



# Analytical and Advisory Services for Comprehensive and Participatory Development

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# Preface

Despite the potential benefits of globalization and technological change, world poverty has increased and growth prospects have dimmed for developing countries during the 1980s and 90s. The Comprehensive Development Framework (CDF) was launched by the World Bank in January 1999 in response to these difficult circumstances. It has evoked considerable interest throughout the development community as an approach that can address the increasingly intertwined challenges faced by development practitioners. Its basic elements are not new. What is new is their joint articulation as a framework to guide development assistance. The first point is that development constraints are structural and social, and cannot be overcome through economic stabilization and policy adjustment alone—they require a long-term and holistic vision of needs and solutions. Second, policy reform and institutional development cannot be imported or imposed; without domestic ownership, reforms and investments are not sustainable. Third, successful development requires partnership among government, local communities, the private sector, civil society, and development agencies. And fourth, development activities must be guided and judged by results.

In this context, the *1999 Annual Review of Development Effectiveness* (ARDE), authored by Nagy Hanna under the guidance of Robert Picciotto, set out to examine development experience through the lens of CDF principles. A number of papers were commissioned to support the ARDE by providing in-depth review of evaluation and research findings that assess the relevance of the CDF principles and constraints as well as promising approaches to their implementation.





# INTRODUCTION

**D**emand for analytical and advisory assistance is likely to increase under the Comprehensive Development Framework (CDF), and the closely related Poverty Reduction Strategy Paper. Under CDF principles, analytical and advisory tools and services should be used to empower clients and support local processes and institutions. Donor-led economic analysis and policy prescriptions will need to give way to country-led approaches that build on local processes and experiences and that nurture commitment for policy reforms. Implementation of the CDF will require new staff skills and attitudes and changes in the incentive systems and structures of aid agencies. It will require a Copernican revolution in how development activities are formulated and approached: from a perspective revolving around development agencies and their concerns to a perspective revolving around the country and its realities and institutions.

This chapter focuses on experience with comprehensive assessments and planning exercises in the public and private sectors and draws out the implications for implementation of the CDF. The examples are drawn mainly from the World Bank's analytical and advisory tools and evaluations. The Bank has devoted significant resources to its tools and frameworks and has often imposed them on its clients and other participants in development assistance. With its emphasis on its role as a knowledge bank, the World Bank in particular will need to adopt a learning mode for its role in knowledge services for development. Economic and sector analyses should go beyond their current preoccupation with "due diligence" and unilateral diagnosis of problems and toward joint definition of the challenges and a collaborative search for solutions. Analytical tools and frameworks should aim formally to advance knowledge transfer and capacity building and to support a process in which options are generated and debated domestically. The chapter starts with approaches to vision and strategy development, highlights the experience of the Long-Term Perspective Studies in Africa, which were similar in spirit to the CDF, and the development lessons of East Asia and its miracle economies, shaken but still sound. It then considers the lessons from recent evaluation of comprehensive diagnostic tools (public expenditure reviews, poverty assessments, and social and structural reviews), as well as multisectoral planning and corporate planning frameworks.



# Lessons from the African Long-Term Perspective Studies

In February 1992 the United Nations Development Programme (UNDP) launched *African Futures*, a proposal to engage in national long-term perspective studies with African governments. The approach focuses on strategic thinking, shared vision, stakeholder participation, long-term planning scenarios, and strategic management of national development.

After seven years, evaluators note a clear enhancement of social dialogue in all countries that implemented a national long-term perspective study (Ohiorheunan 1998). There is increased awareness that development management is a process that views short- and medium-term programs within a long-term perspective. Focusing on developing long-term visions has contributed to national consensus building on the broad goals and directions of development, bringing together national administrations, universities, researchers, the private sector, and civil society. The media, too, contributed to a public discussion on the results of the studies.

Putting the long-term vision studies into practice proved difficult. The exercise provoked many questions and doubts about the utility of long-term reflections when there are pressing problems and external shocks in the short term.

