation and banking supervision, laws for entry and exit of firms (bankruptcy), technology development, technology transfers and licensing, arbitration mechanisms to settle labor market disputes, labor force training in cooperation with the private sector, and improved information on market opportunities, particularly for exports.[5]

Sequencing is an important part of the CDF. Problems arise when financial sector liberalization precedes the development of a regulatory and supervisory system, or when privatization comes before a sound framework for regulation and competition.

FIGURE 4.1 THE BANK'S CONTRIBUTION TO IMPLEMENTING CDF PRINCIPLES



These problems were highlighted in several CAEs. In addition, OED's forthcoming study on poverty highlights the role of the composition of growth in poverty alleviation—rural growth, in particular, was found to be critical in reducing poverty.

A Long Way to Go

The CDF principles imply a different approach to managing country assistance programs. For this report, a new calibration was tested to determine what the performance rating of the Bank would have been if the CDF principles had been the agreed benchmark. To this end, the principal authors of CAEs were asked to rate the Bank's contribution in helping client countries implement CDF principles on a scale of 1 (poor) to 4 (excellent) (figure 4.1). These experienced evaluators rated the Bank's contribution to implementing the principles of the CDF as modest or poor in nearly two-thirds of cases. This suggests that country assistance practices will have to change substantially when the CDF is mainstreamed. While the principles are not new, the Bank's commitment to giving them priority is.

An upcoming OED report on poverty has reviewed country assistance strategies, and preliminary findings indicate that (World Bank 1999l):

- More than 70 percent focus on three main policy areas—trade and tariff reform, macroeconomic balance, and liberalization and deregulation.
- Fewer than 50 percent address other aspects of the structural agenda, such as regulatory policies, support for the informal sector, or wage and employment policies.
- Roughly one in five contains a good discussion of distribution or equity issues; one in three covers issues relating to the sectoral composition of growth.
- Fewer than 40 percent emphasize policy support for the informal sector or wage and employment polices directed at removing labor market constraints for the poor.

There has been a significant shift in Bank lending, away from traditional investments in agriculture, and toward investments in human capital development. Agricultural lending declined from 27 percent in the 1980s to 16 percent in the 1990s, while lending for human capital development increased from under 7 percent to more than 21 percent. Lending to industry fell significantly in the 1990s, to less than 2.5 percent of the portfolio in FY99. Still, few CASs explicitly address issues of income distribution, or propose interventions that directly address inequality (as distinct from inequities in access to services). Despite the stated goal of pro-poor growth, policy prescriptions have deviated little from those of the 1980s.

OED's 1999 review of poverty assessments finds that nearly half do not adequately assess individual elements of the poverty reduction strategy.[6] They fail to address the links between poverty and such macroeconomic policies as trade and exchange rate policy, or such sectoral issues as food and agricultural policy and rural development. They give only limited attention to local dimensions of poverty reduction, including investment decisions. And while all assessments recognize the importance of labor-intensive growth to poverty reduction, few have analyzed this issue.

Slightly more than a third of the sampled poverty assessments achieved a high country-level impact—as measured by the influence on the poverty debate, policy design and implementation, and institutional development in the country—while slightly under a third had a low impact. The impact of poverty assessments is strongly correlated with their quality, with the adequacy of time for their preparation, and with the degree of partnership, consultation, information sharing, and knowledge transfer at the country level. A survey of stakeholders shows that while six of seven were satisfied overall with the poverty assessment, they viewed knowledge transfer and local partnership and consultation as the least satisfactory aspects.

Despite the stated goal of pro-poor growth, policy prescriptions have deviated little from those of the 1980s.

An OED study of public expenditure reviews found that, except in the cases of Ghana and Zimbabwe, the reviews remain primarily internal Bank documents that evince little sense of ownership from the government. Client governments do not believe that they can influence the process or the output. Some perceive the reviews as an attempt by the Bank to micromanage expenditure policies. Even where the government is heavily involved in the process, the impact on policy is often weak because of inappropriate sequencing or governance constraints. In brief, implementation of the

CDF principles will call for continuing improvements in country assistance practices.

Managing the Tensions in the CDF

The principles of the CDF pose important challenges. Four are highlighted here. (Chapter 5 proposes some promising approaches to address them.)

- **Ownership versus conditionality.** How should the apparent conflict between country ownership and donor interest in performance (often enforced through conditionality) be resolved? How should the need for ownership be reconciled with the need for policy reform and sound development priorities when country commitment is lacking?

Conditionality is widely viewed as a crude attempt to generate policy reform in exchange for grants or loans. OED studies have shown that when applied as a one-sided, coercive instrument, conditionality can be counterproductive and incompatible with ownership. Some observers have rushed to declare all forms of conditionality a failure. This conclusion is not supported by the evidence. But the principles of ownership and partnership clearly call for reconciling the accountability of donors and countries through reciprocal conditionality.

- **Country-led partnership versus country capacity and commitment.** How should donor demands for financial accountability be reconciled with client-led partnership, particularly when countries lack capacity? How can donors play to their comparative advantage, and thus maximize the effectiveness of the development assistance system?

Two enabling conditions for country-led partnership are often missing: country commitment to sound policies and development priorities, and institutional capacity to manage and coordinate aid (World Bank 1999m). Most donors and international agencies, including the Bank, continue to impose barriers to country-led coordination. These aid-delivery transactions costs include: divergent and complex administrative procedural requirements and the numerous missions countries must accommodate. For highly aid-dependent countries, these burdens can add up to thousands of reports and missions each year.

- **Poor accountability record versus scaling up.** Despite continued emphasis by OED on the importance of M&E for learning and accountability, the record remains far from satisfactory. The international development goals and recent attention to governance reinforce the need for enhanced accountability for results.

Past activities to build M&E capacity have focused at the project level to satisfy donor requirements. The resulting lack of domestic ownership of M&E has undermined the use of its findings and the acceptance of performance measurement for sound governance. The limited capacity created through donor-driven, project-based M&E has been dissipated at project completion. The CDF raises the bar by emphasizing learning and accountability for results at all levels—well beyond projects.

- **Country focus versus global public goods.** With globalization, development problems increasingly require multi-country efforts and strengthened links between national strategies and international policies and programs. How can international efforts aimed at global public goods complement national efforts through the CDF?

As global integration deepens, the number of development problems calling for supranational policy responses grows. These cross-border challenges arise from a combination of market failure, government failure, and systemic failure. The challenge of overcoming such failures creates a new role for development assistance. The country focus remains critical, but official development finance also must help meet the growing deficit in the supply of international public goods.

Global forces (including technological change) are creating not only far-reaching growth opportunities, but also a host of potential problems—including capital flight, financial contagion, illicit drug trade, cross-border environmental problems, the spread of disease, waves of migrants and refugees, and loss of biodiversity and cultural heritage. Building purposeful and inclusive partnerships is as important in addressing these transboundary development challenges as it is in tackling national challenges under the CDF.

Country Cases

Development assistance strategies in several countries have gone some way toward implementing the principles of the CDF and resolving some of the inherent tensions. Six such cases offer lessons of good (and sometimes bad) practice.

Albania

The Albania review highlights some important CDF lessons. While it stresses the need to be holistic, client-focused, and results-oriented, it reveals that, with a CDF approach (like most things), the devil is in the details. Three lessons emerge.

First, a *holistic approach requires selectivity*. The 22 projects supported by the Bank between 1992 and 1996 covered the social sectors, infrastructure, power, agriculture, the enterprise and financial sectors, and the environment. Ostensibly the Bank was being holistic. Despite—or perhaps because of—its breadth, the strategy lacked depth, as well as a focus on the financial sector and governance, which would have produced the greatest impact on long-term development prospects.

Second, *it may not be easy to identify who is in the driver's seat*. During 1992–96, there was strong ownership by the government of many key components of the Bank's program, including the initial stabilization program, enterprise reform, and agricultural adjustment. Yet in the year preceding the crisis, the government exhibited arbitrary behavior that contributed to polarization. By the time the pyramid schemes collapsed in 1997, the country was poised for a conflict that pitted the president and his predominantly northern supporters against groups from the south. Ownership by government alone is not enough; it must be broad-based.

Third, *keeping track of results without assessing sustainability can be misleading*. In the early years of Bank involvement, Albania registered high growth rates (nearly 9 percent annually). Agricultural production boomed. The government successfully completed a mass privatization program. By all accounts, Albania was the hope of southeastern Europe. By 1997, it was apparent that the good news on growth and agricultural production obscured serious problems with the institutions governing financial intermediation and state-society relations (particularly service delivery). Albania's experience highlights the need to go beyond traditional monitoring of macro and fiscal trends.

Bangladesh

Bangladesh was thought to have little chance of survival after independence in 1971. The Bank, in partnership with other stakeholders, did much to help the new country grapple with its myriad challenges by following a holistic, long-term approach in providing support. Since then the country has made remarkable gains in both macroeconomic and social development. The Bank ensured that the country was not just the owner of the development program, but also its author. It played a supportive role in key sector programs—food production, family planning, and education—within the framework of a comprehensive development program prepared by the country. The Bank encouraged broad participation and active NGO involvement in formulating and implementing programs. Finally, it allocated adequate resources to the country assistance program and contributed to improved aid coordination.

Despite—or perhaps because of—its breadth, the strategy lacked depth, as well as a focus on the financial sector and governance.

Bolivia

The case of Bolivia demonstrates the need to go beyond improved macroeconomic management to achieve poverty reduction. Although the New Economic Program (NEP) launched in 1985 with strong Bank and donor support was remarkable in achieving stabilization of the economy, it did little to achieve poverty reduction. Social and structural reforms lagged until 1993–97, when a "made in Bolivia" program to change the role of the State was launched; it included health, education, and income-generating programs. In August 1997 the new government initiated a participatory process known as the national dialogue, and crafted a comprehensive framework for development, presaging many features of the CDF.

The Bolivian experience offers three lessons with broad application. First, ownership of the reform program evolved slowly, finally extending to all major segments of civil society after 14 years—after the benefits of the early reforms had become apparent.

Second, establishing partnerships among aid agencies was a huge challenge. Many donor-financed consultants took line management rather than advisory positions, which reduced, rather than reinforced, ownership of reforms. Finally, vested interests often stalled the reforms. The struggle against corruption and toward reform of the civil service, Customs, and the judiciary faced many difficulties that could be resolved only through the continued involvement of all development participants.

Ethiopia

With a GNP per capita of US$110 and the vast majority of its 60 million people living on less than US$1 a day, Ethiopia is one of the world's poorest countries. Yet since 1991, when the country opted for a reformist approach to development, it has made impressive economic gains. The Ethiopian experience highlights the importance of the commitment of key stakeholders, and their ownership of development programs, as well as the need for relationships built on trust. Because of the strong relationship between the country's leadership and the Bank team, the Bank sometimes accepted government positions (on the size of sector programs, for example), although not entirely convinced they were the correct choice. An important lesson: policy advice is more likely to be effective if the client feels that its views are considered, and the tone is neither hectoring nor patronizing.

The Ethiopian experience highlights the importance of the commitment of key stakeholders, as well as the need for relationships built on trust.

Indonesia

In Indonesia, the Bank's long-standing strategy successfully supported many of the development outcomes summarized under the CDF. Growth was substantial, comprehensive, and balanced. Economic management kept the economy on track through boom and bust. Dutch disease was avoided. The use of oil windfall revenues was spread over time, and they were plowed into agriculture, education, and social and transport infrastructure. When oil revenues dropped, demand restraint combined with a flexible exchange rate policy strengthened incentives for non-oil exports. Over time, the dependence on oil declined, poverty was reduced, and social services improved. There was also good partnership and strong government ownership; loan conditionality was no longer essential.

In the years leading to the crisis, complacency set in, and both the Bank and government ignored governance weaknesses, financial sector dysfunctions, and a fragile social situation. The eventual crisis, rooted in the regional recession, declining export markets, and excessive foreign borrowing, exposed cracks in the Bank's assistance strategy.

Uganda

The CDF emphasis on client ownership, a holistic and long-term approach, and stakeholder partnership is not new to Uganda. The country team focused on many key concerns of the CDF as early as 1987. Having identified a group of reformers in government, the International Development Association (IDA) supported the government's rehabilitation program. In addition to financial support, IDA assisted with policy dialogue, training, and technical assistance, not only to identify reforms, but also to set out the analytical rationale in favor of market reforms and establish benchmarks for the measurement of progress.

The Bank adopted a holistic approach. Well aware that the success of the macroeconomic reform program hinged on the adoption of far-reaching reforms in both the financial sector and the key agricultural sector, the Bank reinforced the government's reform program with a battery of macroeconomic and sector adjustment operations and technical assistance credits. The Bank also made extraordinary efforts to keep donors involved in reform through co-financing and technical assistance.

Since FY92, the country's reform program has been transiting from macroeconomic adjustment programs into a plethora of microeconomic, sector, and thematic strategies. While holistic, these strategies are difficult to pursue simultaneously and pose a challenge to consensus-building.

5

PROMISING APPROACHES

This chapter outlines some promising approaches to address the challenges and tensions at the project, sector, and country levels (box 5.1). These approaches are synthesized from the lessons of experience and evaluative evidence presented in the background papers prepared for this report. More systematic learning is needed to enrich the tool kit.

Learning Process, not Blueprints

The blueprint approach has been a common pitfall. It seems to simplify decisionmaking and reduce uncertainties, while it imposes standard solutions in poorly understood sociopolitical contexts and varied local realities and ignores social capital and local institutions, sustainability and learning, and the capacity to adapt during implementation.

OED lessons indicate that adaptive experimentation and sustainable learning through multiple initiatives yield better results than a one-size-fits-all best practice blueprint.[1] A learning process means starting small, building in a bias for action, avoiding new bureaucracies, and supporting multidisciplinary teams. It emphasizes flexible, evolutionary, participatory, goals-oriented, and client-driven processes. It calls for thinking thematically and managing across sectors, without undercutting professional rigor and accountability. Building capacity to learn and act strategically is as important as preparing plans.

Inevitably a tradeoff between detailed analysis and up-front design and adaptation during implementation is involved. The new approach implied by the CDF requires a significant shift of resources from program design to supervision, implementation support, and participatory M&E. A fundamental lesson from both development planning and corporate experience is that strategies emerge from continuous interactions of top-down and bottom-up learning processes. Top-down approaches are best combined with bottom-up approaches to enable local initiatives, identify and scale up successes, promote stakeholder commitment, and ensure learning and adaptation over time.

Building capacity to learn and act strategically is as important as preparing plans.

Adaptable Program Loans (APLs) embody some aspects of the learning process approach—agreement on long-term objectives and broad directions, with design limited to start-up processes and institution building. A learning process was embedded in Brazil's Water and Sanitation for low-income settlements (the PROSANEAR Program). Design was demand-based and iterative, shaped during implementation by benefi-

BOX 5.1 CHALLENGES AND PROMISING APPROACHES

Challenges and tensions	Approaches
• Short versus long term • Comprehensiveness versus selectivity	• Learning process, not blueprints • Managing complexity by sequencing • Comprehensive analysis and selective actions • Sectorwide approaches tailored to countries and sectors
• Ownership versus conditionality	• Adaptable conditionality for a mutual commitment process
• 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

ciary participation, feedback, and learning. The program developed partnerships among residents for the selection and management of water and sanitation systems. Community mobilization and group decision-making were carried out differently in each community, depending on factors such as levels of social cohesion and organization. In an adaptive learning approach, the program encouraged ongoing evaluation of each community's experience for rapid feedback to the next subproject.

One way out of crippling complexity is to take a long-term view.

Managing Complexity by Sequencing

Project complexity has been rising since the early 1990s (Chapter 2). Managing the tradeoffs between comprehensiveness and selectivity requires an understanding of the sources of complexity. Bank thinking about development has become more complex. Insufficient "upstream" sector work before project preparation and appraisal leads to inadequate selectivity. Fiduciary requirements are becoming more demanding. There is pressure to add components to deal with the Bank's expanding agenda and survive the internal approval process. Career and budgetary incentives encourage the design of large projects and discourage priority setting (World Bank 1998a). At the country level there is often a desire for large resource transfers, full-scale national coverage, and "empire building" by the implementing agency.

One way out of crippling complexity is to take a long-term view by sequencing a series of projects within a long-term strategy that builds on past learning. The real issue is often *premature* complexity. Projects that build on past learning and are integrated into existing practices can be complex and successful, as the Bangladesh Population Project and the Brazil Health Program show.[2] "Repeater" projects have higher rates of success, especially when carried out within a strategic and long-term framework.

Another promising approach is to phase in coverage, and to expand geographical scope in line with government capacity to manage policy reform and implement the program. Accordingly, growth and poverty alleviation interventions should be piloted regionally, and progressively tailored and broadened. This regional-focus approach is enhanced by explicit attention to capacity building and decentralization, as implied in the Bank's Rural Vision to Action Strategy.

Learning and Innovation Loans (LILs) offer a suitable tool for managing complexity by starting small. Adequate supervision resources should be available to ensure learning during implementation.

Comprehensive Analysis and Selective Actions

Comprehensive analysis can be combined with strategic investments. It is best conducted with key partners with a view to exercising selectivity in line with a partner's comparative advantage and country capacity.

Participatory approaches can be used to enable poor people to analyze their realities, express their priorities, and make explicit their choices and tradeoffs to improve selectivity and results. The Participatory Poverty Assessment process holds promise, as evidenced by its recent application to the Ghana and Uganda programs, where it brought the realities and priorities of the poor to the attention of national policymakers. For participatory approaches to lead to superior selectivity and results, participants must have access to information, options, and learning experience, as social fund programs have shown.[3]

An example of this approach is the sustainable livelihood approach, which emphasizes people-centered development in a holistic framework. Sustainable livelihoods provides an analytical structure for understanding the factors that influence poverty and to identify where interventions might best be made. This approach has been adopted by the U.K. Department for International Development, the United Nations Development Program (UNDP), and CARE, among other groups. It proposes an integrated and dynamic way of understanding poverty and thinking about poor people's livelihoods—the capabilities, assets (human, natural, financial, social, and physical), and activities required to earn a living (see Annex 4). The approach builds on what people have and how they live their lives to add to their accumulation of assets and remove barriers to the realization of their own livelihood choices.

Central to this approach is a recognition of people's diverse livelihood goals—such as health, income, or reduced vulnerability—and the complex household strategies adopted to meet them. Strategies are driven by preferences and priorities shaped by vulnerability to shocks and seasonal variations. Options are also influenced by structures (the form and organization of government and the private sector) and processes (policies, laws, institutions).

Sectorwide Approaches

A sectorwide approach provides an opportunity to shift attention from inputs to monitoring against agreed intermediate and outcome indicators. The Ghana and Bangladesh sectorwide approaches are good examples. They have been supported by two programmatic investment instruments: sector investment and maintenance loans and APLs. The sector investment and maintenance loan is intended to bring sectoral investments, policies, and performance in line with economic priorities and to ensure efficient operation and maintenance of investments. The focus is on institutional capacity to plan, implement, and monitor investments (Jones and Lawson 1999 BP).

APLs are especially well suited to the support of sectorwide approaches, particularly in sectors where financial flexibility is needed. A recent review concluded that several operations would probably not have been brought to the approval stage without this new instrument, because of difficulties in accurately predicting activities, costs, implementation arrangements, and results beyond three or four years.

Moving from projects to a full-scale sectorwide approach (with pooling of donor finances) is risky if done prematurely (Jones and Lawson 1999 BP). Such a change takes time and systematic capacity building. Its pace should vary according to the quality of macroeconomic and public expenditure management, sector-level policies and resources, quality of sector-level management, degree of aid dependence, and other country- and sector-specific factors. Because sectorwide approaches add to program complexity for donors, more resources are required for supervision and implementation assistance. Risks should be managed by supporting capacity building, setting clear performance targets and safeguards, strengthening financial accountability, and emphasizing M&E.

The fiduciary risks are higher for sectorwide or programmatic lending than for project lending, since more fungible forms of financing are included. But these risks should be balanced against the costs of business as usual.

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1999). But these risks should be balanced against the costs of business as usual. The proliferation of projects puts an enormous burden on weak administrations, often undermining local capacity building and sustainability.