Some studies were too general and failed to address real life tradeoffs and choices. Others were not analytically sound enough to draw meaningful conclusions on programs and policies. While the participatory approach was useful in strategy formulation, when it came to resource allocation, the realities of government processes and donor disagreements over elements of the long-term vision intervened.

Mauritius was the lone implementation success story, something evaluators (Ohiorheunan 1998) attributed to the relative simplicity of the institutional framework for implementing this national long-term perspective study. The country's policymakers initiated the study and remained committed to it. Working groups were free to choose which subject areas and issues to study. A small core group provided overall guidance and monitored the study, acting from a Secretariat set up under the Ministry of Economic Planning and Development. The objectives of the national long-term perspective studies were clarified from the beginning. The biggest challenges were developing an approach based on the principles of participation and developing arrangements for national consultations.

Several lessons for long-term, holistic planning can be drawn from this experience with national long-term perspective studies:

- The country has to be author as well as owner of development programs from the very beginning.
- The process of developing broadly shared, long-term visions and translating them into specific policies and investment programs is likely to be long and demanding.

- Long-term strategies must address the changing global environment, uncertainties and vulnerabilities to external shocks, and the creation of dynamic comparative advantage.
- Tools should be developed to engage stakeholders, to scan systematically for opportunities and threats, to assess the country's strengths and weaknesses, to explore fundamentally different future scenarios, and in general to enhance the rigor and realism of long-term visions.
- Poverty reduction strategies should be anchored in poverty diagnosis and a framework for constant monitoring and evaluation of results to ensure timely adaptation and learning from experience.
- Strategies should also be linked to institutional change and implementation processes.

# Lessons from the East Asian Development Strategies

In contrast with these visions and future exercises, the East Asian countries formulated and successfully implemented development policies and strategies that anticipated (rehearsed and explored, not predicted) the challenges and opportunities generated by changes in global and local environments. Their strategies focused on creating comparative advantage in successively more sophisticated branches of production. They acquired these advantages sequentially, through coordinated investments, incentives, and institutions. The thrust of their policies and investments changed over time with changes in domestic and international conditions, technological and demographic trends, institutional infrastructure, and cumulative learning. In choosing which new competencies and economic activities to stress, these countries took account of the linkages of these activities in factor and input markets, their optimal scale, externalities, backward linkages, and local initial conditions. Investment in human resources was coordinated with trade and industrial policies to generate comparative advantage in labor-intensive and then skill-intensive exports. In contrast, the experience of Latin America up to the 1980s suggests that countries that have used static rather than dynamic comparative advantage to guide their development strategy have stagnated.

Another source of the strength and dynamism of the East Asian strategies has been the partnership between the public and private sectors. In the first three to four decades after the establishment of the Bretton Woods institutions, orthodox development economics viewed government as a necessary prime mover. Then, during the Washington Consensus (turned into orthodoxy) period, the pendulum swung against government-led development toward market-oriented reforms. The East Asian countries followed their own paths. They adopted a dynamic mix of government and market, adapting it as development proceeded (Adelman 2000). Governments worked closely with the private sector to orchestrate public investments in human resources and infrastructure, to link incentives to export performance, to target new activities for infant industry protection, and to replace protection with export orientation once the infants had become adolescents. Coordinated actions and selective promotion were informed by extensive consultations with the private sector. For example, in Japan and the Republic of Korea technocrats used deliberation councils to supplement the market's information transmission function and establish contests among firms (World Bank 1993). The role of the councils changed over time, from industry-specific promotion to more indicative and consensus-building role. Public-private partnerships in designing and implementing development strategies also allowed for dynamic adaptation of the roles over time.

While relying on markets to promote efficiency and competitiveness, East Asian governments used a variety of instruments to anticipate the future and adjust to changes,

taking account of potential synergies and externalities. National economic plans indicated broad development directions and the contribution expected from various sectors. The process of preparing the guiding visions provided a national forum for identifying and discussing future policy needs (World Bank 1993). It engaged different segments of society and helped politicians to mobilize public support for development programs. To combine flexibility with broad consultation, governments had to be selective in the key goals they emphasize, and their national strategies concentrated on selected themes or thrusts at a time. Governments also used an immense variety of policies to achieve three critical functions of growth: accumulation, efficient allocation and rapid productivity growth. They did this with combinations of policies and institutional instruments, ranging from market oriented to state led, that varied both across economies and over time (World Bank 1993; Wade 1990). Willingness to learn and experiment and to adapt policies and institutions to changing circumstances was a key element of success.