Adaptable Conditionality

Conditionality should be understood as a credible indicator of commitment by the Bank and its partners, not as an attempt to force externally designed policy changes on unwilling governments (see Annex 5). The Bank and external partners act as enabling agencies to support the country's motivation for a reform process that is guided by genuine learning from successes and failures (Branson and Hanna 1999 BP). This kind of conditionality is agreed and consensual. It represents a policy compact based on mutual commitment.

Support for conditionality as a commitment process comes from a reevaluation of the Dollar-Svensson data (in World Bank 1998o), using the country as the unit of observation, and a recent study on higher-impact adjustment lending (HIAL) (Dollar and Svensson 1998; World Bank 1999i). When the data are re-analyzed using the country as the unit of analysis, past success becomes a highly significant predictor of future success. This result supports the view of conditionality as a process of mutual commitment, since the Bank can refer to lending history in formulating future conditionality. Such conditionality is adapted as a country increases its ownership of reform, assisted by capacity building to achieve parity in the relationship. Ongoing reformers can be offered the option of *ex post* conditionality, while credible new reformers might choose to adopt floating tranche loans, as in the HIAL approach in Africa.

Conditionality is part of a policy reform compact: the Bank and the borrower first develop and then nurture mutual trust and commitment as reform proceeds.

In this context, conditionality is part of a policy reform compact: the Bank and the borrower first develop and then nurture mutual trust and commitment as reform proceeds. Conditionality is the Bank's side of a continuing relationship, while ownership is the country's side. A model for this approach is the relationship between a commercial bank and its customers: as long as the customer projects a credible path of earnings, lending continues.

Assessing ownership should lead to selectivity. Energy lending to reforming states in India in the 1990s is a promising example of selectivity used to reinforce reform. Taking advantage of India's decentralized decisionmaking to demonstrate the benefits of reform, the Bank shifted its policy dialogue from the federal to the state level and engaged only reforming states. Ownership and partnership were strengthened by waiting until the climate was right. The Bank halted lending to the power sector in India for three years, until it found evidence of real ownership of policy reform in selected states. With other partners, it then engaged in capacity building to solidify local ownership. Subsequent lending produced more sustainable results than the earlier approach.

Time to Build Consensus

Mobilizing the support of beneficiaries cannot start early enough. Pilot projects do not always proceed smoothly, even when rooted in strong community support. Flexibility is essential, along with a willingness to listen and develop a program incrementally, informed by lessons learned.

Recent irrigation operations in India, the Philippines, and Turkey show the importance of allowing time for interventions to take effect on a socially appropriate scale:

- In Andhra Pradesh, India, in the early 1990s, irrigator groups were formed around pipe committees of 20–100 farmers. This group size allowed the local elite to continue to dominate and led to water allocation disputes among pipe committees. The democratic election of much larger groups in the late 1990s overcame this problem.
- In the Philippines, large national irrigation schemes were effectively no more than fee-collection groups for the government agency and had limited responsibility for operations and maintenance. Water-user groups were more successful in small communal irrigation projects that had more autonomy.
- In Turkey these lessons were taken into account. Efforts were made to build a consensus among stakeholders—a process greatly facilitated by the World Bank Institute—before irrigation systems

were turned over to water-user groups. Larger groups were also more likely to be financially viable and could be built around existing institutions, such as municipalities.

Broadening Participation

How should participation be broadened across interest groups and scaled-up to the national level? Extensive evaluation and research findings point to several lessons (see Annex 5):

- *Integrate a learning process*. A well-known success in broadening participation in a government bureaucracy is the Philippines National Irrigation Administration, which adopted a step-by-step approach to building the capacity of user associations to manage local irrigation systems.
- *Beware of procedural inflexibility*. Changing organizational systems and procedures to facilitate participatory development is a complex undertaking. But the costs of not doing so can be heavy, as in the government of Uttar Pradesh's Doon Valley Project in the Himalayas (Shepherd 1999).
- *Avoid rushing*. Participation cannot be rushed—and the larger the scale, the greater the risk. When the Indonesian government tried to institute nationwide village development planning in less than a year in 1995–96, there was little or no ownership of the process at the village level. Too little time was spent building partnerships with NGOs, whose skills might have enabled the government to do a better job.
- *Persevere*. The district-level Rural Integrated Project Support Program in the Lindi and Mtwara regions of Tanzania has evolved into a holistic program involving local government, agriculture, natural resource management, transport and marketing, education, savings and credit, health, and water. This broad participation emerged from the accumulated experience of repeated mistakes and learning over 25 years.
- *Identify a champion*. A pronounced shift toward participation by government or NGOs can often be traced to a single leader or strong alliance of supporters. Taking the lead, these champions have often battled institutional inertia and political pressures from wealthy elites.
- *Change attitudes and behavior*. For participatory approaches to work, attitudes and behavior must change among all actors and at all levels (Blackburn and Holland 1998). The bottom line in participatory change is individual and personal.

The CDF expands the ability of the Bank to better deal with the difficult governance issues that often involve stakeholders other than government. For example, in the area of clean government and improved public financial accountability, the Bank's concerns extend well beyond government, toward other elements of the state, such as civil society, the media, and the watchdog agencies charged with monitoring and protecting the public interest under the laws of the country. The judiciary and legislature also take on new emphasis in capacity building.

For participatory approaches to work, attitudes and behavior must change among all actors and at all levels.

A recent OED study finds mixed results for efforts to broaden NGO interventions (Gibbs, Fumo, and Kuby 1998). Many NGOs are reluctant to increase the scope of their operations or to enter large-scale partnerships. Scaling-up can pose a challenge to an NGO's management capacity and create obligations to members that are difficult to sustain. Any scaling-up initiative must be preceded by an assessment of capacities and commitment. A critical step is to involve all stakeholders in developing performance indicators, a process that clarifies expectations and priorities.

Information for Accountability and Learning

Targets for monitoring progress are effective tools for guiding decisionmakers during implementation. Recent education projects have invested heavily in setting and monitoring targets. The Mozambique Second Education Program used indicators to help sustain the operation after the credit closed. It used targets set at appraisal and added new ones to establish a five-year plan agreed with the borrower. It also identified outstanding policy and implementation issues, leading to agreement on remedial actions.

Experience in health, nutrition, and population projects also shows the importance of effective M&E design. Selecting a limited number of well-chosen indicators and attending to capacity for data collection and analysis increase the focus on results and the likelihood of achieving development impact. Strengthening borrower systems for the collection, analysis, and use of health information in policymaking takes time. It requires attention and resources during program design and implementation and strengthened incentives to achieve results and *use* the information.

Capacity Building to Manage for Results

Developing a results-oriented public sector is a key challenge in many developing countries (Annex 6). An initial focus on performance monitoring in selected sectors or ministries can create a demonstration effect, easing the way to broader application to program evaluation as opportunities arise (Marcel 1999).

The emphasis on managing performance for projects and programs is being complemented by a wider focus on governance and intersectoral synergies. Dissemination of M&E information on government performance can support the active involvement of civil society in the assessment of that performance. Civil society also has a role to play in influencing the evaluation agenda.

Key stakeholders such as NGOs, the media, and parliaments—particularly those representing and empowering the poor—gradually learn how to use performance concepts and tools and to understand their limitations and weaknesses. Donors and governments can help build such capacities among these stakeholders.

Participatory M&E is one step toward building capacity to learn and manage for results.

Participatory M&E is one step toward building capacity to learn and manage for results and applying the CDF principles (Estrella and Gaventa 1998). As multiple stakeholders work together to develop indicators of success, their differing expectations and priorities are brought into the open. Stakeholders must then negotiate to develop a more generally applicable framework, thereby building ownership in the outcomes and reflecting partnership in the assessment itself. Participatory M&E also allows the tracking of holistic goals, both tangible and intangible. Developing large-scale participatory M&E requires skills unlike those needed for traditional evaluation. Stakeholders need help to acquire skills in indicator development, monitoring, facilitation, and conflict resolution.

From Aid Coordination to Development Partnership

Effective aid coordination guides countries and donors toward agreement that all partners will accept mutual responsibility and distinct accountability for development outcomes. For countries, this requires commitment to developing sound policies and effective institutions. For donors, it calls for adoption of a development orientation, the exercise of selectivity that reflects comparative advantage, accommodation of country-led efforts to achieve coherence and selectivity, and the provision of effective capacity-building assistance to create a level playing field among partners.

Although many countries have expressed a strong desire to take the lead in aid coordination, only a few, such as the Republic of Korea, Malaysia, and Thailand, can be said to have fully assumed the role. Many countries lack the capacity to take the lead, and some still lack the commitment and resolve to do so. The time has come for a real change—rapid, but deliberate and finely executed. A logical and critical step is for the Bank—in consultation with other donors and countries—to make country responsibility a reality wherever this is feasible. The Bank's chief role would be to support country leadership and to help build the capacity needed to exercise that leadership effectively. By giving the country a chance to exert leadership, the Bank would be better positioned to assist in building long-term capacity, in concert with the principles of the CDF and the OECD/DAC (see Annex 7).

The costs of poor partnership and inefficient aid coordination—in decisionmakers' time, gaps in assistance, and distortions in country priorities—are borne primarily by developing countries. For donors and the Bank, the tensions between practicing partnership and reducing the transaction costs involved may be high in the short term. There are up-front costs, but they should be viewed as long-term investments in building the infrastructure of partnership and creating skills, trust, and learning. And the costs are likely to decline sharply if partnerships are pursued selectively and strategically. The M&E of partnership and coordination can be strengthened to assess the cost-effectiveness of different approaches. Much can be learned from the experience of private firms in selecting and building strategic alliances (Doz and Hamel 1998; Picciotto 1998).

Linking Global and Country Strategies

Mission-oriented transnational networks addressing highly visible and urgent human priorities—such as the

Onchocerciasis Control Program and the Consultative Group on International Agricultural Research—can serve as a rallying device for contributing partners. Selectivity is ensured up-front by the choice of public goods to be created, shared learning occurs as a matter of course, and motivation and coordination among donors and partners may be achieved more easily than in multisectoral national programs (see Annex 8).

Attention needs to be given to the interface between international and national public goods—a new dimension of aid coordination. The implication is not that investments in international public goods should wait until conditions are right in most countries, but that conditions need to be nurtured through transnational collaboration programs.

The CDF provides guidance. Efforts to build regional and global partnerships should follow its key tenets of inclusiveness and comprehensiveness. Setting priorities at the national level under the CDF can help identify areas where international programs are needed to supplement national efforts. And building capacity in national and local institutions (state and nonstate) will be critical in achieving the development goals of global programs.

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6

IMPLICATIONS FOR DEVELOPMENT EFFECTIVENESS

Increased relevance implies greater complexity. Managing complexity effectively calls for new forms of partnership that facilitate strategic selectivity in line with comparative advantage. Sustainability implies ownership of reforms, empowerment of domestic actors, and adequate domestic capacity. Thus *institutional development*—which provides the foundations for balanced development, domestic ownership, participation, and partnership—emerges as the linchpin of the CDF.

Development effectiveness also depends on a *results orientation,* a critical aspect of the CDF. The framework is a compass, not a blueprint. Managing it effectively will therefore require accurate monitoring of progress toward development goals.

The results orientation of the CDF reflects hard-won lessons of Bank lending. OED's independent assessment of operational performance trends shows that quality management must be strengthened further:

- A plateau seems to have been reached in the share of projects with satisfactory outcomes.
- Institutional development continues to improve, but from a very low base.
- Sustainability remains low, and the operating environment is becoming riskier.
- The Bank is being called on to deal with more complex and demanding development problems.

The changing global economy and the CDF suggest four principles for evaluating development effectiveness. First, a results-based approach should be designed up front. That is, programs should be "evaluable" and the tracking of development outcomes and leading indicators should be carried out jointly with the government and its partners, with a clear focus on poverty reduction and growth. Process indicators for key principles, such as ownership and partnership, should also be monitored.

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Second, as the development effort shifts its focus to the higher plane of country programs, so must the evaluation process. Resources and skills need to be invested in developing appropriate indicators and information systems. The current preoccupation with project performance and evaluation should be complemented by a sectoral and countrywide focus.

Third, evaluation must become participatory. Development effectiveness must be considered in the context of shared objectives, joint responsibility for outcomes, reciprocal obligations to achieve results, and distinct accountability for performance. Donors and governments should team up to link M&E systems with civil society. Building country capacity for M&E is imperative.

Every effort will be made to ensure that the CDF does not become another blueprint, repeating the pattern of the planning and adjustment eras.

Fourth, the growing interdependence of the world's economies calls for evaluating country-based development programs from a global perspective, taking account of international development goals. Country assistance strategies should link country goals, progress indicators, and national strategies with these goals. But these links should not imply top-down, target-based planning. Instead, the international goals must be adapted to country circumstances and priorities (Maxwell, Foster, Naschold, and Conway 1999 BP). A global perspective also calls for greater harmonization of evaluation across development agencies.

Finally, given the emphasis on the learning and process aspects of the development programs, Bank performance indicators should emphasize professionalism and partnership, creativity and innovation, prudence and probity, and flexibility and responsiveness. Sharing the knowledge emerging from country-based programs and pilots should leverage their learning costs and accelerate the diffusion of lessons and promising approaches within and among countries.

Implications for the Bank

While the Bank has experience in implementing individual CDF principles, it has yet to mainstream their joint application across the board. In effect, the Bank is moving into uncharted territory. To equip itself to implement the framework effectively, the Bank will have to continuously examine the results of ongoing experiments.

The CDF thus implies continued change in the Bank. A "one-size-fits-all" mentality will be replaced by a "customization" mindset. Every effort will be made to ensure that the CDF does not become another blueprint, repeating the pattern of the planning and adjustment eras. And the framework will have to be continually adapted. Rigidity is a real implementation risk.[1]

Learning will complement *dissemination*. In the planning and adjustment eras, donors and central governments too often adopted a hegemonic planning mentality that excluded vital local knowledge and practical know-how.[2] Similarly, in the adjustment era it was assumed that the Bank had all the answers—the only problem was to sell them to its clients through conditionality. Under the CDF, Bank staff can no longer pretend that the Bank is a storehouse of universally applicable knowledge. Instead, they will be induced to empower their country counterparts and learn with them how to achieve development results effectively.

The CDF is certain to increase the demand for nonlending tools and advisory services, to engender ownership, partnership, and long-term holistic thinking. The use of these tools will either empower clients or lead to cognitive dependency—the end result will depend on the skills and attitudes of users. Tendencies toward bureaucratization and excessive documentation—the pitfalls of the planning era—will need to be overcome by participatory and creative approaches to strategy development. Donor-led economic work and policy prescriptions—the hallmarks of the adjustment era—should give way to country-led approaches that would build on local processes and experiences and develop a strong commitment to policy reforms.

Bank processes have been attuned to a different paradigm, and will have to change for implementation of the CDF. Bank management has taken steps to adapt the organization under the Strategic Compact, but a survey of Bank staff (and local donor representatives) found that more than half did not consider an active government role a prerequisite for in-country aid coordination (World Bank 1999m). Further internal changes, both subtle and demanding, will be necessary to fulfill the potential of the CDF.[3]

Finally, a new development architecture is needed to address the crisis of global poverty and mainstream practice of the CDF principles throughout the development system. The Bank should promote the development of this architecture, in partnership with other multilateral institutions and developing countries. Among the first steps is to harmonize donor procedures, build an information-sharing network, and innovate ways to strengthen client voice and build local capacity for partnership, broad-based participation, and learning from results.

ANNEXES

ANNEX 1. PROJECT PERFORMANCE TRENDS AND OUTSTANDING PROJECTS

OED evaluates all closed projects. These evaluations are the basis for the estimated trends in project performance and lessons from outstanding projects presented here. The number of projects exiting the portfolio has risen significantly over the past two fiscal years, and the number of independent project evaluations has increased nearly 20 percent since the last ARDE, greatly adding to the evaluation knowledge base.

The newly evaluated cohort consists mainly of investment projects approved in the early 1990s and fast-disbursing adjustment operations approved in FY96–98. This yields a complete picture of the FY98 cohort of exiting projects and a partial look at the FY99 cohort.[1] The composition of the evaluated portfolio has evolved over time, with the share of exiting projects in Europe and Central Asia and in the human development sectors more than doubling during the 1990s. The strong performance of adjustment operations detailed in tables A1.2 and A1.3 is especially notable and will require further analysis.

Performance Trends

OED evaluators assess project results along three related dimensions—outcome (which combines relevance, efficacy, and efficiency), sustainability of project benefits, and institutional development (ID) impact. Last year's ARDE introduced another performance indicator for quality at exit that combined these key dimensions: the Aggregate Project Performance Index (APPI). In parallel, OED assesses Bank and borrower inputs during key stages of the project cycle. Figures A1.1 and A1.2 present the aggregate and outcome trends by year of exit from the portfolio.

Aggregate Project Performance Index

The APPI is defined by assigning cardinal weights to the ratings of each of the three results-oriented dimensions (outcome, sustainability, and ID impact), then summing them in a simple way. Thus, the APPI ranges from 2 (for projects with a highly unsatisfactory outcome, benefits that are unlikely to be sustainable, and negligible institutional development impact) to 10 (for projects that performed strongly on all three measures). It is noteworthy that of the three dimensions, outcome is the key force behind the index. The index draws a line between satisfactory and unsatisfactory outcomes: an index measure of 6 represents the divide. A project with an unsatisfactory outcome will never score higher than 6, no matter what ratings it receives along the other two dimensions.

Outcome

Outcome assessments are based on a determination of whether the project achieved most of its major relevant goals efficiently and with few shortcomings. An evaluator's judgement about outcome essentially boils down to answering the question: Did the project achieve satisfactory development results, considering the importance and relevance of its major stated objectives and the associated costs and benefits? The outcome rating takes into account relevance (to check whether the project's objectives were consistent with the country's development strategy), efficacy (to examine whether the operation achieved its stated goals), and efficiency (to assess results relative to inputs by costs, implementation times, and economic and financial returns). Outcome is rated on a six-point ordinal scale: highly satisfactory, satisfactory, marginally satisfactory, marginally unsatisfactory, unsatisfactory, and highly unsatisfactory.

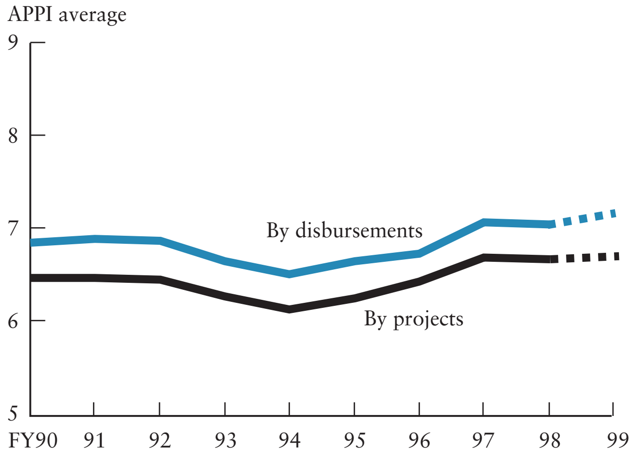
Significant Variation among Regions and Sectors

Figures A1.3 and A1.4 show the wide variation in project results by region and sector. The three main OED dimensions of outcome, sustainability, and ID impact are presented in three separate graphs, with the regional information segregated into the three exit fiscal year periods of 1990–93, 1994–97, and 1998–99. Of the 16 sectors in the Bank, the sectoral figure highlights 13—these are the sectors with at least 10 projects exiting in FY98–99. Like the regional representation, each sectoral performance is segregated into the three exit fiscal year periods of 1990–93, 1994–97, and 1998–99.

Institutional Development

Emphasis on institutional development is critical to enabling the Bank to move beyond project financing and to achieve long-lasting improvements in developing countries, with ownership by borrowers. OED measures ID impact as the extent of the improvement in the ability of an agency or a country to use its human and financial resources effectively and to efficiently

FIGURE A1.1 AGGREGATE PROJECT PERFORMANCE INDEX



Note: By exit fiscal year. Results for FY99 are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

organize economic and social activities prompted by the project. ID impact is rated on a three-point scale: substantial, modest, and negligible. The most recent trend in ID impact is presented in figure A1.5.

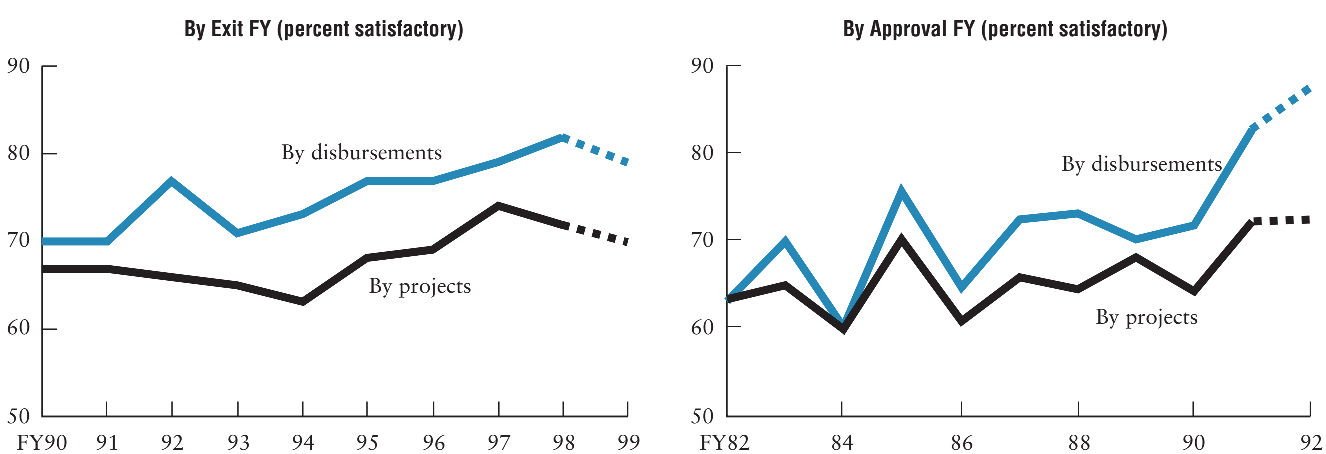
Sustainability

Conceptually, sustainability differs from outcome, because it focuses on the features that determine whether the operation will last over its intended useful life. Thus, sustainability is defined as the likelihood, at the time of evaluation, that the project will maintain its results in the future. Assessments of sustainability take into account a wide variety of factors, including country conditions (for example, the government's commitment to the future of the project, as documented in the operational plan); government economic and financial policies, including policies on cost recovery; availability of funds for operation and maintenance; the political situation; sector conditions; and conditions specific to the operation (particularly the quality of project management and the capacity of project institutions). Sustainability is rated on a three-point scale: likely, uncertain, and unlikely. Aggregate results are portrayed in figure A1.6.

Borrower Performance

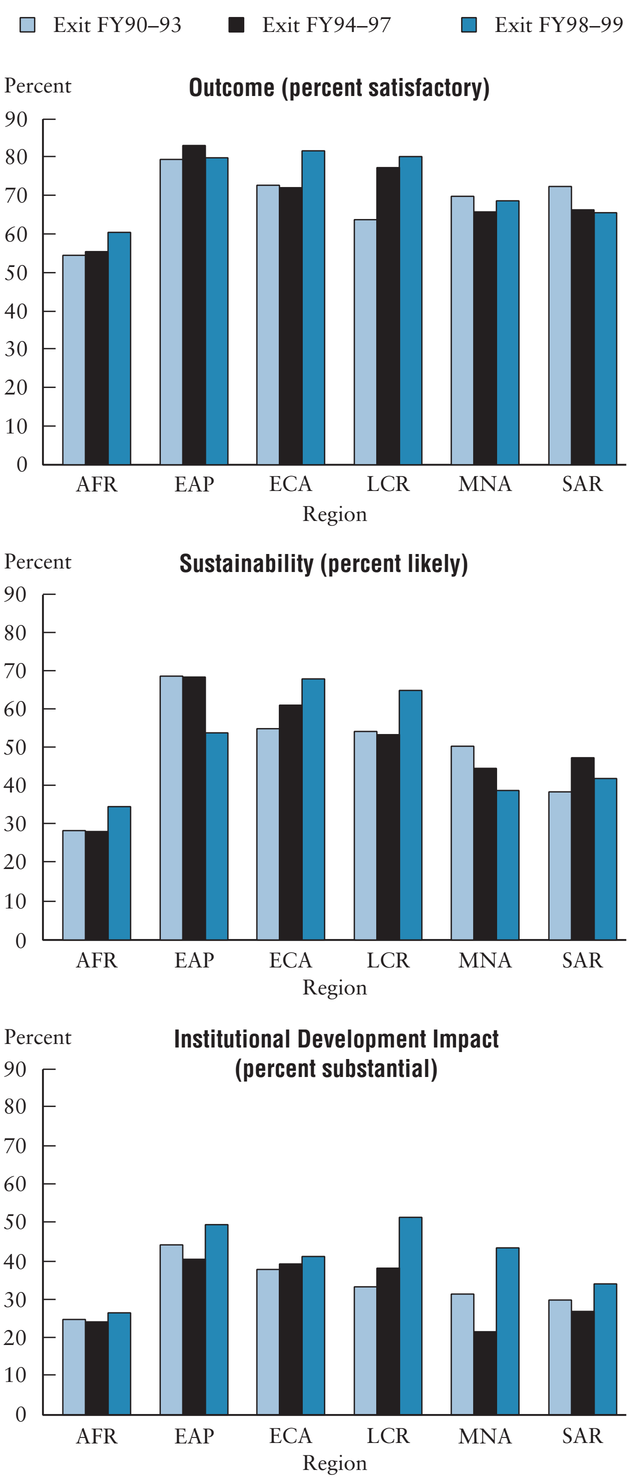
Borrower performance is defined as the assumption of ownership rights and responsibilities and delivery of the inputs needed to prepare and implement the project. OED assesses borrower performance along three dimensions—preparation, implementation, and compliance with legal covenants. Of particular importance are the assignment of qualified personnel, the provision of the required financial resources, and compliance with the conditions of the loan agreement, including reporting and auditing requirements and specific procurement rules. The performance of implementing agencies is rated on such elements as the quality of

FIGURE A1.2 SATISFACTORY PROJECT OUTCOMES



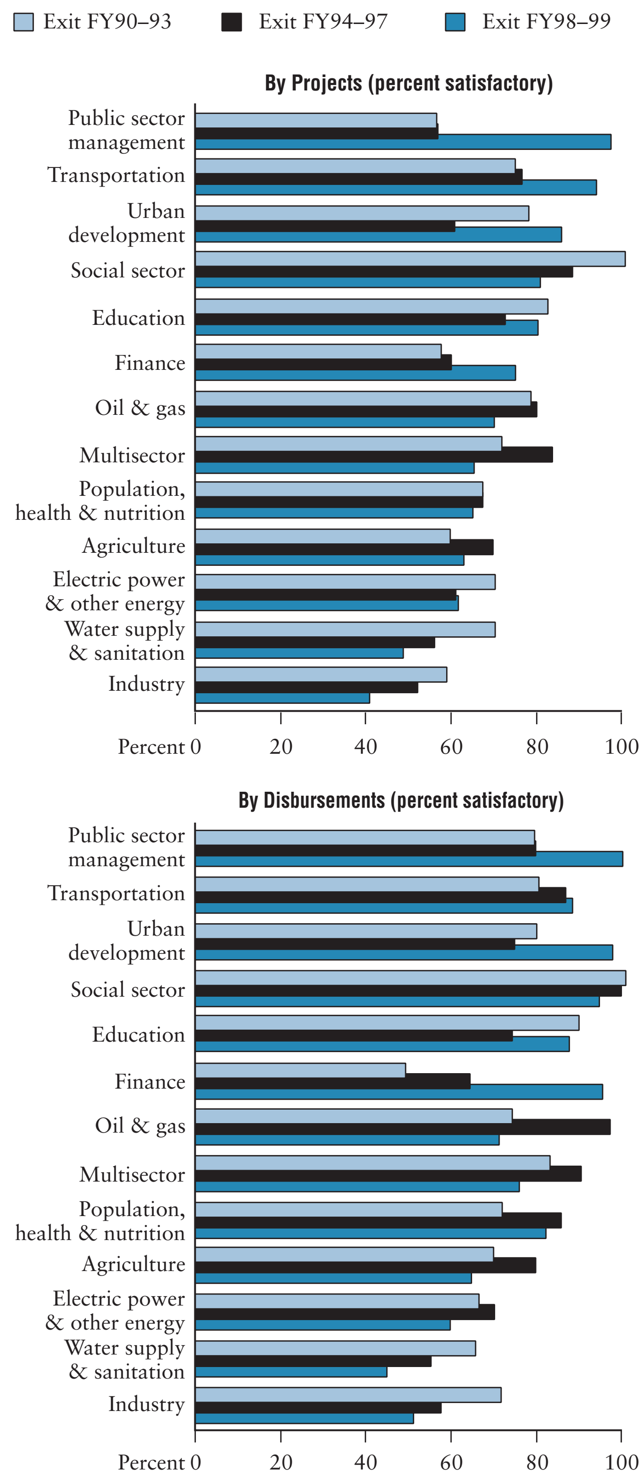
Note: By exit and approval fiscal year. Results are preliminary for FY99 exits (43 percent coverage) and FY92 approvals (57 percent coverage).
Source: World Bank, Operations Evaluation Department data.

FIGURE A1.3 OUTCOME, SUSTAINABILITY, AND ID IMPACT, BY REGION AND EXIT FISCAL YEAR GROUP



Note: The figures for FY99 exits are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

FIGURE A1.4 SATISFACTORY OPERATIONS BY SECTOR AND EXIT FISCAL YEAR GROUP



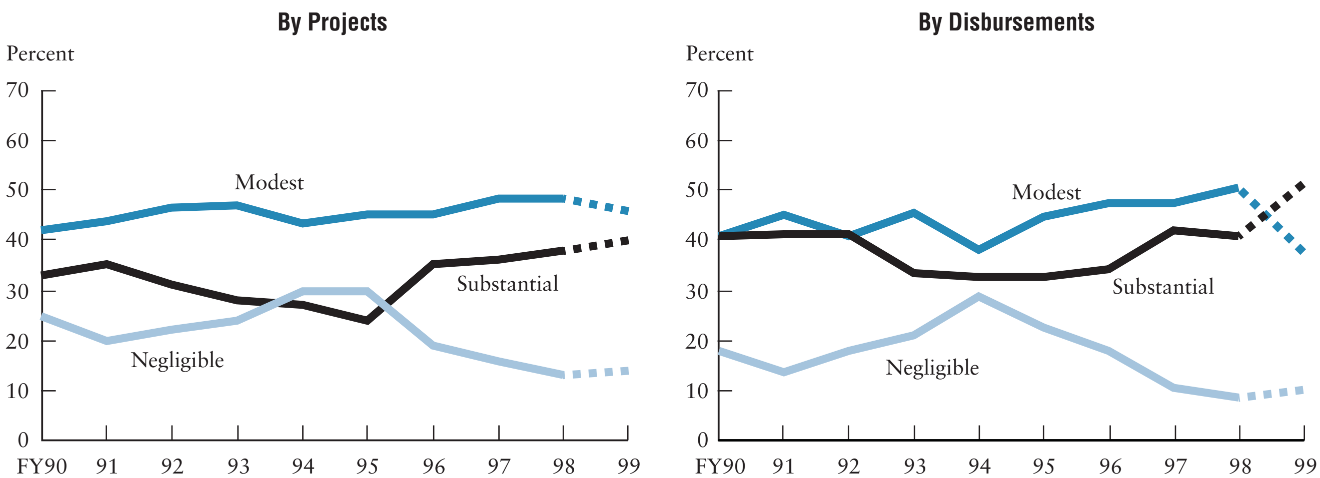
Note: Includes only sectors with at least 10 projects exiting in FY98–99.
Source: World Bank, Operations Evaluation Department data.

management and staff associated with the operation; the use and effectiveness of technical assistance, including training, advisers, and contractual services; the adequacy of M&E systems; and the extent and quality of participation by the intended beneficiaries, including their contribution to the project's outcome. Performance by fiscal year groups is shown in figure A1.7.

Bank Performance

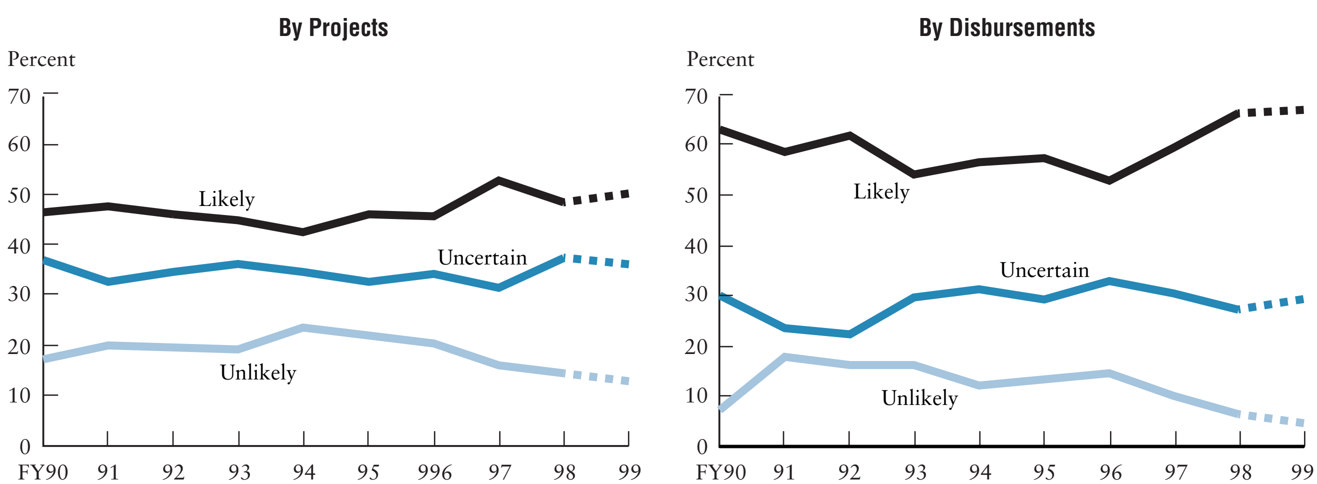
Bank performance is defined as the quality of service delivered by the Bank, especially in those tasks for which it has primary responsibility, such as appraisal and supervision. OED assesses Bank performance along three dimensions—identification, appraisal, and supervision. These three important considerations in judging Bank performance encompass the provision of appropriate advice as an integral part of the appraisal and supervision process, the ability to adapt to changing circumstances (if necessary, by restructuring a project), and the oversight of loan/credit conditionality. Performance by fiscal year group is shown in figure A1.8.

FIGURE A1.5 ID IMPACT



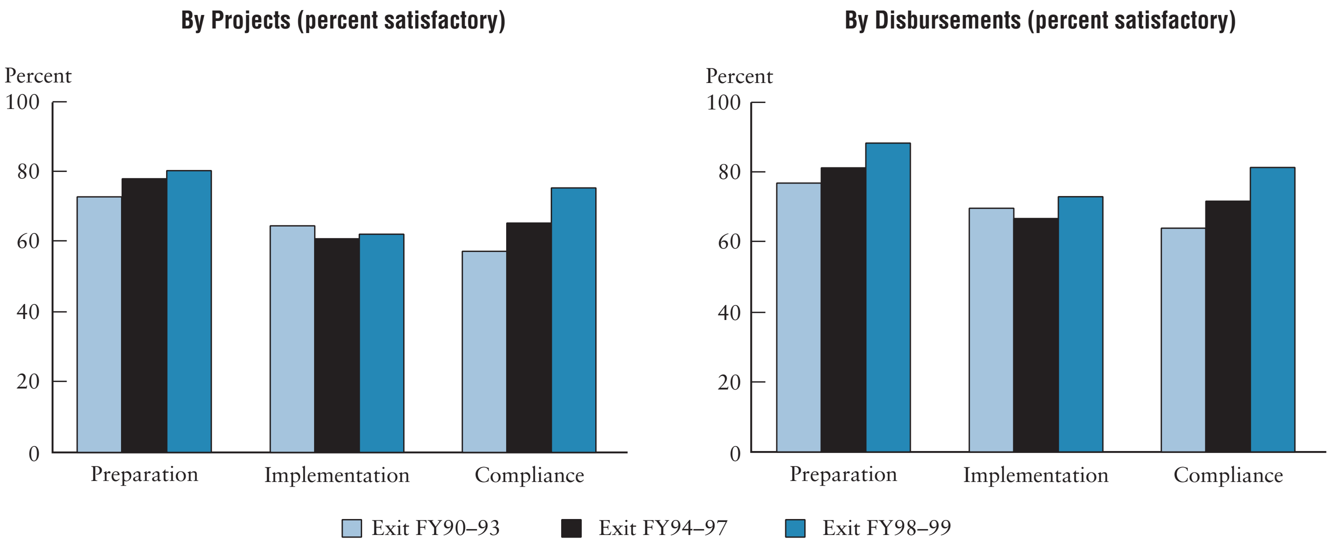
Note: By exit fiscal year. Results for FY99 exits are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

FIGURE A1.6 SUSTAINABILITY



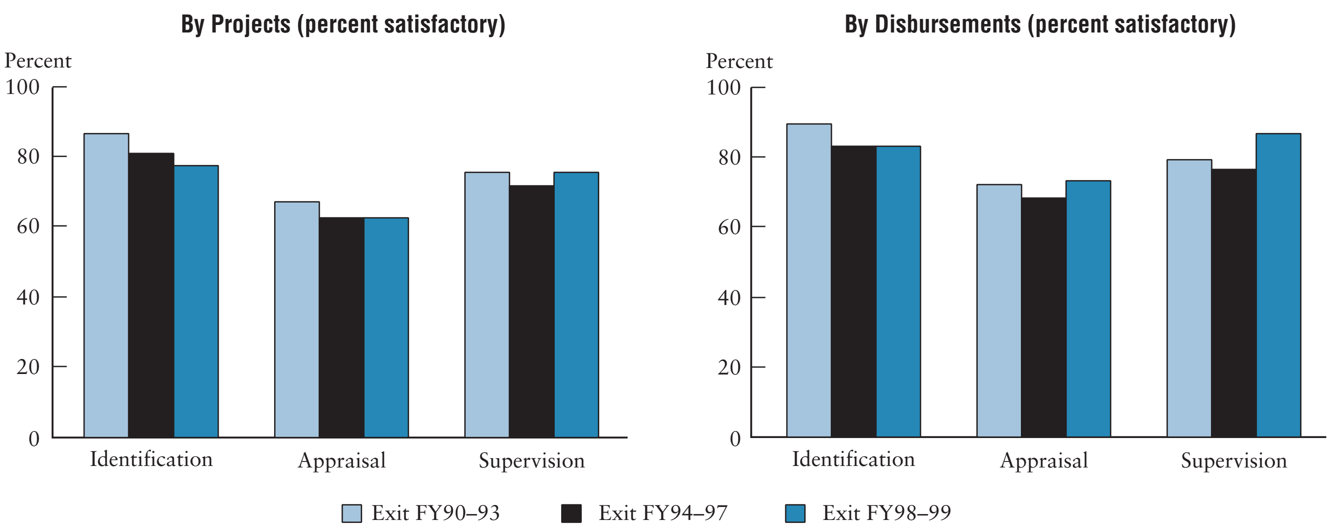
Note: By exit fiscal year. Results for FY99 exits are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

FIGURE A1.7 BORROWER PERFORMANCE



Note: By exit fiscal year. The figures for FY99 exits are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

FIGURE A1.8 BANK PERFORMANCE



Note: By exit fiscal year. The figures for FY99 exits are preliminary (43 percent coverage).
Source: World Bank, Operations Evaluation Department data.

Lessons from Outstanding Projects

Of the 289 operations evaluated since last year's ARDE, OED assessed 21 (7 percent) as outstanding and 8 (3 percent) as having particularly poor performance (table A1.1). The selection criteria for outstanding projects include a highly satisfactory outcome, likely sustainability, and substantial ID impact. These projects are judged to have met or exceeded all their major goals, and many had innovative designs or are judged to be potentially replicable in other countries or sectors. Their success can be traced to borrower ownership, consistent monitoring, good supervision, an innovative design allowing flexibility in responding to changing conditions, and continuity in the Bank staff assigned to them.