A key lesson from this development experience is the premium derived from agility, flexibility, pragmatism, and innovation in pursuing long-term visions. No blueprint plan or policy orthodoxy could anticipate all the nonlinear and dynamic changes involved in development or the external shocks and uncertainties—the multidimensionality of development (Adelman 2000). There is a growing recognition that the development process is path-dependent, which implies a need to understand the country's history and current initial conditions. Development is often uneven and unpredictable. It involves many choices and institutional innovations, even among countries at similar levels of development. Recent research also indicates that external shocks were an important determinant of country growth and poverty reduction over the past two decades, in many cases more than offsetting the positive impact of policy improvement during this period (Easterly 2000). All these findings suggest that long-term vision should not be turned into detailed and rigid long-term plans. Rather, the focus should be on building strategic flexibility and developing local capabilities to capture opportunities, manage uncertainties, and learn quickly.

# Lessons from World Bank Evaluations of Its Analytical Tools

Two key analytical tools underpin much of the World Bank's business strategy in a country: poverty assessments and public expenditure reviews (see boxes 1 and 2). Reviews of these and other analytical work have highlighted inadequacies associated with policy prescriptions and limited country participation and ownership.

Impact of poverty assessments at the country level was found to be strongly correlated with their quality, the time available for preparation, the timeliness of the results, and the degree of partnership, consultation, information sharing, and knowledge transfer OED 1999.

An evaluation study of the effectiveness of the Bank's poverty reduction strategy finds that diagnostic treatment of poverty in the country assistance strategy has improved substantially but that the links between diagnosis and specific policies and lending operations remain weak or implicit (Evans 2000). Progress has been slow in moving from the policy generalities of the Bank's poverty strategy to dealing with the specifics of poverty and structural inequality and producing context-specific recommendations. Few country assistance strategies explicitly identify the links between recommended policies and investments and expected changes in the asset or employment status of the poor. And few deal with institutions and regulatory systems—such as financial services, gender discrimination, justice systems—that are distinctly antipoor in many countries. A review of the country assistance strategies of the U.K. Department for International Development (Shepherd 2000) reaches similar conclusions: there is a “missing middle” between the poverty profile of a country and formulating generic recommendations and assistance programs, a consequence of relatively standardized processes of top-down country strategy formulation.

An evaluation study of *public expenditure reviews* found that they too remain primarily Bank documents that evoke only lukewarm interest from the concerned government (Evans 2000). Public expenditure reviews typically present a narrow and short-term focus on spending and input controls, while giving short shrift to poverty issues and the distributional implications of public expenditure reform. The study suggests that public expenditure reviews need greater:

- *Breadth*, with better coverage of institutions and constraints, roles of subnational governments, and public-private-civil society partnerships in public service provision.
- *Depth*, with adequate specificity and concern for outputs.
- *Timeliness*, especially those related to government and donor planning, budgeting, and policy reform cycles.

A comprehensive framework and long-term vision are meaningful only when linked to budget constraints and translated into choices on priorities and sequencing. There are

### Box 1 How Well Do Poverty Assessments Incorporate the Principles of the Comprehensive Development Framework?

Poverty assessment are a key instrument in the World Bank's poverty reduction strategy. How well has this tool been applied in ways that incorporate the CDF goals?