Several of these characteristics are amply demonstrated by Argentina's Provincial Reform Loan, the first Bank adjustment operation targeting subnational entities. The project's main objective was to support the federal government's effort to promote the reform of provincial finances. The loan's contributions went beyond the conditions for each tranche by providing a forum for the provinces to agree on a reform strategy. The operation also set in place support mechanisms that not only advanced reform among the provincial governments, but also helped to curb the contagion effects of the Mexican crisis at the provincial level. The operation's success is directly related to the consistency and commitment of both the national government and the Bank. The government's strategy was transparent and uniform across provinces. And the Bank's lending portfolio was fully consistent with the government's strategy, with common rules for all provincial lending. This project offers lessons directly applicable to the increasingly important area of subnational lending and serves as a model for operations in Latin America and elsewhere. A telecommunications project in Sri Lanka demonstrates the importance of staff continuity and strong borrower commitment in the difficult area of institutional development. The project sought public reforms and restructuring in telecommunications, and regulation and promotion of private investments in the sector. Initially classified as a problem project because of slow disbursement, the project eventually exceeded all its stated objectives, thanks to a strong commitment to dialogue on both sides. The Bank team responsible for the project remained unchanged from identification to completion.

TABLE A1.1 OUTSTANDING AND POOR PERFORMERS AMONG RECENTLY EVALUATED PROJECTS

Country	Project	Loan or credit
Outstanding performers		
Argentina	Provincial Reform	L3836
Argentina	Provincial Pension Reform Adjustment	L4116
Bolivia	Capitalization Program	C2761
Bolivia	Hydrocarbon Sector Reform	C2762
China	Shuikou Hydroelectric 2	L3515
Georgia	Transport Rehabilitation	C2809
Ghana	Feeder Roads	C2319
Hungary	Enterprise and Financial Sector Adjustment	L4141
India	Industrial Technology Development	C2064
India	Technician Education	C2130
India	Maharashtra Emergency Earthquake	C2594
Indonesia	Village Infrastructure	L3888
Korea, Rep.	Environmental Research and Education	L3612
Latvia	Structural Adjustment	L4126
Macedonia, FYR	Transit Facilitation	L3868
Morocco	Emergency Drought Recovery	L3935
Mozambique	Economic Recovery 3	CN010
Panama	Economic Recovery	L3438
Poland	Environmental Management	L3190
Romania	Transportation	L3593
Sri Lanka	Telecommunications 2	C2249
Poor performers		
Bulgaria	Agricultural Development	L3771
Bulgaria	Private Investment and Export Finance	L3631
Indonesia	Financial Sector Development	L3526
Morocco	National Agricultural Credit	L3088
Morocco	National Rural Finance	L3662
Nigeria	National Population	C2238
Philippines	Rural Electrification	L3439
Vanuatu	Housing	C2262

Note: Covers only the 289 projects evaluated since last year's ARDE.
Source: World Bank, Operations Evaluation Department data.

TABLE A1.2 OUTCOME, SUSTAINABILITY, ID IMPACT, AND AGGREGATE BY SECTOR, NETWORK, LENDING TYPE/SOURCE, REGION, AND WDI INCOME GROUP FOR EXIT FISCAL YEAR GROUPS 1990–93, 1994–97, AND 1998–99 (BY PROJECTS)

	Exit FY90–93						Exit FY94–97						Exit FY98–99					
	Projects #	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Projects #	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Projects #	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index
Sector																		
Agriculture	252	30	59	34	27	6.1	235	24	69	42	35	6.3	71	19	62	42	39	6.4
Education	67	8	82	64	38	7.0	79	8	72	44	27	6.4	39	10	79	49	33	6.8
Electric Power & Other Energy	79	9	69	59	34	6.5	84	9	60	54	28	6.1	24	6	61	39	30	6.0
Environment	0	—	—	—	—	—	9	1	56	44	22	6.5	5	1	80	40	20	6.5
Finance	53	6	57	43	26	6.2	51	5	59	49	38	6.3	27	7	74	58	48	7.0
Industry	50	6	58	46	24	6.2	41	4	51	39	32	5.9	10	3	40	33	30	5.4
Mining	12	1	55	50	50	6.2	9	1	78	78	67	7.1	3	1	67	67	100	7.6
Multisector	62	7	71	52	35	6.7	100	10	83	54	27	6.8	31	8	65	48	13	6.2
Oil & Gas	27	3	78	52	67	7.3	24	2	79	58	42	7.0	13	3	69	69	31	6.8
Population, Health & Nutrition	21	2	67	43	14	6.2	42	4	67	55	26	6.4	28	7	64	50	25	6.3
Public Sector Management	35	4	56	40	31	6.0	57	6	56	44	23	5.8	29	8	97	72	52	7.6
Social Sector	1	0	100	100	100	8.3	16	2	88	25	56	6.9	20	5	80	20	45	6.7
Telecommunications	11	1	64	73	36	6.7	22	2	82	73	36	7.0	4	1	100	100	100	9.6
Transportation	95	11	74	55	34	6.6	108	11	76	50	33	6.7	29	8	93	72	69	7.9
Urban Development	44	5	77	41	27	6.5	50	5	60	36	16	5.9	21	6	85	45	45	6.9
Water Supply & Sanitation	37	4	69	40	43	6.7	38	4	55	32	18	5.7	23	6	48	26	30	5.7
Network																		
Environmentally & Socially Sustainable Development	252	30	59	34	27	6.1	244	25	68	42	35	6.3	76	20	63	42	37	6.4
Finance, Private Sector & Infrastructure	408	48	68	50	35	6.5	427	44	65	48	30	6.3	154	41	71	52	46	6.8
Human Development	89	11	78	59	33	6.8	137	14	72	45	30	6.5	87	23	75	43	33	6.6
Poverty Reduction & Economic Management	97	11	66	48	34	6.4	157	16	73	50	25	6.5	60	16	80	60	32	6.9

TABLE A1.2 OUTCOME, SUSTAINABILITY, ID IMPACT, AND AGGREGATE BY SECTOR, NETWORK, LENDING TYPE/SOURCE, REGION, AND WDI INCOME GROUP FOR EXIT FISCAL YEAR GROUPS 1990–93, 1994–97, AND 1998–99 (CONTINUED) (BY PROJECTS)

	Exit FY90–93						Exit FY94–97						Exit FY98–99					
	Projects #	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Projects #	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Projects #	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index
Lending type																		
Adjustment	113	13	69	51	35	6.6	152	16	79	59	33	6.9	53	14	85	66	45	7.2
Investment	733	87	66	45	32	6.4	813	84	66	44	30	6.3	324	86	70	46	38	6.6
Lending source																		
IBRD only	448	53	69	58	36	6.7	489	51	71	55	33	6.5	170	45	76	59	45	7.0
IDA/blend	398	47	63	33	28	6.1	476	49	65	38	29	6.2	207	55	69	41	34	6.4
Region																		
Africa	278	33	54	28	25	5.8	320	33	55	28	24	5.8	122	32	61	34	26	6.0
East Asia and Pacific	159	19	80	70	45	7.2	158	16	84	69	41	7.1	58	15	81	54	50	7.1
Europe and Central Asia	50	6	73	56	38	6.9	87	9	72	62	40	6.6	47	12	83	69	41	7.2
Latin America and Caribbean	158	19	64	55	33	6.4	179	19	78	54	38	6.9	74	20	81	66	52	7.3
Middle East and North Africa	92	11	70	51	31	6.5	91	9	66	44	21	6.1	26	7	69	38	44	6.6
South Asia	109	13	73	38	30	6.4	130	13	67	47	27	6.2	50	13	66	42	34	6.5
WDI 1999 Income Group																		
Lower	390	46	59	30	26	6.0	477	49	60	33	26	6.0	183	49	66	36	28	6.2
Lower-middle	291	34	73	58	38	6.8	314	33	74	54	30	6.6	129	34	76	57	50	7.0
Upper-middle	142	17	69	62	35	6.7	150	16	81	69	45	7.0	57	15	81	72	46	7.2
High	23	3	82	82	45	7.5	24	2	79	75	33	7.0	8	2	88	75	57	8.1
Total/average	846	100	66	46	32	6.4	965	100	68	47	31	6.4	377	100	72	49	39	6.7

Note: Percentages exclude projects not rated. The data for FY99 exits represents a partial sample (118 out of 277) and reflects the processing of all ICRS received through July 1999. The processing of the remainder of the FY99 sample is ongoing; completion is expected by spring 2000. Access the table on-line at http://wbln0018.worldbank.org/oed/oeddoclib.nsf/htmlmedia/pubparade.html

TABLE A1.3 OUTCOME, SUSTAINABILITY, ID IMPACT, AND AGGREGATE BY SECTOR, NETWORK, LENDING TYPE/SOURCE, REGION, AND WDI INCOME GROUP FOR EXIT FISCAL YEAR GROUPS 1990–93, 1994–97, AND 1998–99 (BY REAL DISBURSEMENTS, FY96US$)

	Exit FY90–93						Exit FY94–97						Exit FY98–99					
	Disburse $ millions	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Disburse $ millions	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Disburse $ millions	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index
Sector																		
Agriculture	14,860	21	69	42	31	6.4	13,136	17	79	52	42	6.7	3,742	12	64	54	50	6.9
Education	2,921	4	89	76	59	7.4	3,956	5	73	49	33	6.7	2,686	8	87	51	36	7.1
Electric Power & Other Energy	9,692	14	66	75	40	6.5	9,618	13	69	61	31	6.5	1,803	6	59	34	28	5.9
Environment	0	-	-	-	-	-	285	0	75	58	30	7.0	107	0	82	44	17	6.5
Finance	4,785	7	48	42	28	6.1	7,704	10	64	60	49	6.9	7,843	24	95	92	47	7.6
Industry	7,210	10	71	64	26	6.7	5,053	7	57	47	43	6.3	810	2	50	47	46	6.1
Mining	671	1	46	65	63	6.3	606	1	95	95	28	7.0	431	1	98	98	100	8.2
Multisector	11,490	17	82	66	53	7.5	10,716	14	90	61	32	7.1	2,146	7	75	54	20	6.6
Oil & Gas	1,995	3	74	91	44	7.6	1,650	2	96	87	40	7.8	1,998	6	70	84	6	6.5
Population, Health & Nutrition	716	1	71	55	33	7.0	1,626	2	85	68	35	6.9	1,830	6	81	71	37	6.9
Public Sector Management	1,658	2	79	45	70	7.4	2,530	3	79	65	34	6.6	2,126	7	99	73	70	8.2
Social Sector	29	0	100	100	100	8.2	1,022	1	99	55	41	6.8	882	3	94	63	76	7.2
Telecommunications	360	1	40	47	19	5.7	1,202	2	93	95	64	8.3	233	1	100	100	100	9.3
Transportation	7,431	11	80	62	37	7.0	9,453	12	86	54	33	6.9	2,770	9	87	69	67	7.6
Urban Development	3,671	5	79	57	33	6.9	3,737	5	74	51	14	6.3	1,514	5	97	58	53	7.6
Water Supply & Sanitation	1,907	3	65	38	40	6.5	3,361	4	55	23	13	5.3	1,565	5	44	18	23	5.7
Network																		
Environmentally & Socially Sustainable Development	14,860	21	69	42	31	6.4	13,421	18	79	52	41	6.8	3,849	12	64	53	49	6.9
Finance, Private Sector & Infrastructure	37,722	54	68	63	35	6.7	42,385	56	72	56	35	6.6	18,966	58	82	72	43	7.1
Human Development	3,666	5	86	72	54	7.4	6,604	9	80	55	35	6.8	5,398	17	86	60	43	7.0
Poverty Reduction & Economic Management	13,148	19	82	63	56	7.5	13,246	18	88	61	32	7.0	4,272	13	87	63	45	7.4

TABLE A1.3 OUTCOME, SUSTAINABILITY, ID IMPACT, AND AGGREGATE BY SECTOR, NETWORK, LENDING TYPE/SOURCE, REGION, AND WDI INCOME GROUP FOR EXIT FISCAL YEAR GROUPS 1990–93, 1994–97, AND 1998–99 (CONTINUED) (BY REAL DISBURSEMENTS, FY96US$)

	Exit FY90–93						Exit FY94–97						Exit FY98–99					
	Disburse $ millions	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Disburse $ millions	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index	Disburse $ millions	Share %	Outcome % sat.	Sust. % likely	ID impact % sub.	Aggregate index
Lending type																		
Adjustment	21,745	31	74	62	44	7.1	22,155	32	80	64	41	7.0	11,910	17	93	84	51	7.6
Investment	47,651	69	71	58	37	6.7	53,500	77	75	53	33	6.6	20,574	30	74	56	41	6.8
Lending source																		
IBRD only	51,719	75	72	65	42	6.9	52,136	75	77	61	38	6.8	23,371	34	83	71	48	7.2
IDA/blend	17,677	25	71	42	31	6.4	23,519	34	76	47	30	6.6	9,113	13	76	54	37	6.9
Region																		
Africa	10,706	15	59	23	25	5.9	12,570	18	68	33	28	6.2	4,275	6	69	40	23	6.3
East Asia and Pacific	14,720	21	89	80	53	7.6	15,843	23	86	75	43	7.3	10,378	15	90	80	43	7.2
Europe and Central Asia	5,812	8	67	54	41	6.8	9,378	14	83	71	46	7.1	3,719	5	73	71	36	7.0
Latin America and Caribbean	21,712	31	66	68	34	6.8	18,103	26	82	58	45	7.1	7,056	10	90	78	71	7.8
Middle East and North Africa	4,900	7	73	57	45	6.8	6,490	9	64	34	14	5.8	1,731	2	83	47	56	7.1
South Asia	11,546	17	76	52	39	6.7	13,271	19	68	55	24	6.2	5,326	8	69	50	31	6.7
WDI 1999 Income Group																		
Lower	22,508	32	68	38	32	6.3	27,169	39	69	44	26	6.3	9,759	14	69	45	28	6.5
Lower-middle	22,016	32	80	71	48	7.2	28,368	41	81	61	35	6.9	9,928	14	79	60	59	6.9
Upper-middle	23,215	33	68	66	36	6.9	18,835	27	81	66	50	7.1	7,482	11	87	81	59	7.7
High	1,658	2	84	85	53	7.6	1,283	2	78	78	32	7.0	5,316	8	98	99	7	7.3
Total/average	69,396	100	72	59	39	6.8	75,655	100	77	56	35	6.7	32,485	100	81	66	44	7.0

Note: Percentages exclude projects not rated. The data for FY99 exits represents a partial sample (118 out of 277) and reflects the processing of all ICRS received through July 1999. The processing of the remainder of the FY99 sample is ongoing; completion is expected by spring 2000. Access the table on-line at http://wbln0018.worldbank.org/oed/oeddoclib.nsf/htmlmedia/pubparade.html

Sectors have varied in their success in delivering on the principles of the CDF. The traditional infrastructure sectors have performed better than others (figure A2.1). Background papers commissioned for this review and an informal survey of OED evaluators turned up the same results. The principal evaluators for some of the sectors were asked to rate the Bank's contribution to helping client countries implement the principles of the CDF on a scale of 1 (poor) to 4 (excellent). The results are detailed below.

Long-Term Perspective and a Holistic Approach

A key impediment to development has been the lack of a long-term perspective. Its absence has been especially detrimental in trying to deal with the structural dimensions of reform. OED evaluators also highlight the importance of comprehensive analyses in elucidating cross-sectoral dependencies. One outcome of this more comprehensive approach has been greater complexity, which often creates difficulties for sectorwide and multisectoral programs and projects. There is a complementary need to simplify program design following comprehensive analyses to avoid overloading limited government capacity.

In a holistic approach, thematic, cross-sectoral, and structural dimensions can provide crucial integrating themes. Yet integrating such dimensions has proved particularly challenging and has often been resisted by aid agencies and government ministries with a sectoral orientation. It took decades of external pressure and leadership by top management, for example, to integrate environmental considerations into Bank operations.

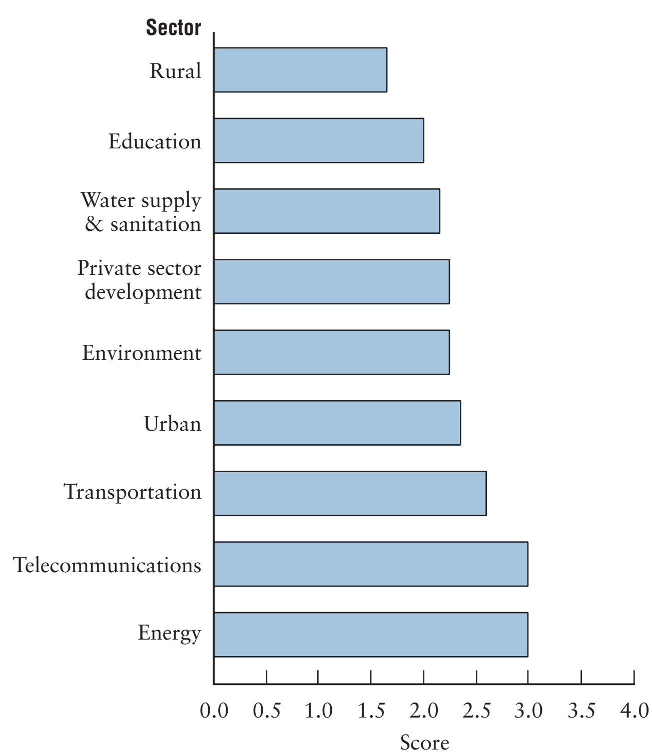
A notable example concerns information technology and knowledge management. As the importance of the information technology revolution to development became clear, the Bank established a Knowledge Management Unit. Education and other sectors began to explore the use of information technology, as in distance education. Over the past decade, Bank lending for knowledge applications has spread, figuring as a component in 60–90 percent of projects. Yet this dimension of development has yet to be integrated into country assistance and sector strategies. Moreover, Bank studies and Internal Audit Department reviews have concluded that lending and policy assistance in this area lack standards, a coherent strategy, quality assurance, and proper integration with other sectors (Hanna 1991; Hanna and Boyson 1993).

Ownership and Partnership

Ownership has been difficult to achieve in sectors with a broad array of stakeholders, such as health and education. Yet lack of ownership—by governments for reforms and by communities for local projects—has undermined development efforts across the board. In general, ownership by government, the private sector, and civil society has been easier to achieve in technology-driven sectors that are open to private participation (energy, telecommunications) than in softer sectors (education, environment, and rural development). Private sector development nevertheless scored well on ownership, presumably because of the openness to private participation (figure A2.2).

The picture is similar for partnership. Partnerships between external stakeholders are essential in coordinating sectorwide programs to avoid fragmentation or adding unnecessarily to the demands on government. OED evaluators have found cases of solid coordination with other donors in technology-driven sectors such as transport, telecommunications, and energy, and weak coordination in the social sectors. Partnerships with other

FIGURE A2.1 SECTOR SCORES ON CDF

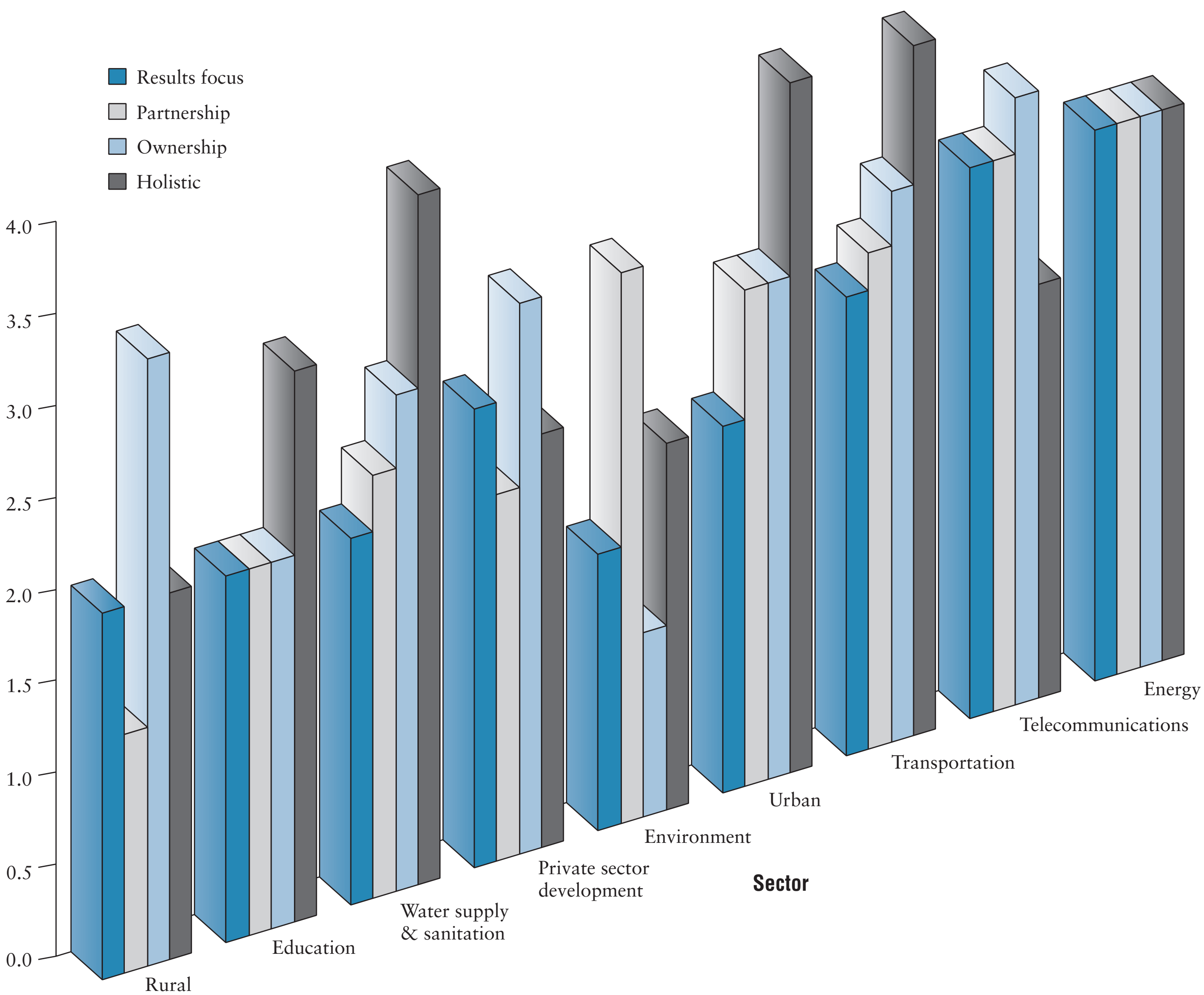


external stakeholders clearly have a long way to go in all areas, especially in rural development, education, and private sector development.

Managing for Results

Managing for results has been easier to achieve in technology-driven sectors than in structural dimensions (institutions, public and private sector management), social sectors (education), or thematic areas (environment, rural development). OED evaluators have consistently found poor M&E systems for results (as well as for tracking inputs and outputs) and a need for greater attention to this area in sectorwide and thematic efforts.

FIGURE A2.2 SECTOR SCORES ON INDIVIDUAL CDF PRINCIPLES



OED has prepared CAEs for 28 countries. While not chosen with a view toward forming a representative sample of developing countries, they were selected by OED in the context of the Board calendar and where an evaluation was judged useful for the design of future strategies or lending programs. Other considerations included relevance, regional coverage, and importance to the Bank's portfolio. The 28 countries capture a wide range of country size, income, and regional representation (table A3.1).

The facts on growth and poverty in the 28 countries between 1981 and 1997 are sobering. They suggest that the battle against poverty is being lost, not won (table A3.2 and figure A3.1):

- In 40 percent of the countries, per capita income either failed to grow or shrank.
- In 23 percent, the share of the population below the poverty line increased.
- In 25 percent, life expectancy declined.
- In 54 percent, the people experienced at least one of these three events: per capita income stagnated, the poverty rate increased, or life expectancy declined.
- In 85 percent, per capita income grew 1 percent a year or less in the 1990s.

FIGURE A3.1 DISAPPOINTING PERFORMANCE IN REDUCING POVERTY . . .

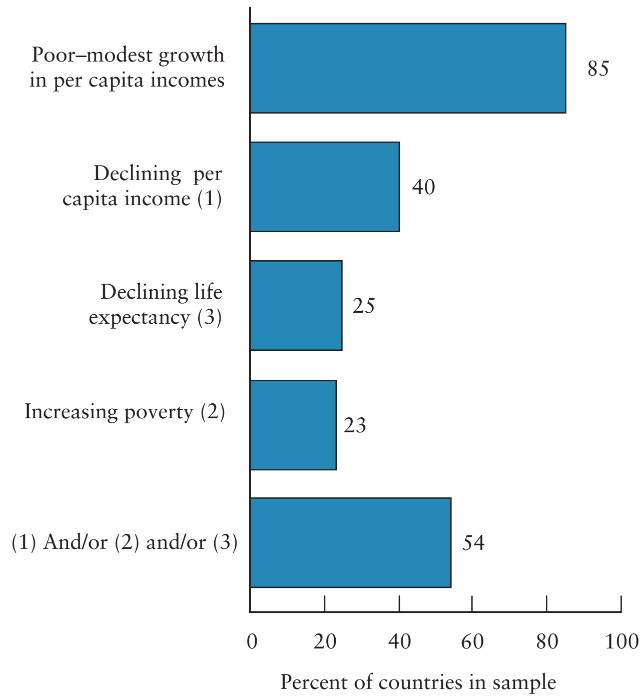
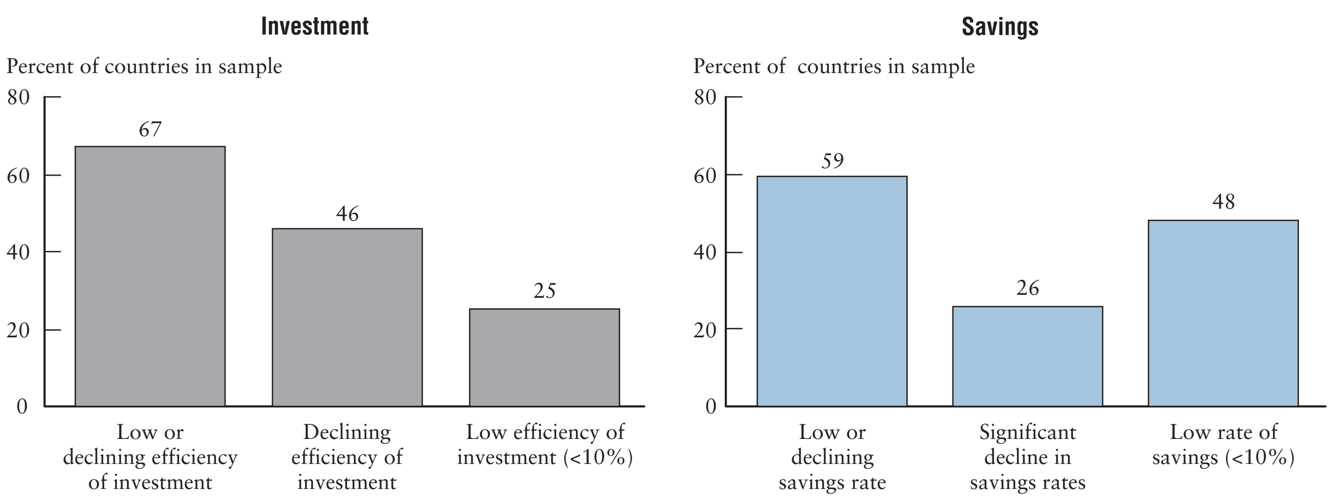


FIGURE A3.2 . . . AND IN PROMOTING ECONOMIC GROWTH



Some observers have argued that the inadequate progress in reducing poverty may be the legacy of neglect of social spending during periods of austerity required by adjustment programs. But the CAEs do not suggest any significant decline in social expenditures as a share of the total. Many countries made a deliberate effort to maintain social expenditures—including Côte d'Ivoire, Ghana, Morocco, Poland, and Togo.

Growth performance can be broken down into two parts: domestic resource mobilization, indicated by the ratio of savings to GNP, and efficiency of investment.[1]

The savings rate declined in 26 percent of the countries in the group during 1981–97, and in 48 percent it was less than 10 percent. A majority of the countries (59 percent) experienced a low or declining savings rate—or both (table A3.3 and figure A3.2).

In 42 percent of the countries, investment efficiency was lower in 1981–97 than in the 1970s. And in a quarter it was less than 10 percent. Two-thirds of the countries had either low or declining investment efficiency (table A3.4).

TABLE A3.1 RELEVANCE OF SAMPLE OF EVALUATED COUNTRIES (PERCENT)

Classification	In total	In sample
Income category		
Low	39	57
Lower-middle	39	36
Upper-middle	24	7
Total (number)	**157**	**28**
Region		
Latin America and the Caribbean	22	14
Sub-Saharan Africa	31	32
Middle East and North Africa	10	7
South Asia	5	14
Europe and Central Asia	17	14
East Asia and the Pacific	14	18
Total (number)	**157**	**28**
Size		
High population	33	57
Medium population	34	36
Low population	33	7
Indicator	**Low-income [a]**	**Middle-income [a]**
Average annual growth of per capita income		
1985–95	-1.4	-0.7
1997–98	-5.9	-1.5
Negative per capita growth rate (percent of countries)	53.7	41.5

a. According to the *World Development Report 1997* (page 265): Economies are divided according to 1995 GNP per capita, calculated using the World Bank Atlas method. The groups are: low-income, $765 or less, and middle-income, $766–$9,385.
Source: World Development Report 1999, 1997, and 1990.

TABLE A3.2 COUNTRY PERFORMANCE: PER CAPITA GROWTH, POVERTY, AND LIFE EXPECTANCY

	GNP per capita growth rate (%)			Poverty: % of population (year)					Life expectancy (years)	
Country	1980s	1990s	1981–97	Datapoint 1	Datapoint 2	Datapoint 3	Datapoint 4	Datapoint 5	Early 1980s	1990s
Albania		2.58		35.5 (96)					70	72
Azerbaijan		-7.22		61.0 (95)					69	71
Bangladesh	0.68	1.47	0.96	40.9 (83)	33.7 (85)	41.3 (88)	42.6 (91)	35.5 (95)	50	58
Bolivia [a]		0.84		60.1 (89)	61.6 (93)				54	61
Burkina Faso	0.44	0.21	0.35						45	44
Cambodia		1.08							45	54
Côte d'Ivoire	-1.47	0.70	-0.89	11.1 (85)	17.8 (88)	32.8 (93)	36.8 (95)		50	47
Croatia		1.14							71	72
Ecuador	-0.23	0.22	0.19	35.0 (94)					65	70
Ethiopia	-0.40	1.62	-0.22	52.0 (94)					42	43
Ghana	0.05	0.57	0.57	36.9 (88)	41.8 (89)	31.4 (92)			54	60
Indonesia [b]	1.80	2.44	2.25	21.6 (84)	17.4 (87)	15.1 (90)	b		56	65
Jamaica	0.17	-1.73	0.58	29.8 (88)	34.2 (92)				71	75
Kenya [c]	0.33	0.14	0.03	47.9 (82)	46.4 (92)				56	52
Malawi [c]	0.00	0.49	0.10	42 (91)					45	43
Maldives		1.78							57	67
Morocco	0.93	0.10	0.60	16.5 (85)	7.0 (91)				60	67
Mozambique	0.67	1.56	0.19						44	45
Nepal [d]	0.82	0.91	0.91	36.2 (77)	41.4 (86)	44.6 (96)			49	57
Papua New Guinea	-0.04	0.56	0.54						52	58
Philippines	-0.71	0.94	0.01	39 (91)	36 (94)				62	68
Poland	0.91	2.37	0.54	6.0 (88)	20.0 (94)				71	73
Sri Lanka	1.09	1.83	1.24	27.3 (86)	22.4 (91)				69	73
Thailand	2.54	2.39	2.82	22.2 (88)	17.9 (90)	13.1 (92)	b		65	69
Togo [d]	-0.20	0.05	-0.62	32.3 (89)					50	49
Ukraine		-12.18		30.0 (95)					70	67
Yemen		-0.25		19.1 (92)					50	54
Zambia	-1.20	-0.17	-0.73	69 (91)					51	
Percent of countries with: GNPpc =< 0%	50% (10/20)	39% (11/28)	40%(8/20)	(not significantly different from 0)						
Life expectancy declines			25% (7/28)							
Increasing poverty				23% (5/22)						
Growth <0% and/or increasing poverty and/or declining life expectancy				54%						

a. Urban poverty only; rural rate much higher.
b. Poverty is estimated to increase due to East Asia crises.
c. Only rural poverty.
d. Considered qualitative assessment that people are worse-off in the 1990s than in the 1980s.

TABLE A3.3 COUNTRY PERFORMANCE: SAVINGS

	Savings rate (% GDP)		Linear trend savings	
Country	1980s	1990s	1981–97 [a]	T-Stat
Albania	30.33	-22.31	-4.28	-3.89
Azerbaijan[b]		5.84		
Bangladesh	11.69	13.84	0.16	2.78
Bolivia	13.39	9.46	-0.50	-3.94
Burkina Faso	0.40	6.88	0.89	8.68
Cambodia[c]		5.41	0.20	0.91
Côte d'Ivoire	18.72	16.74	-0.22	-0.78
Croatia		8.66		
Ecuador	21.51	22.55	-0.03	-0.26
Ethiopia	4.81	5.30	0.23	2.03
Ghana	4.81	8.65	0.46	3.88
Indonesia	30.11	31.40	0.16	1.87
Jamaica	17.65	25.12	0.84	4.56
Kenya	19.94	17.99	-0.27	-1.95
Malawi	11.68	4.75	-0.82	-4.45
Maldives[d]				
Morocco	16.55	16.19	0.12	1.11
Mozambique	-8.56	0.40	1.01	3.11
Nepal	10.38	11.51	0.08	0.93
Papua New Guinea	12.20	28.95	1.81	8.37
Philippines	20.38	15.90	-0.52	-8.09
Poland[a]	30.28	17.57	-1.15	-1.49
Sri Lanka	13.09	15.28	0.22	1.99
Thailand	27.56	35.89	0.95	10.63
Togo	11.46	7.93	-0.41	-1.95
Ukraine[a]		27.59	-1.84	-1.94
Yemen[a]		-1.87	0.70	0.54
Zambia	13.78	7.62	-0.38	-1.37
Percent of countries with:				
Significantly declining rate of savings			26% (7/27)	
Savings rate < 10% in 1990s			48% (13/27)	
Declining or/and low savings rate			59% (16/27)	

a. For the period 1990–97 for which data are available.
b. Data available only since 1991 and 1993 for Azerbaijan and Croatia.
c. For period 1988–97.
d. No data available.
Note: Savings for 1980s and 1990s are calculated as a simple average for this period (GDS as % of GDP). Rate of savings is calculated as a linear trend—Savings (% GDP) = a + (Rate * Time) for the period 1981–97.

TABLE A3.4 COUNTRY PERFORMANCE: INVESTMENT EFFICIENCY

	GDP growth (%)		GDI/GDP (%)		Investment efficiency (%)	
Country	1971–80	1981–97	1971–80	1981–97	1971–80	1981–97
Albania		0.51		24.67		2.07
Azerbaijan[a]						
Bangladesh	1.79	4.75	13.92	19.66	12.86	24.18
Bolivia		1.78		15.55		11.45
Burkina Faso	3.34	3.67	21.85	20.82	15.30	17.64
Cambodia		5.49		13.83		39.70
Côte d'Ivoire	5.48	1.70	24.49	13.11	22.37	12.96
Croatia[a]						
Ecuador	9.05	2.61	24.21	20.25	37.39	12.90
Ethiopia		3.02		13.34		22.62
Ghana	0.52	3.12	9.35	13.37	5.57	23.32
Indonesia	7.87	6.82	22.45	28.57	35.08	23.87
Jamaica	-0.60	1.55	22.16	27.31		5.68
Kenya	8.18	3.24	24.11	22.00	33.94	14.73
Malawi	6.25	3.16	27.14	18.04	23.02	17.53
Maldives[a]						
Morocco	5.56	3.25	23.23	23.26	23.91	13.97
Mozambique		2.46		19.40		12.66
Nepal	2.11	4.90	13.11	20.55	16.10	23.84
Papua New Guinea	2.57	2.98	23.51	24.95	10.94	11.93
Philippines	5.93	2.35	27.77	22.40	21.35	10.49
Poland		1.48		23.93		6.19
Sri Lanka	4.43	4.64	18.97	24.90	23.34	18.64
Thailand	6.89	7.46	26.17	34.59	26.31	21.57
Togo	4.41	1.63	29.45	17.18	14.97	9.47
Ukraine		-9.30		28.69		-32.39
Yemen[a]						
Zambia	1.45	1.19	29.71	14.72	4.89	8.06
Percent of countries with:						
Declining efficiency of investment						42% (11/24)
Low efficiency of investment (<10%)						25% (6/24)
Declining/low efficiency of investment						67% (16/24)

a. No data available.

Note: The Investment Efficiency Ratio is defined as the GDP growth rate divided by the investment GDP ratio. This is the inverse of the conventional Incremental Capital Output Ratio (ICOR), but is adjusted for changes in terms of trade between investment goods and overall GDP. Simple averages are used.

The sustainable livelihood approach to development adopted by the U.K. Department for International Development, CARE, and the UNDP proposes a holistic understanding of poverty and an integrated and dynamic way of thinking about poor people's livelihoods. This approach defines a livelihood as "the capabilities, assets (including both material and social resources), and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base" (Chambers and Conway 1992).

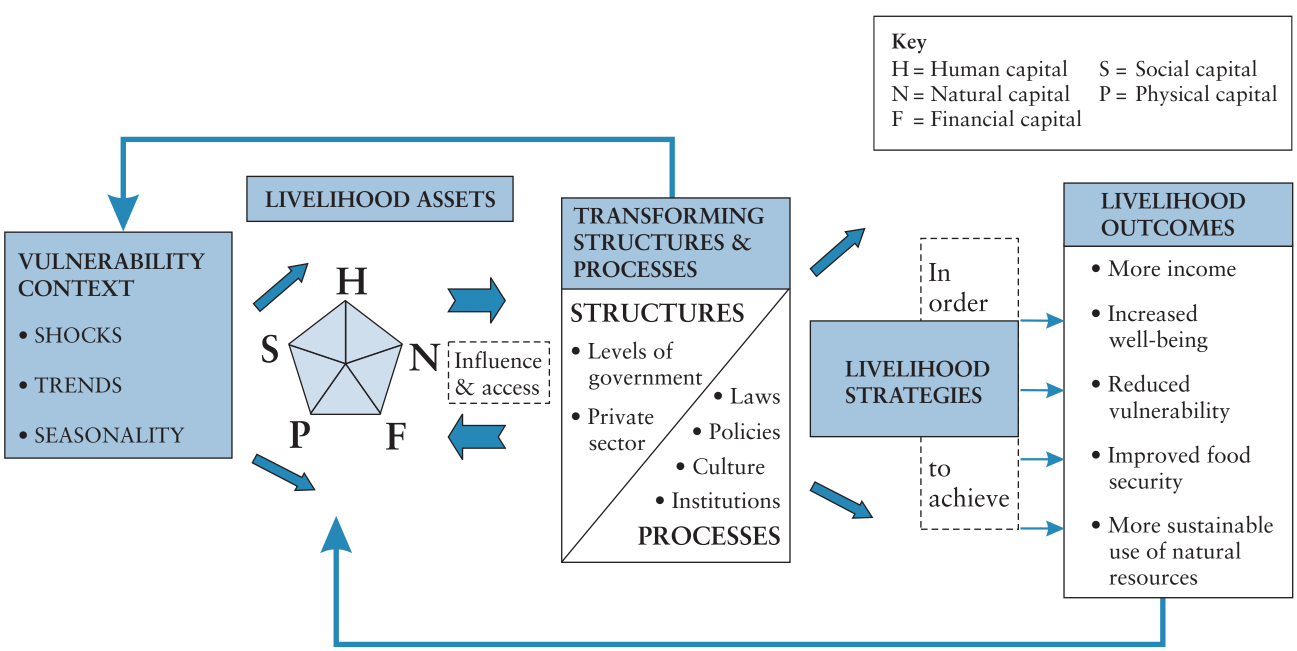
The sustainable livelihood approach provides an analytical structure to guide the understanding of factors that influence poverty and to identify where interventions might best be made (figure A4.1). It recognizes people's diverse livelihood goals—better health, more income, reduced vulnerability—and the complex strategies that households adopt to meet these goals. These strategies are shaped by preferences and priorities that arise in a context of vulnerability resulting from shocks, changing trends, and seasonal variations. They are also affected by structures (such as the form and organization of government and the private sector) and processes (policies, laws, and institutions).