*Holistic, long-term approach.* Poverty assessments are intended to combine analysis of macroeconomic and sectoral policy with the poverty profile, taking into account the impact of policy on the poor and the need to design programs for the poor within a consistent, macroeconomic framework. A 1999 review found that nearly half of poverty assessments do not address individual elements of the poverty reduction strategy well (OED 1999).<sup>1</sup>

A common shortcoming is the failure to address macroeconomic linkages to poverty (such as trade and exchange rate policy) and the contribution of sectoral issues (food policy, agriculture, rural development) to poverty reduction. Regional dimensions of a poverty reduction strategy also receive limited attention. The review found progress in combining quantitative and qualitative analysis in poverty assessments and in

using interdisciplinary approaches to poverty reduction. It also found progress in incorporating social, political, and institutional perspectives in poverty assessments, though these findings tended to be used illustratively only, rather than to sharpen analytical focus and integration.

*Participation, partnership, and ownership.* Poverty assessments are intended to provide the basis for a collaborative approach to poverty reduction by country officials and the Bank. The fact that the Bank usually initiates a poverty assessment has implications for ownership of the poverty assessment by the government. Actively seeking government support and involvement is crucial. In Côte d'Ivoire starting an early dialogue with a reluctant government paid off by building mutual trust and fostering greater government ownership.

The bulk of partnership and consultation with governments during preparation of poverty assessments has been with cross-sectoral central ministries (finance, planning) and specialized policy and analytic units. Operating ministries (line agencies) and

local governments have been much less involved. In a stakeholder survey conducted as part of the 1999 OED review, only small minorities of country.

Clients and Bank staff thought that local government officials had strong or moderate influence on the final assessment report. Since operating agencies and local governments are responsible for implementing government policies, their lack of involvement hampers subsequent implementation. A majority of assessments involved non-governmental organizations (NGOs) and civil society in some capacity, though roughly half the country clients thought that these groups had exerted only a slight influence, if any. Furthermore, the NGOs involved in the assessments were international rather than national.

Dissemination and follow-up are important instruments for cementing ownership. Only about half the assessments were translated into the local language, a relatively low-cost way of improving readership and buy-in. The stakeholder survey shows that about a third of country clients and

Bank staff are dissatisfied with the overall dissemination effort for assessments, and more than half the NGOs are dissatisfied.

*Results focus.* The first precondition of a results orientation is clarity about goals and expected results. In the stakeholder survey large majorities of country clients and Bank staff listed multiple goals for the assessment: establishing a cooperative effort between Bank and government in reducing poverty, allowing the Bank to influence the government's poverty reduction policies, building country-level capacity to analyze and monitor poverty, and helping the Bank refine the poverty focus of its own operations. Few assessments were designed to respond to all of these goals. The failure to identify and prioritize goals is a serious omission. Specific goals help to focus the assessment on the particular circumstances of the country and to specify the technical design of assessments. Bangladesh and Thailand are good examples in tailoring the scope and content of poverty assessments to a country's priorities.

1. Based on an OED review covering 19 poverty assessments and updates (all those done in fiscal years 1997 and 1998, plus a sample from fiscal year 1996). The 1999 OED review is a follow-up to OED's first review of poverty assessments conducted in 1996, which examined poverty assessments completed through December 1994.

some promising examples of how the process can be assisted through a medium-term expenditure framework. Ghana has established a clear policy framework based on its "Vision 2020" exercise and has tried to operationalize it through a rolling three-year framework (DFID 1998). Government departments set out their goals and budget plans for achieving them and then formalize them through performance contracts. The me-



## Box 2 How Well Do Public Expenditure Reviews Incorporate the Principles of the Comprehensive Development Framework?

The Bank has traditionally used public expenditure reviews to examine overall public sector performance. Public expenditure reviews typically analyze public spending and public expenditure management at the central government level. A recent impact evaluation of public expenditure reviews includes some findings that are relevant to the CDF principles (OED 1998).

*Holistic, long-term approach.* Public expenditure reviews typically take a narrow, short to intermediate term look at spending and input controls. Many lack breadth (coverage of institutions and constraints, roles of subnational governments, public-private-civil society partnerships in service provision), depth (adequate specificity and concern for outputs), and timeliness (relative to government and donor planning and budgeting and policy reform cycles).

Often very technical, public expenditure reviews draw extensively on well-known normative frameworks in economics, finance, and public management. Institutional re-

alities—such as the budgeting process in Cameroon or the legal and regulatory framework in Honduras—that may affect the selection and implementation of proposed reforms are often dealt with only selectively. Important political constraints are rarely dealt with. Yet institutional and political factors determine the pace and likely success of reforms.