The approach identifies five kinds of capital assets on which people can build or draw: human, natural, financial, social, and physical. It aims to build on what people have and how they live their lives, to add to the accumulation of assets, and to remove the barriers to people's ability to advance their livelihood choices.

Early experience with the sustainable livelihood approach has shown that its common framework facilitates cross-sectoral and multidisciplinary thinking. It makes explicit the choices and tradeoffs in planning and execution. It emphasizes a small number of entry points, with multisectoral links evolving over time. The iterative approach demands learning and sequencing, and thus requires that funding partners be flexible and responsive.

But the experience has also raised new challenges. The approach can result in a huge agenda, and thus risks becoming too multifaceted and time-intensive. Institutional issues—such as developing closer operational links with the social sectors—need more attention. And while the approach may improve the understanding of the problems faced by the poor, effecting change in a world of entrenched power structures remains a huge challenge. Another challenge is to develop effective tools for managing tradeoffs and sequencing—and for measuring change in people's livelihoods and security.

FIGURE A4.1 SUSTAINABLE LIVELIHOOD FRAMEWORK



ANNEX 5. OWNERSHIP, PARTICIPATION, AND CONDITIONALITY

Ownership at its broadest involves commitment by the public sector, the private sector, and civil society to a national development effort. At its narrowest it involves beneficiaries, local government, and community organizations in project design and implementation. Ownership can apply to a national development strategy, country assistance strategy, sectoral reform programs, or a project.

Ownership and Participation

Participation is important because it increases the likelihood of a project's relevance and effectiveness. OED findings suggest that participation promotes ownership and broad, long-term attention to human issues. It improves sustainability of development programs and promotes learning and results-based orientation—key goals of the CDF.

Benefits of Participation

At the project level there are clear benefits to ownership and participation. Participation promotes a more holistic approach. For instance, in Bangladesh and India, participation quickly uncovered the necessary adaptations that turned projects in roads, lighting, reliable power, and better services into good investments. This in turn facilitated a longer-term view. And the more projects that are controlled by community clients rather than by the Bank or government, the more likely the projects are to have a long-term perspective.

Experience also shows that participation increases transparency and accountability—and reduces corruption. When civil works belong to the people who use them, there is no tolerance for siphoning off project funds in bribes. Contractors are grateful for community support and protection from extortion. While close community supervision might lead to more complaints, contractors were able to fix problems more quickly and cheaply, reducing complaints on completion and improving relationships with communities.

Scaling-up Participation

It takes time and effort to foster participation, particularly to scale up participation from a project to programs, sectorwide reform, multisectoral efforts, or a national strategy. There have been few successes in scaling up NGO involvement from projects to wider programs. Bank evaluations and research name the difficulties that the Bank and its clients are likely to face in trying to scale up participation (and promote consultation) in national development and country assistance strategies, or even in advisory and analytical activities. Not all NGOs want to increase the scale of their operations to work on Bank-supported projects. Scaling up can also strain an NGOs management capacity and create financial obligations to staff and clients that are difficult to sustain.

Any scaling up initiative must be preceded by a careful assessment of the capacities and commitment of all parties. A critical step is to involve all stakeholders in developing success indicators, a process that can expose differences in expectations and priorities. Negotiating to develop a common framework helps to build ownership of outcomes.

OED findings suggest several lessons for success in scaling up participation:

- *Integrate a learning process.* Perhaps the best known success in scaling up participation is the Philippines National Irrigation Administration, which adopted a step-by-step approach to building user associations' capacity to manage local irrigation systems. The use of a learning process approach and the introduction of a number of managerial innovations allowed local priorities and processes to guide the activities of the bureaucracy—rather than the other way around (Korten 1980, 1988). A working group was formed to act as a catalyst for change. It brought together frontline workers and higher-level staff to define a common vision of change, and then worked through a learning cycle to achieve that change over a number of years.
- *Beware of procedural inflexibility.* Changing organizational systems and procedures to facilitate participatory development is a complex undertaking. But the costs of not doing so can be heavy, as in the Government of Uttar Pradesh's Doon Valley Project in the Himalayas (Shepherd 1999). Examples across the world show that simply adding participatory rural assessments onto existing programs will not lead to participation.
- *Avoid rushing to scale up.* Participation cannot be rushed, and it is especially dangerous to try to

do so on a large scale. The Indonesian government's attempt to implement nationwide village development planning in less than a year in 1995–96 illustrates the pitfalls of forced participation. There was little or no ownership of the process at the village level, and too little time was devoted to building partnerships with NGOs, whose skills might have enabled the government to do a better job.

- *Persevere.* The Rural Integrated Project Support Program in the Lindi and Mtwara regions of Tanzania is one of the best documented cases of a government scaling-up program. This district-level holistic program involved participation by stakeholders in local government, agriculture, natural resource management, transport and marketing, education, savings and credit, health, and water. The successful collaboration and results visible today are an outgrowth of the accumulated experience of repeated mistakes and learning over some 25 years.
- *Identify a champion.* A strong shift toward participation in government or NGO practice can often be traced to an alliance of individuals or a single person. These champions have often led the battle against institutional inertia, individual hostility, and political pressures from the wealthy elite. For example, the regional commissioners of the Mtwara and Lindi regions in Tanzania allied themselves with the Rural Integrated Project Support Program to introduce participatory approaches.
- *Change attitudes and behavior.* For participatory approaches to work, actors at all levels will need to change attitudes and behavior (Blackburn and Holland 1998). Otherwise a new authoritarian manager can come into an organization and set the clock back, ruining a participatory culture and the practices patiently nurtured by a predecessor. The bottom line in participatory change is individual and personal.

Ensuring attitude and behavior change also poses a major challenge for the Bank. The Bank may be asked to help the government develop participation—for example, through World Bank Institute seminars for a wide range of participants, including members of parliament and the press. Cooperation with local

BOX A5.1 CONDITIONALITY SCENARIOS

At least four conditionality scenarios can be imagined, ranging from the most flexible to the most restrictive.

- *Ex post conditions for lending to an ongoing reformer with a track record of success.* Here the process of mutual commitment is fully under way. The country is making progress in reforms and the Bank is lending. An example may be Indonesia during 1985–95.
- *A higher-impact structural adjustment lending model of floating tranches.* This model might apply to a country seen to be a credible reformer with strong ownership, but no real track record. The government chooses the sequence and timing of the conditions and tranche release. Four countries with floating tranches—Cameroon, Côte d'Ivoire, Malawi, and Tanzania—outperformed others.
- *Regular multiple tranches that could be converted to floating tranches as ownership develops or experimental single-tranche operations.* This model could apply to countries with nascent or developing ownership, but with recent changes in regime or other sources of credibility in reform. The single-tranche operation could apply to a potential reformer, with the promise of additional lending to follow if reform actually comes about.
- *Advice, continuing contact, and readiness to commit support if circumstances change.* This model could apply to a country with a government not yet ready for reform.

All the scenarios are consistent with adjustable conditionality and tranches. As countries progress, they would move up the conditionality ladder. The possibility of this kind of sequencing should strengthen the movement toward mutual commitment.

research organizations can also help develop policy knowledge and contribute to ownership through the participation of local researchers and officials.[1]

Broad participation in program development, with cooperation between the Bank and the government, should strengthen ownership on both sides. Broad support can lend greater credibility to government ownership, which in turn can result in greater Bank flexibility regarding conditionality.

Ownership and Conditionality

Conditionality, through its relationship to ownership, can foster mutual commitment to ongoing reform. Traditionally the Bank has attached conditionality to tranche releases on specific, single loans. The CDF suggests a broader view of conditionality as the outcome of an ongoing process that allows the borrower and the Bank to develop and nurture mutual trust and commitment, a process that adjusts as country ownership grows. Empirical evidence on successful adjustment lending suggests different forms of conditionality for countries at varying phases of the reform process. It proposes a new view of flexible conditionality, combined with capacity building, to level the playing field for all parties in the relationship.

Reconciling Conditionality and Ownership

Under the CDF, conditionality can play a key role in the Bank's dialogue with reforming borrowers. Rather than an attempt to force externally designed policy changes on unwilling governments, conditionality should be used as a credible indicator of commitment by the Bank and its partners. Under the CDF, conditionality should represent a transparent and explicit understanding of sustained Bank commitment in support of a new or ongoing policy reform program formulated by the country, with wide participation by the private sector and civil society in cooperation with external partners. The program would be owned by the country, and conditionality would define the parameters of external support.

Viewed in this way, conditionality could be applied to actions already taken—with further support expected on the assumption that the reform process will continue (box A5.1). As the reform process and ownership deepen, conditions would become more flexible. A new reformer might begin with a single up-front experimental tranche, or with normal conditions that could be converted to floating tranches as the process develops. The government would choose the sequence and timing of sector reforms as external support is calibrated to the quality of the program. A model might be the relationship between a commercial bank and its customers. As long as the customer can project a credible path of earnings, lending continues. Thus conditionality is the Bank's side of a continuing relationship, and ownership is the country's side.

It is difficult to establish criteria for ownership.[2] The frameworks commonly used to assess ownership—leadership analysis and stakeholder analysis—are helpful, but insufficient. Reform-readiness analysis is often proposed as an alternative, but it does not eliminate uncertainty. Broad participation in program development, with cooperation between the Bank and the government, strengthens ownership on both sides. Broad support can lend credibility to government ownership, leading, in turn, to greater flexibility on conditionality.

Conditionality as a Commitment Process

Two recent studies support the view of conditionality as a commitment process: a study of HIAL and a reevaluation of the 1998 Dollar-Svensson data using the country as the unit of observation (Dollar and Svensson 1998; World Bank 1999i). Both studies support the view of conditionality as a process of mutual commitment.

The HIAL study found better policy outcomes and economic impacts for countries receiving HIAL than for other groups of IDA countries. This performance gain was attributed to greater selectivity in lending and more flexibility in disbursement arrangements. HIAL introduced floating tranches, with the government deciding when to meet conditions, which were generally sectoral, and when to draw on the corresponding tranche. Several loans had an initial tranche based on selection criteria (generally macroeconomic stabilization), followed by floating tranches. Analysis for this report of the relationship between conditionality and tranche arrangements and outcomes found that countries with higher-impact adjustment loans performed better during the loan period than before, with the largest average increase in growth of 3.5 percent. While the samples are small, this provides encouraging support for flexibility in conditionality and for conditionality as a process of mutual commitment.

The 1998 study by Dollar and Svensson of the importance of country political economy variables compared with variables under Bank control in predicting success or failure (as measured by OED ratings) concluded that "the results have clear implications for the management of policy-based lending. They suggest that the role of adjustment lending is to identify reformers, not to create them." The study uses the loan as the unit of analysis. But structural adjustment lending tends to be repetitive: 27 percent of countries receiving adjustment loans since 1979 received more than five loans. Past successes could be predictors of future successes. When the data are re-analyzed using the country as the unit of analysis, past success becomes a highly significant predictor of future success. This result supports the view of conditionality as a process of mutual commitment, since the Bank can use lending history to formulate future conditionality.

This view of flexible conditionality differs from the view of conditionality as coercion—an attempt to induce the borrower to take action against its will. Participation, by involving other stakeholders, reduces the risks of coercion implicit in a secret negotiation between a hard-pressed borrower and a powerful lender. Equally, transparency and participation should minimize the risks of shirking or policy reversals. Under the CDF, this form of conditionality is complementary to ownership.

There are growing pressures on both governments and donors to make and track progress in achieving development objectives. These pressures include:

- Citizen demands for more accountability and greater value for the money
- Scarce donor funds and growing competition among countries
- Market perceptions of national economic competitiveness
- Greater willingness of civil servants to take a systematic approach to learning from experience.

Developing countries are placing more emphasis on good governance and are adapting approaches and models from developed countries. One popular model is results-based management (RBM), which focuses on goals, objectives, and the results chain—the linkage of resources, processes, outputs, client reach, outcomes, and impact. It emphasizes the perspectives of clients and other stakeholders, and can help build a client-oriented service culture. At the core of RBM is a performance measurement system focusing on results, not just inputs, processes, or narrowly defined outputs. A number of governments have implemented elements of RBM, and their experience—particularly in measuring government performance—provides key lessons for a more performance-oriented approach to government (Mackay 1998b; OECD 1995, 1997a).

RBM and the CDF

The CDF implies an RBM approach: keep the focus on achieving development effectiveness. RBM is a means to evaluate CDF processes, and thus to help governments and donors learn what works, what does not, and why, from the CDF pilots and their approaches. CDF countries, which will adopt different approaches built around the four core CDF themes, can share lessons about the strengths and weaknesses of these approaches.

Experience shows that countries must demand a focus on results (UNDP 1997); donor-driven efforts are not enough. Donors can "sell" a greater performance orientation to countries, but an infrastructure that measures performance—through systematic M&E—will founder unless the government accepts the donor's arguments or reaches its own conclusions about the merits of such an approach (box A6.1).

BOX A6.1 BARRIERS TO PERFORMANCE ORIENTATION

- Poor demand and ownership in countries
- Lack of a culture of accountability (often related to ethics or corruption)
- Absence of evaluation, accounting, or auditing skills
- Poor quality of performance information, and of accounting and auditing standards and systems
- Little integration of M&E findings and mechanisms into decisionmaking.

Countries and donors often disagree on ways to track implementation and impact, and few local institutions can bridge the gap between the technical task of research and evaluation and the political task of policymaking. The experience of the U.S. Agency for International Development (USAID) suggests that countries are more likely to monitor policy implementation and systematically use the findings in decisionmaking when:

- Think tanks and other credible, nongovernment parties help monitor.
- Explicit responsibility is assigned for translating research and evaluation findings into policy implications.
- Evaluation findings are discussed in public forums.

It may take a decade or more to build a strong, systematic approach to measuring government performance. The challenge goes beyond building skills and civil service infrastructure. It also encompasses building sustained government and civil service commitment to performance orientation.

Incentives are crucial to ensuring a performance orientation (Picciotto and Weisner 1998). To understand a country's incentive frameworks, one must diagnose its institutions and consult closely with its government (as in Zimbabwe) (Mackay 1998a, 1998b) and, where agreeable to government, with civil society and the private sector. M&E findings can enhance accountability, improve manager performance, and help guide budget allocations (including budget cuts).

Where government performance is poor, M&E can

BOX A6.2 POOLING AND JOINT REVIEWS IN GHANA'S HEALTH SECTOR REINFORCE ACCOUNTABILITY

Ghana's health sector demonstrates an innovative approach to donor funding and reviews of sector performance. Donors have agreed to pool a significant proportion of their funds for this sector, giving up the right to select which projects to finance in exchange for a voice in developing sectoral strategy and allocating resources. This pooling approach means that the cost-effectiveness of specific donor funds cannot be evaluated and allows an emphasis on joint accountability for the donors and the government.

The government and the donors conduct a joint review of the health sector every year by assessing 20 performance indicators. They also identify priorities for the coming year. Two such joint reviews have been conducted since 1997.

Although close government-donor collaboration has been effective, there is still work to be done. The joint review faced problems such as:

- Incomplete evaluations. In-depth evaluations of selected problem areas—public health, institutional care, and systems of management and support—had been planned as part of the 1998 review, but were not completed.
- Deficiencies in the health ministry's capacity to collect, analyze, use, and report performance monitoring data, relating not only to the ministry but also to the sector.
- Lack of evaluations on the outcomes or impact of health ministry programs.
- Inability of the review to take full account of the activities and services provided by bodies external to the health ministry—such as other ministries, NGOs, and the for-profit private sector.
- A need for greater dialogue with civil society, including the district level.

help to improve accountability. Measuring government performance increases the pressure for a more responsive public sector. In Bangalore, India, for example, an NGO surveys citizens on the quality of municipal government services and the extent of corruption in delivery (Paul 1998).

RBM has synergies with many types of public sector reform. These include public expenditure management (medium-term expenditure frameworks and performance budgeting), civil service reform (performance contracts for senior civil servants), intergovernmental fiscal decentralization, commercialization and private sector delivery of public services, service delivery or beneficiary surveys, participation and the "voice" of civil society, and anticorruption efforts that strengthen financial management and oversight bodies. Efforts to foster RBM are thus likely to benefit from close links with related public sector reforms.

A holistic approach to governance encourages greater performance orientation. A cross-sectoral perspective puts pressure on lagging ministries to keep up with leading ministries. But experience also suggests that a holistic approach to RBM will not be easy to trigger across all ministries. It might be more realistic to start with performance monitoring in selected sectors or ministries, and then extend the approach to others, and add measurement tools such as project and program evaluation as opportunities allow.

Chile took such an incremental approach (Marcel 1999: 265–325). Initial monitoring identified some problem programs, and this led to questions about program outcomes and impact that have since been answered by in-depth evaluations.

An emphasis on performance management for projects and programs should be complemented by a focus on governance and intersectoral synergies. Donors have attempted to foster good governance and a performance culture at the national and ministry levels. But attempts to strengthen M&E have focused on the project level, typically only to satisfy donor requirements. The lack of domestic ownership of M&E has undermined acceptance of performance measurement for sound governance. Moreover, the limited M&E capacity created through donor-driven, project-based activities was often lost once the project was completed. Ghana is starting to work with donors, including the Bank, to build more robust national and sectoral approaches to performance management and measurement. Donor adoption of a sectorwide approach helps this process along (box A6.2).

The CDF provides an opportunity to involve civil society in assessing government performance and in discussions about national and sector priorities and progress in achieving development goals. Civil society has a number of potentially important roles to play. It can provide a deeper understanding of the constraints and limitations on government activities. It can pressure governments and civil servants to improve management of inefficient or ineffective government activities.[1] It can use and learn from information on performance indicators and the findings of evaluations and reviews. It can voice views of ordinary citizens, NGOs, and the private sector—the consumers of government goods and services. The beneficiary assessments now conducted in many countries provide such opportunities. Civil society can also influence the evaluation agenda by identifying government activities in need of assessment. Box A6.3 demonstrates another type of civil society involvement.

Donors and governments both have a role to play in building the capacities of key stakeholders such as NGOs, the media, and parliaments. These stakeholders need to have some familiarity with performance concepts and M&E tools to make full use of information on government performance; they also need to understand its limitations and weaknesses. In South Africa, for example, an NGO works directly with parliament on a fee-for-service basis to help it understand and digest information on the performance of government ministries.

BOX A6.3 MALAYSIA: SUSTAINABLE PENANG INITIATIVE

In late 1997, the Malaysian State of Penang initiated the Sustainable Penang Initiative, with support from the Canadian International Development Agency, UNDP, and the UN Economic and Social Commission for Asia and the Pacific. The initiative is a long-term pilot response to community concerns about the costs of Penang's rapid development: the sustainability of growth; its environmental impact and the consequences for health; the distribution of gains from development; the impact of growth on Penang's values, traditions, and heritage; and the extent to which citizens feel they have a voice in the changes affecting their neighborhoods.

The initiative was designed as a pilot project for community indicators. State assembly members, state government officials, business representatives, NGOs, community-based organizations, academics, and concerned individuals organized into five roundtable groups of 50 people each. The groups focused on the economy, environment, social justice, culture, and popular participation.

During one- and two-day facilitated discussions, each group prepared vision statements and made a list of key performance indicators for its topic. The groups chose indicators based on their rigor, relevance, and availability. In community health care, for example, indicators included cancer rates, infant mortality, quality of health care, levels of patient satisfaction, and the ratio of health care facilities and professionals to the population. The groups used data to identify trends and implications for the sustainability of development, and their relationship to other indicators or issues.

In late 1998, the roundtable findings were published in the first *People's Report on Penang*, and reviewed by the state assembly. The intention is that the roundtable groups will reconvene each year to review improvements and identify problem areas.

The initiative appears to have been successful in generating stakeholder ownership of evaluation, showing that RBM is possible at the community level. The initiative also demonstrates the potential for achieving a collaborative partnership approach among diverse groups and interests.

ANNEX 7. PARTNERSHIP AND STRATEGIC SELECTIVITY[1]

Since its emergence some three decades ago, the concept of partnership for development has won broad acceptance. Donors and beneficiary countries are expected to participate jointly in analyzing macroeconomic issues, developing action plans for national priorities, and strengthening or building local institutions. Ultimately, partnership is expected to transform beneficiary countries from aid recipients to aid managers. Some governments—Bangladesh, Bolivia, Ethiopia, Ghana, Tanzania, Uganda, and Vietnam—have taken the initiative in setting the agenda for local aid meetings and sharing a lead role in annual or biannual apex Consultative Group (CG) meetings. They are also participating more intensively in preparatory activities and analytical work, such as country economic memoranda and sector reports, that affect aid coordination exercises.

The idea of partnership was first articulated in the 1969 report of the Commission on International Development, *Partners in Development*, commissioned by World Bank President Robert MacNamara. The report called for a "new partnership" based on reciprocal rights and obligations. Not until 1995, however, was partnership officially made one the of Bank's six "guiding principles."[2]

Partnership gained additional prominence in DAC's seminal document, *Shaping the 21st Century: The Contribution of Development Co-operation* (OECD and DAC 1996). It put forward internationally agreed goals as part of a new partnership agenda for poverty reduction that calls on developing countries to commit to an effective policy environment for pro-poor growth, and for donors to increase financial support for such policies. The report gave highest priority to development strategies grounded in an "open and collaborative dialogue by local authorities with civil society and with external partners." In a further refinement, the World Bank's *Partnership and Development* (World Bank 1998i) defines partnership as a collaborative relationship in which parties jointly develop and agree on objectives and expected outcomes, division of labor and responsibilities, rights and accountabilities, and capacity development to ensure that weaker members are able to participate fully.[3] These notions are also embodied in the CDF.

TABLE A7.1 COUNTRY CHARACTERISTICS AND AID COORDINATION

Institutional capacity	Country commitment: High	Country commitment: Low
High	Country-driven	Joint-sponsorship
Low	Country-driven (with institutional strengthening)	Donor-driven

Effective Country-Led Aid Coordination

This notion of partnership implies a matrix such as that shown in table A7.1, with country-driven arrangements expected to make the greatest contribution to development effectiveness.[4] High country commitment and institutional capacity are likely to be associated with country-driven aid coordination arrangements, and less country commitment and institutional capacity with donor-driven arrangements. Where capacity is high but commitment is low, the matrix implies joint sponsorship, or intensive donor involvement in tandem with the government to minimize resource misallocation under flagging or missing policy commitment. Where commitment is high but capacity is low, country-driven coordination is possible if institutional capacity is strengthened. Institutional capacity includes organizational capability and the rules and incentive structures governing policy formation and resource allocation. Incentives include both the internal incentive (and disincentive) structures of a bureaucracy and the external incentives resulting from market competition and from the various mechanisms for citizen voice or participation (World Bank 1998i: 9–10).[5]

Donor Characteristics

How can a country move to the country-driven quadrant? Depending on where a country stands, the answer is to strengthen country commitment, strengthen capacity, or do both. But the characteristics of donors and international agencies also affect the ease of moving to effective country-led aid coordination arrangements. The most advantageous case for country-led aid coordination is that of a small number of donors, all with a high development orientation (table A7.2). As the number of donors increases, the environment for aid coordination becomes more challenging, and as nondevelopment motives for providing aid (such as commercial interests)

TABLE A7.2 DONOR CHARACTERISTICS AND THE AID COORDINATION ENVIRONMENT

Number of donors and agencies	Development orientation High	Development orientation Low
Low	Favorable	Relatively Difficult
High	Challenging	Very Difficult

increase, effective country-led coordination becomes more difficult. While the end of the Cold War has reduced the dominance of the ideological motive for providing aid, geopolitical considerations are still at work.[6]

Effective aid coordination involves a process leading to an agreement by the recipient country, donors, and international agencies that all partners will accept mutual responsibility for achieving development outcomes, along with distinct accountabilities. For the recipient country, accountabilities include making a commitment to sound policies and effective institutions. For the donors, accountabilities include adopting a development orientation, achieving coherence with country development priorities and selectivity along the lines of comparative advantage (thus addressing the "numbers" issue), providing effective capacity building assistance to level the playing field among partners, and supporting country-led efforts to achieve these objectives.

The Limits of Partnership

There are limits to the extent to which the realities of partnership match the vision. These include tensions between harmonization and accountability and between conditionality and partnership, as well as issues of governance constraints and strategic selectivity.

Harmonization and Accountability

Harmonization of donor policies and procedures does not remove the need for recipient accountability for their use of funds to meet the donors' fiduciary responsibility toward their governing bodies or parliaments. Accountability, however, has been one-sided. Donors have not been held accountable to recipients for the methods or rationale of the allocation of aid resources or the predictability of resource availability. The reluctance of some donors to untie aid illustrates this point.

Conditionality and Partnership

In normal business partnerships, the partners mutually agree to abide by certain conditions and obligations. In development cooperation, the donor normally imposes conditions on the recipient, which must abide by them. The relationship between the two is far from symmetrical. It is embedded in an institutional culture of donor institutions that views those who offer aid as belonging to a fundamentally different league from those who receive it. Changes in rhetoric have not altered the aid culture, even under the pressure of determined leadership.

Governance Constraints

Guided by its Articles of Agreement, the Bank deals primarily with governments. Partnership has meant, for all intents and purposes, an effort to improve relationships with government borrowers. This has constrained the ability to form ties with the private sector and civil society. In recent years the Bank has expanded the meaning of partnership to include NGOs, civil society organizations, and the private sector. But governance constraints impose limits on such partnerships, particularly where NGOs and other civil society bodies operate under the government's wings or on the edge of legitimacy. True partnership, based on open and free dialogue, is not possible in these conditions. As the Bank's General Counsel pointed out, "the Bank does not have a legal right to oversee the governance of its borrowing members or to participate in such governance. It is neither a world policeman, nor a world government." Bilateral donors are far less restricted in their ability to offer advice on political issues.

Strategic Selectivity

Partnership and selectivity are inseparable, both conceptually and operationally, which makes it difficult to distinguish selectivity from partnership without seriously compromising partnership.[7] Strategic selectivity may be exercised on the basis of several characteristics, each with distinct implications:

- *Need.* Donors may disagree with the government or each other about which problems, sectors, regions, or groups are priorities. Donors may focus exclusively on "fashionable sectors," such as health and education, at the expense of complementary investments, such as rural roads.
- *Comparative advantage of donors.* In an ideal world, donors would divide their labor according to comparative advantage. In practice there is no ready agreement on what this means. Consider the often difficult relationships between

the Bank and the specialized agencies of the UN, or among UN agencies themselves. The comparative advantage of donor institutions can conflict with commercial interests.

- *Country capacity.* Resources should be allocated to the most efficient institutions in the recipient country. Pushed too far, this type of selectivity can undermine the balanced approach called for by the CDF, or force a tradeoff with capacity building and ignore dynamic comparative advantage. Supporting the creation of project management units, for example, may undermine overall capacity building.
- *Country performance.* Selectivity, in the sense of a reward for work well done, may be an alternative to conventional ex ante conditionality, which is an incentive to do a good job. In a donor's global operations, selectivity implies a bounded application of the partnership principle: where country commitment is lacking, recipients must first qualify for partnership by meeting a minimum level of performance. Practical difficulties have arisen with selectivity based on performance. The chairman of the DAC warns against donors trying to invest in "winners" and withdraw from "losers." This would require, he warns, "better forecasting ability than anyone claims to possess" (DAC 1999: 4).

The Road to Partnership: Strategy for Government-Led Aid Coordination

Partnership requires strong institutions. It also requires well-developed skills in negotiation, communication, economic and social analysis, information technology, and diplomacy. Participants at a workshop for senior government officials engaged in aid coordination, sponsored by OED and the Swiss Agency for Development (SDC) in February 1999, concluded that more investment was needed in the skills required for effective aid coordination, particularly government's ability to design and carry out economic and social studies and to analyze donor studies.

The Bank provides considerable funding for capacity building through loans, grants, and trust funds, but most of it is not woven into a national strategy in the way macroeconomic analysis is. Donor efforts to strengthen country aid management and coordination capacity have tended to be expensive, supply-driven and ineffective, and aid coordination activities have had little positive effect on capacity or partnership (World Bank 1999m). There is a need for real change. Much can be learned from the corporate world about partnerships and strategic alliances, particularly about defining and exploiting comparative advantages (box A7.1). The Bank, in consultation with other donors and affected countries, needs to give force to the concept of

BOX A7.1 LEARNING FROM BUSINESS ALLIANCES

Much can be learned from the corporate world about partnerships and strategic alliances, particularly about defining and exploiting comparative advantages among partners. Corporations are entering into strategic alliances to increase reach, mobilize resources, source new knowledge, lower overhead costs, increase their responsiveness to clients, and focus on core businesses and competencies. They are using the Internet for collaborative planning and facilitating learning and action on projects across geographical locations and teams. Corporations are becoming, in effect, multiorganizational or networked organizations. Successful strategic alliances depend on a clear strategic fit and mutual agenda, incremental processes of increasing involvement and sharing information, cultural fit and partnership orientation, collaborative planning and learning, dedicated interorganizational communication, investment in mutually beneficial goals, reinforcement of partnership successes, and a sense of "co-destiny."

Source: Buono 1997; Hamel and Prahalad 1994; Johnston and Lawrence 1988; Kanter 1994.

BOX A7.2 CAPACITY BUILDING ASSISTANCE TO KAZAKHSTAN AND VIETNAM FOR AID COORDINATION

In 1992 the Bank gave an Institutional Development Fund grant to Kazakhstan's aid coordination unit, the National Agency for Foreign Investment (NAFI), to improve its system of aid management and coordination. The grant was designed to finance the costs of a long-term aid coordination adviser, a number of short-term consultants, training and study tours for agency staff, and procurement of equipment and facilities for the aid coordination unit.

Because of NAFI's lack of familiarity with Bank procedures and its numerous reorganizations, there was considerable delay in contracting the long-term adviser. Once on board, however, the adviser established a strong working relationship with the staff and created a database of externally financed technical assistance and investment projects. The adviser worked with NAFI staff to prepare documents for the first and second CG meetings. Both the management and staff of NAFI credited the adviser with strong knowledge of the subject and success in transferring knowledge and skills in coordinating foreign aid and establishing a solid foundation for the aid coordination agency. The grant was followed by a technical assistance loan to support aid coordination and management.

The UNDP initiated a three-year technical assistance project in Vietnam in 1993, also providing a long-term adviser, short-term consultants, training, study tours, and some equipment for the aid coordination unit, the Foreign Economic Relations Department (FERD). Although housed administratively in the Central Planning Commission, the project established ambitious goals for improving the overall aid management system, from line ministries down to the provincial level, and for contributing to a "process" for improved aid coordination.

The project evaluation report noted that the project strengthened the capacity of FERD and helped the government prepare documentation for the first donor meeting and subsequent CG meetings. It did not, however, achieve its ambitious goals for overall improvement of the aid management system. The World Bank has taken over aid coordination responsibility from the UNDP.

The similarity of Bank and UNDP experiences in these two cases is striking.

Source: World Bank data; UNDP 1996, p 16.

country responsibility, putting the country in the driver's seat. The Bank should work with the government and other development partners to formulate a multiyear strategy to support countries in assuming leadership of CG and consortium meetings and in building aid coordination capacity at the local level.

The Bank and the UN should jointly make capacity building and aid coordination part of the national strategy dialogue with countries at apex aid coordination meetings. Both the Bank and the UN call for ownership, harmonization, cost-effectiveness, subsidiarity (dispersal of authority as close to the grassroots as government allows), and institutional and individual commitment and discipline. Partnership would be stronger and the burdens on government lighter if the Bank and the UN could follow a single path, rather than moving along parallel and duplicate trails. Efforts by the Bank and the UNDP to strengthen aid coordination capacity in two distinctly different countries underscore the potential for greater success through joint efforts (box A7.2).

A related issue is the location of CG meetings and other apex-level aid coordination meetings. Most CG meetings take place in donor capitals—especially Paris—but a growing number are being held in recipient countries, as recommended by the Partnership Paper and by the 1998 evaluation of the Special Program of Assistance for Sub-Saharan Africa (World Bank 1998k: 17). Other recommendations to encourage broader participation include having the host government chair aid coordination sessions and frame the agenda. Box A7.3 highlights the advantages and

BOX A7.3 ADVANTAGES AND DISADVANTAGES OF IN-COUNTRY AID COORDINATION MEETINGS

Advantages

- Participation by the highest levels of government leadership
- Increased sense of ownership by government and subsequent commitment
- Greater public scrutiny and collaboration with civil society and private sector
- Reduced perception of donor domination
- Broader participation by government agencies
- First-hand view of the partner country for donor headquarters representatives.

Disadvantages

- Possible downgrading of the level of donor representation (but not necessarily across the board)
- Government preference in some cases for meeting outside the country because of the sensitivity of CG issues
- Less free expression of opinions by local donor representatives, who also may not have the power to commit their governments
- Loss of ability to take advantage of Paris's central location and Bank facilities designed expressly to meet the needs of CG meetings.

disadvantages of in-country aid coordination meetings.

None of this is to suggest that the Bank disengage from the aid coordination process or from efforts to strengthen its country programs. On the contrary, by encouraging countries to exercise leadership in aid coordination, the Bank will be better able to free resources to assist its members in the building of long-term capacity. For the country, the challenge of responsibility for leadership in aid coordination should strengthen commitment and ownership—and ultimately development outcomes.

ANNEX 8. INTERNATIONAL PUBLIC GOODS AND AID EFFECTIVENESS

As global integration deepens, the number of development problems that require supranational policy responses grows. These cross-border challenges arise from combinations of market, government, and systemic failures. Thus, a new development frontier is emerging, and with it a new role and complementary rationale for development assistance. A country focus will continue to be important, but official development finance will likely be needed to meet a large deficit in international public goods.

Global forces (including technological change) are creating not only new, far-reaching opportunities, but also a host of potential problems—"international public bads." These problems include the possibility of financial contagion, the spread of disease, the loss of biodiversity and cultural heritage, cross-border (if not global) environmental problems, migrants and refugees, and many forms of illicit transboundary behavior. Another problem—the risk of protectionist backlash—could crop up in industrial countries in response to rising domestic inequality, labor insecurity, and disagreements over appropriate environmental standards.

Solutions to these problems are similar to international public goods (box A8.1). Their reach can be global (like global public goods), regional (affecting a subcontinent, continent, or hemisphere), or local (affecting a small number of neighboring countries). Solutions may affect industrial countries, sets of developing countries (in the case of some tropical diseases), or, increasingly, both poor and rich countries.

BOX A8.1 PUBLIC GOODS PRIMER

A public good is a commodity, service, or resource whose consumption by one user does not reduce its availability to other users. Public goods are nonrival in consumption and nonexcludable; that is, the provider of the good cannot prevent someone from consuming it, regardless of whether the user pays for the good. Because of this characteristic, public goods—such as clean air, national defense, and street lighting—tend to be undersupplied.

A close relative of the concept of a public good is the notion of externality. An externality occurs when the welfare of an agent depends directly not only on what that agent does, but also on what others do or fail to do. The motivation to invest in public goods arises from the desire to bring out positive externalities or to correct or compensate for negative ones. Collective (or government) action is necessary to produce public goods because private solutions often fail. In particular, markets are unable to supply nonexcludable goods.

Public goods are critical to development. Rules and standards, infrastructure, institutions in public service, property rights, law and order, and, more generally, functional social and political cohesion are development resources with a public good character. Societies at different levels of development distinguish themselves by their accumulated wealth of public goods (the nonphysical components referred to as social capital by some authors).

Public goods differ according to their public benefit on a continuum between pure public goods and pure private goods. Private commodities and services are rival and excludable. In between these polar opposites are club goods (toll roads), which are excludable but nonrival, and common pool goods or common property (groundwater or mineral deposits), which are nonexcludable but rival. Common property tends to be overused in the absence of rules. As with pure public goods, the prudent or sustainable use of common property is a matter of collective choice. Government action (for example, in the form of regulation) may also be needed to ensure equitable and competitive access to club goods.

BOX A8.2 PROGRESS IN CONTROLLING RIVER BLINDNESS

Onchocersiasis, or river blindness, is a painful and debilitating disease that infects 20 million people in Sub-Saharan Africa and places 120 million others at risk of contracting the disease. A multipartner Onchocersiasis Control Program has operated in West Africa for 25 years. The program has been highly successful, with an overall economic rate of return of 20 percent—600,000 cases have been prevented, 34 million people have been protected, 5 million years of productive labor have been added, and 25 million hectares of land have been freed of the disease. Partners in the program include governments, local communities, international organizations, bilateral donors, corporations, foundations, and NGOs. Intervention focuses on vector control, drug distribution, and capacity building in national health programs.

The program demonstrates that partnerships are complex and difficult to establish and maintain, particularly given the mix of corporate cultures. To replicate the program's success, it is important to identify the comparative advantages that each partner brings and to allocate responsibilities accordingly, with precise objectives. Leadership, personal relationships, and trust are crucial. All partners must perceive a payoff to participation. Credit should be shared liberally and frequently. Flexibility and compromise are fundamental.

Aid Effectiveness Linkages

Several strategic and process-related considerations that change the focus and resources of international public goods could change the effectiveness of aid. First, if a development problem such as a banking crisis arises from transnational spillover, it cannot be resolved by the traditional approach of an uncoordinated set of national overtures. "In contrast to conventional foreign aid that focuses on individual countries, transnational problems demand a multicountry, problem-oriented approach to development cooperation" (Gwin 1999). Although intervention at the national level may also be necessary, sector-specific national action is usually most effective when embodied in a multicountry framework.

Second, systemic crises—international conflict; cross-border environmental, financial, food, or natural resource crises; and disruptions brought about by excessive social inequality—can destroy foreign aid–financed development achievements. Crises can quickly spoil the fruits of past economic growth in emerging markets and commodity-exporting developing countries. Some of this growth may have been financed by foreign assistance. Such a setback would force future official flows to affected countries into less favorable initial conditions.

Third, the aid process can undermine its effectiveness. The CDF addresses several defects in the (nationally focused) mainstream aid delivery pattern, including:

- A tendency toward top-down and spending-oriented approaches at the expense of local capacity building and ownership
- Fragmented aid delivery with large numbers of insufficiently coordinated sources of assistance and projects relative to absorption capacity
- Questionable aid allocation patterns.

The principles by which the framework seeks to increase development effectiveness—such as partnership; country ownership and involvement; a results focus; and a long-term, holistic view—are precisely those that make for successful, global, collaborative programs.

Two long-standing international public goods ventures, the Onchocerciasis Control Program in West Africa (box A8.2) and the Consultative Group on International Agricultural Research (CGIAR), confirm the potential effectiveness of highly focused multicountry and multiactor partnerships. Both programs have existed since the early 1970s and show exceptionally high rates of return to investment. The success of these programs demonstrates that, with proper leadership, issue-oriented international campaigns can produce strong results. For example, the program to eradicate river blindness appears to have fostered a disciplined process and motivated participants to persevere.

An assessment of the CGIAR reaches similar conclusions (Anderson and Dalrymple 1999). (This assessment cautions, however, that "in reporting research accomplishments, the basic problems are aggregation and attribution.") The CGIAR—a partnership of governments, multilateral institutions, and foundations—has catalyzed international collective action in the service of world food security. The program is devoted to sustainable crop improvement, especially for staple foods consumed by the poor. The CGIAR has generated impressive global externalities and can be viewed as a model of transnational standard-setting and governance in its field. It has often been suggested that something similar be created to address tropical diseases or, more specifically, the underresearched and underattended "orphan" diseases that account for most of the disease burden in poor countries. A recent move in that direction is the Global Forum for Health Research, established in 1997 as an independent, multiactor foundation hosted by the World Health Organization to correct the "10/90 disequilibrium." (Only 10 percent of annual global spending on health research in the private and public sectors is devoted to the health needs of 90 percent of the world's population.)

Based on examples from the Onchocerciasis Control Program and the CGIAR, it appears that mission-oriented transnational networks that address highly visible and urgent human priorities can serve as a rallying device for the coordination of contributing partners. Selectivity is ensured up-front through the choice of public goods to be created. Fragmented behavior and free-riding are hindered by the visibility of the program and the public support associated with its objectives. Shared learning occurs (or should occur) as a matter of course. Motivation and coordination among donors and partners are easier to achieve, and conditionality and allocation of donor funds are less contentious than in multiobjective, multisector country assistance programs. There is also less scope for politics to interfere with technical integrity. Developing countries should be strengthened by the presence of these programs in the Networks—a presence that is indispensable to finding policy solutions to cross-border externalities within countries.

More thought needs to be given to the interaction among international and national public goods. Transnational policy should address the synergies among investments in development resources at the international and national levels, which could be a new dimension of aid coordination. The implication is not that investments in international public goods should wait until conditions are right for their application in most countries, but that conditions on the ground must be nurtured so that international development goods can be put to use. Current practices, even among such successful programs as the Onchocerciasis Control Program and the CGIAR, could do more to promote national public goods. Aid coordination partnerships hold the promise that improvements to domestic programs will reveal that norms and standards can be superior alternatives to conditionality.

Institutional Implications and Outlook

The domestic and international dimensions of the development challenge are becoming increasingly interrelated. Issue-focused international partnerships for development are mushrooming and are likely to continue to grow in number. Both domestic and international measures can help address undesirable spillover and secure ownership for domestic reform and increase the effectiveness of sectoral interventions at the national level. Reform becomes less dependent on intrusive conditionality as the policy gap between the regional and global levels closes. It is easier to encourage voluntary compliance with generally accepted international standards than to introduce top-down conditionality. However, voluntary compliance requires that developing countries be adequately represented in the partnerships that develop the standards and that coordinated national capacity and institution building strengthen the ability to implement sectoral reform. Unfortunately, there is a deficit in both areas.

The CDF provides a formula to address these challenges. The framework's key tenets of inclusiveness and wholeness should be respected when partnerships at the regional and global levels are being built. With guidance from the framework, prioritization at the national level can help identify areas where international programs are needed to supplement national efforts. Capacity building in national and local institutions (state and nonstate) is critical to the effective implementation of coordinated efforts.

ANNEX 9. RESULTS-BASED MANAGEMENT GLOSSARY

This Glossary defines key terms as they are used in this report, and builds on definitions in the report "Governance in Transition" (OECD 1995).

ACCOUNTABILITY is the obligation to demonstrate and take responsibility for performance in light of agreed expectations. It can take place in relationships other than the hierarchical, even when there is no actual "conferring" of responsibility. With a move toward a partnership model of programming and delivery, this new concept allows for mutual accountability, and thus a more mature relationship between the Bank and the borrower or other codeliverers. In order for such a definition to be effective, partners must jointly clarify and set goals and responsibilities; performance expectations that are balanced by the commensurate resources of each party; credible reporting mechanisms to demonstrate performance achieved and what has been learned; and reasonable review and adjustment systems to ensure that feedback on the performance achieved and difficulties encountered can be recognized and corrected as necessary.

EFFECTIVENESS refers to the extent to which objectives (of an organization, policy, or program) are achieved, or the relationship between the intended and actual effect of outputs in the achievement of objectives (for example, the extent to which the condition of hospital patients improves as a result of treatment).

EFFICIENCY refers to the relationship between resources (inputs) used and outputs produced (for example, nurse hours per occupied hospital bed day). An efficient activity maximizes output for a given input, or minimizes input for a given output. Efficiency measures take the form of output–input ratios (productivity) and expenditure–output ratios (unit cost).

EVALUATION is the assessment, in as systematic and objective a manner as possible, of an ongoing or completed project, program, or policy and its design, implementation, and results. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decisionmaking process.

IMPACTS are the long-term effects and changes that result from the outcome of an activity. They are the ultimate criterion for development effectiveness. For example, an impact of a microenterprise development program might be an "increase in the rate of employment."

INPUTS are the total resources available to carry out an organization's activities, including the material goods, financial resources, and human time and effort.

OBJECTIVES usually serve three different functions: to describe the future the organization is trying to achieve and give guidelines for the organization's activities; to justify the organization's existence; and to provide the basis for evaluation. Ideally, objectives and strategies form a shared, consistent, and integrated hierarchical system, moving from a general vision to a more specific and concrete direction for organizational activities.

OUTCOMES are the immediate effects and changes achieved in relation to objectives (for example, using fewer resources compared with plans, previous performance, or the performance of other organizations). The outcome of a health publicity campaign might be a 5 percent increase in awareness among those targeted.

OUTPUTS are the direct products of an organization's activities in goods or services (for example, number of training persondays by type of training course). This says nothing about the actual outcome (such as skills absorbed, or whether the skills helped gain long-term employment).

ORGANIZATIONAL CULTURE can be described as the shared understanding and interpretation of the world that emerges in an organization when its members interact with each other and their surroundings. The culture provides the basis for the informal aspects of organizational life—values, attitudes, and behaviors. The best way to energize an organization is to create and administer culture. What makes a manager a good manager is her or his ability to foster culture.

PERFORMANCE INDICATORS are used to proxy quantitative measures when output or performance is not directly measurable. They do not necessarily cover all aspects of performance, but they can provide relevant information toward the assessment of performance (for example, qualifications obtained through a training scheme, or hospital admission rates for infectious diseases).

PERFORMANCE MEASUREMENT is the comparative assessment of policy outcomes, outputs, and inputs; performance measures are most useful when used for comparisons over time or among units performing similar work.

REACH refers to the process of client orientation. It means:

- Identifying the client of the program or service, and the target group within the client group (such as older women or poor women)
- Identifying results desired in terms of client needs or problems to be solved
- Designing indicators that can be tested by client satisfaction or changes in client behavior.

RESULTS-BASED MANAGEMENT (RBM) is an approach to management that has been adopted by many leading private corporations and government administrations worldwide, for the purpose of providing a coherent framework for strategic planning and management based on learning and accountability in a decentralized framework. All RBM systems are characterized by the following features:

- Clear corporate goals and objectives
- A performance measurement system focusing on results
- A learning culture grounded in evaluation
- Stakeholder participation at all stages of program design and implementation
- Clear accountabilities in a decentralized framework
- Links among results, planning, and resource allocation
- Client orientation (reach).

THE RESULTS CHAIN reflects the RBM framework—from inputs to outputs, through reach (client/beneficiary orientation), to outcomes, and ultimate impacts.

ANNEX 10. MANAGING DEVELOPMENT EFFECTIVENESS: AN OVERVIEW FROM THE CODE CHAIRPERSON

Despite the aftershocks of the 1997 financial crisis, the quality of the active portfolio improved significantly over the past year, due in part to an increased number of poor-performing closures, a significant achievement. Currently, 20 percent of commitments and 19 percent of active projects are considered at risk, by the end of FY99, compared with 21 percent and 25 percent, respectively, a year earlier. The large reduction in active projects at risk reflects not only a broad-based improvement in the estimated prospects of ongoing projects, but also the addition of new projects approved after the financial crisis and the portfolio cleanup. Significant differences remain though across sectors and regions. Performance in the EAP and LCR regions have been restored to pre-crisis levels, but ECA performance fell sharply due to the decline of the Russia portfolio. The electric power and energy sector remains the riskiest in the Bank, while weaknesses in public sector management performance are a matter for concern given the importance of capacity building.

Portfolio cleanup in FY98 and FY99 has caused a plateauing in quality at exit trends below the Strategic Compact target of 75 percent satisfactory. The ARDE reports the proportion of exiting projects with satisfactory outcomes, as evaluated by OED, declined slightly from a peak of 74 percent in FY97 to 72 percent in FY98 and 70 percent for a sample of FY99. Sustainability and institutional development impact for these projects, while improving, remain far too low. Results for adjustment lending, led by sector-specific operations, are a notable exception to this stagnant performance—reaching 85 percent satisfactory for FY98–99 exits. There is a growing gap between complexity and capacity, confirming the need for increased emphasis on capacity building as proposed by the President in his Annual Meetings speech.

Individual CDF principles, solidly grounded in development experience, are valid on their own, but it is their demanding combination that promises to deliver high rewards. The ARDE presents ample evaluation evidence in support of the individual CDF elements. It also highlights the challenges inherent in implementing the CDF principles in a synergistic way. Promising approaches to managing these tensions exist, but their application will require considerable retooling, increased flexibility, along with new skills and attitudes, a listening and adaptive mode, and far greater strategic selectivity in cooperation with partners.

Improving Performance Management Tensions

Under the Strategic Compact, considerable progress has been made in clarifying the Bank's values, reorienting its mission, and realigning its organization and skills. At the operational level, the existing set of instruments for portfolio monitoring is proving adequate. However, the easy gains in portfolio performance have been realized and further improvements will become increasingly difficult. While it should be feasible for realism and proactivity to hit Strategic Compact targets, key questions remain on how to accelerate the pace of improvements in quality at entry, supervision, and economic and sector work. Concerns also exist with respect to the effective management of safeguard and fiduciary policies, particularly their less stringent application in adjustment lending.

Managing Operational Risks and Country Management

The CDF is an apt response to the need for greater development effectiveness in an environment of stagnant aid flows and greater public pressure for accountability and development impact. The changing environment has increased the demands on the Bank. In this context, CDF implementation offers the promise of high rewards while creating new demands and pressure points in an already stretched organization. The ARDE highlights the key challenges and tensions, as well as promising approaches that can serve as a starting point for addressing them.

Evaluation Agenda

Since the new evaluation framework was endorsed by senior management and the Board in 1997, considerable progress has been achieved toward its goals. Completion reporting has continued to improve, self-evaluation of analytical and advisory activities has continued to expand, and evaluation is now better connected to the knowledge management system. In contrast, oversight of safeguard policy compliance requires continued strengthening, monitoring and evaluation has made negligible progress, and program coordination among evaluation and control groups remains weak. Finally, evaluation capacity development in borrowing countries is not being given the priority it deserves. In sum, the 1997 evaluation strategy remains relevant, but significant enhancements in independent and self-evaluation practices are still needed to fulfill the organizational learning potential of the function.

In particular, four items require priority attention in the months ahead: a) review and reform of the quality assurance system; b) improving monitoring and evaluation through capacity development inside and outside the Bank; c) harmonization of performance indicators at the project, country, and sector levels; and d) improved coordination and user friendliness of evaluation and control programs.

For OED, the priorities are: a) a greater focus on getting results from performance audits and evaluation studies, to be achieved through increased participation of borrowers and the poor in evaluations; b) promotion of implementation of the ICR reform by the Operational Services Board, OCS, and the Regions for increased learning; c) more attention to financial accountability, social development, institutional aspects, safeguards, and private sector development; and d) more effective outreach with respect to evaluation capacity development, harmonization of evaluation methods, coordination of evaluation programs, and evaluation alliances.

Jan Piercy
Chairperson, CODE

ENDNOTES

Chapter 1

1. Table A3.2. India and China are excluded because they represent exceptional cases; that is, the Bank's performance is likely to have a modest influence on country results (World Bank 1997g).

2. For example, *Borrower Ownership of Adjustment Programs and the Political Economy of Reform* (Johnson and Wasty 1993).

3. The background papers for the 1999 ARDE are identified by the addition of "BP" following the year of publication. All are listed in the "Background Papers" section of the Bibliography.

Chapter 2

1. See Annex 1 for a graphical treatment of the trend analysis, along with a discussion of outstanding projects.

2. Assessments of project characteristics come from OED project evaluations. *Demanding* refers to the extent to which the project could be expected to strain the economic, institutional, and human resources of the government or implementing agency. *Complexity* refers to such factors as the range of policy and institutional improvements contemplated, the number of institutions involved, the number of project components and their geographic dispersion, and the number of cofinanciers. *Riskiness* refers to the likelihood that the project, as designed, would be expected to fail to meet relevant project objectives efficiently.

3. Consistent with the trends in the APPI, outcome performance over the decade is higher when weighted by disbursements, with more than 80 percent of projects exiting in fiscal 1998 showing satisfactory outcomes.

4. This comparison is limited to sectors with at least 10 projects exiting in FY98–99 and with changes in average outcome of more than 3 percentage points.

5. For reference, investment performance levels are largely consistent with Bankwide aggregates.

6. The Quality Assistance Group's recent quality-at-entry assessment suggests similar concerns, with institutional capacity aspects and risk assessment and sustainability receiving two of the three lowest project subratings (World Bank 1999k).

7. The sample of countries with more than 10 Bank-supported projects implemented in 1990–99 was isolated and broken into groups by project performance in institutional development. For the countries in each group a time profile of an independent measure of national bureaucratic quality was reviewed. The analysis showed a positive time-trend in national bureaucratic quality in most countries in the group with high institutional development performance, but no clear pattern in countries in the other groups.

8. The sampling strategy provided 50 percent coverage of adjustment operations and 33 percent coverage of the larger group of investment operations. Coverage of both was stratified across sectors through random selection.

Chapter 3

1. A 1998 OED review of World Bank assistance to financial sector reform found that of 23 countries where the Bank had provided support since 1985, only 12 had satisfactory performance. The East Asia crisis is expected to affect the performance ratings in 3 of the 23 countries found to have satisfactory overall ratings (Indonesia, Korea, and the Philippines) (Mathieu 1998).

2. The donors urged that by June 30, 1991, or at the latest before the end of the IDA9 period, environmental action plans be completed for all IDA recipients, with priority given to countries where major problems have been identified, and that the results be incorporated into country lending strategies.

3. Other partners perceive a tendency for the Bank to send large missions for too short a time, to produce bulky aide memoires and then disappear, leaving a shell-shocked local government to make sense of the contents and action plans. Rather than facilitating partnership, this increases the transaction costs for clients and partners.

Chapter 4

1. In size and income level, the group is very close to the middle-income countries. But low-income countries and those with large populations are overrepresented. The group is fairly representative of the Bank Regions, except that Latin America and the Caribbean is underrepresented and South Asia is overrepresented.

2. Investment efficiency is defined as the GDP growth rate divided by the investment-GDP ratio. This is the inverse of the conventional incremental capital-output ratio (ICOR), adjusted for changes in terms of trade between investment goods and GDP.

3. The CAE for Côte d'Ivoire suggests that teachers' wages were abnormally high relative to per capita GDP. The median salary of high school teachers in 1979 was 300,000 CFA francs a month, equivalent to $30,000 a year at 1996 prices. The report observed that internal efficiency suffered from high repetition and dropout rates, and many students were poorly prepared for entry into the working world.

4. The review examined Bank experience with 83 restructuring operations in 46 countries between fiscal 1980 and 1994 (Mathieu 1996).

5. The report concluded that "the twin emphases on policy reform and privatization, together with a major retreat from financial intermediation operations (due to their poor results), also meant that the Bank was left with few instruments (and often little interest) to deal with institutional issues affecting restructuring. This was also the case with issues of technology development, labor market legislation, tax incentives, investment regulations, and trade policy, particularly at the sector and sub-sector levels."

6. The review covers 19 poverty assessments and updates (all those done in fiscal 1997 and 1998, and a sample from fiscal 1996). The 1999 review is a follow-up to OED's first review of poverty assessments, conducted in 1996, which examined poverty assessments completed through December 1994 (World Bank data).

Chapter 5

1. For example, "New Lessons from Old Projects: The Workings of Rural Development in Northeast Brazil" (World Bank 1993b).

Within the framework of flexible program design, the better performing activities consistently departed from their original design, led by dynamic managers and local involvement (World Bank data).

2. That study also identified an inward-focused Bank culture as a source of complexity, a culture that emphasized analytical comprehensiveness, rewarded larger and more visible interventions, discouraged risk-taking and making tradeoffs, diffused accountability, and downplayed the need for external feedback (World Bank data).

3. Some types of social fund projects, such as family planning, are not demanded by the community, although these activities may have high social returns. The poor in a community do not come forward with proposals because they have limited capacity to propose projects.

Chapter 6

1. The Bank, IMF, UNDP, and others should exercise caution in introducing too many planning and programming instruments. From a developing country viewpoint, these tools may be top-down and confusing foreign concepts and may divert local resources and managerial talents away from building and improving existing local strategy development and planning processes. Developing countries should have a voice in shaping and harmonizing the design and use of these tools.

2. For example, *Seeing Like a State* (Scott 1998). Such hegemonic planning and social engineering approaches reflect little confidence in the skills, initiative, intelligence, and experience of the beneficiaries. The precision and authority of such approaches depended not only on bracketing contingency, but also on standardizing the subjects of development.

3. Some of the recent organizational changes in the Bank may actually increase the tensions and challenges in implementing the CDF. For example, some budgetary and personnel policies and the contracting out of technical services may reinforce rather than alleviate short-term orientation and incentives, promote specialization rather than integration skills, and link budgetary resources more closely to lending rather than recognizing the growing importance of knowledge, facilitation, and advisory services.

Annex 1

1. OED has reviewed all implementation completion reports delivered to date by Regional staff, covering 118 of the 277 projects exiting the portfolio in fiscal 1999 (43 percent coverage). Completion reports for the remaining projects exiting in fiscal 1999 are expected to be delivered to OED and reviewed by spring 2000.

Annex 3

1. Investment efficiency is defined as the GDP growth rate divided by the investment-GDP ratio. This is the inverse of the conventional incremental capital-output ratio (ICOR), but is adjusted for changes in terms of trade between investment goods and overall GDP.

Annex 5

1. As proposed in PREM Note 27 (World Bank 1999j).

2. This is supported by PREM Note 25 (World Bank 1999a).

Annex 6

1. The Bangalore, India, case cited above is one such example (Paul 1998).

Annex 7

1. This annex draws on OED's forthcoming Aid Coordination Study.

2. The other guiding principles were selectivity, client orientation, results-orientation, cost-effectiveness, and financial integrity.

3. The United Nations articulated a similar framework at about the same time. Also see Robert Picciotto, *The Logic of Partnership. A Development Perspective.* (OED, World Bank, September 29, 1998).

4. The 1997 *ARDE* measured policy performance as a project-weighted index of three components: inflation, fiscal balance, and openness. For institutional quality, it draws on a measure employed by the *World Development Report 1997* (World Bank 1997g), based on a set of responses by foreign investors on red tape, the regulatory environment, and the degree of freedom from political pressure (Evans and Battaile 1998: 15, 20). OED evaluative research (Johnson and Wasty 1993) shows that country commitment and policy performance are closely related.

5. Other characteristics can also have a bearing on the effectiveness of aid coordination, such as country size and its strategic or geopolitical significance. Other things being equal, the larger the country and the greater its strategic significance, the more likely it is that donors will take aid coordination seriously. But these characteristics are fixed (country size) or nearly impervious to efforts at deliberate modification (strategic importance). The desire of government officials to maintain the status quo has also been cited as an obstacle to country leadership (World Bank 1998i: 34). This is part of institutional capacity, broadly defined to include incentive structures.

6. Another donor characteristic is diversity of procedural and accountability requirements, which can also impede greater country leadership. However, it is plausible that the greater the development orientation, the greater the willingness of donors to harmonize procedural requirements. The same comment applies to the internal incentive structures of donor agencies that work against coordination (World Bank 1998i: 34). Several replies to the joint questionnaire sent by UNDP and the Bank to donors mentioned development orientation and procedural diversity as potential barriers to effective aid coordination.

7. For a fuller discussion of the subject see ODI, Chapter 2: Partnership and Strategic Selectivity (Maxwell, Simon, Foster, Naschold, and Conway 1999 BP).

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