*Partnership, participation, and ownership.* Public expenditure reviews have failed to forge a partnership approach to external assistance. They have also failed to build a public-private-civil society partnership for public service delivery within client countries. Public expenditure reviews play an insignificant role in Bank dialogue with other donors (except the IMF) or in overall aid coordination. Views of external partners are not solicited or they have no impact on the form of the public expenditure review. In only a few cases has there been significant interaction with other donors. As a result, the broad objectives of many public expenditure

reviews has had little relevance to the specific projects in which external partners were involved.

With a few partial exceptions (Ghana, Zimbabwe), public expenditure reviews remain primarily Bank documents. In some cases, such as Pakistan, client governments are aware of the problems addressed by the public expenditure review and are already addressing them. In others, governments perceive the public expenditure review to be simply a prerequisite for donor funding. In still other case, the governments views the recommendations as unrealistic or too politically contentious to implement. Governments may also believe that they cannot influence the public expenditure review process and perceive it as an attempt by the Bank to micro-manage their expenditure policies.

*Results focus.* The quality of analyses in public expenditure reviews is improving, with a new focus on results and attention to the institutional and macroeconomic context of public expenditure reform, budgetary

decisionmaking, and the discrepancies between authorized and actual expenditures. Often, however, objectives and intended audiences are not identified. In most cases, expected impacts are not mentioned explicitly and monitoring and evaluation indicators are lacking.

Most public expenditure reviews focus on monitoring and controlling inputs while neglecting outputs and outcomes, such as public sector performance in the delivery of services. Nor do they provide convincing analyses of efficiency, equity, budgetary, or political economy considerations associated with policy changes. Implementation and transition issues, such as building a consensus for reform or sequencing reforms, get little coverage. Most formal public expenditure reviews take too long to emerge and end up “out of sync” with the client’s budgetary cycle. Informal reviews are better synchronized with clients’ decision-making processes and are therefore better positioned strategically to achieve results.

dium-term expenditure framework attempts to bring donor funding within budget processes, so that donor flows are taken into account when resources are allocated (Foster and Naschold 2000).

Recently, the World Bank introduced the *social and structural review* to its toolkit, to broaden the scope of its analysis. Introduced too quickly, without deploying the multidisciplinary skills required for a comprehensive view of development, the social and structural reviews tended to concentrate on economic dimensions. Staff competencies required for in-depth analysis of social and structural dimensions were often lacking. That limited the tool to the worldviews of the aid agency’s economists.

More recently, the Bank and the International Monetary Fund have introduced a new tool, the country-led *poverty reduction strategy paper*. This will be country driven, prepared and developed transparently with broad participation, and linked clearly with agreed international development goals—principles embedded in the CDF. It aims to sharpen the focus on poverty by using participatory country-led approaches and by building partnerships among donors. To deliver on its promises, the poverty reduction strategy process should be guided by the lessons of experience from the social and structural reviews and other comprehensive planning approaches.

The pace of progress in preparing these poverty reduction strategies must be consistent with the time needed to build ownership and capacity among key stakeholders—civil society, government, and local private sector (IMF and IDA 1999). Early experience suggests that this requires a change in both institutional and staff mindset as well as new skills. The need for long-term commitment, realistic expectations, and multidisciplinary teams cannot be overstated.

Why has it been so difficult to promote intellectual partnerships, jointly-owned frameworks, local capacity building, and bottom-up processes? One reason is that the World Bank and other aid agencies tend to reify their own instruments, models, and blueprints. These are often justified as embodying the greater wisdom of the agencies and as responsive to their agendas and experiences. This conceptual hubris overlooks the great complexity and variability of local conditions. It overlooks the cost to local initiative and client self-confidence of the centrally and externally imposed templates. It overlooks the need for developing countries to learn from each other directly, and for local think tanks to reinvent global best practices and to adapt social innovations (institutions) to local conditions and culture. And because of the intellectual dominance of economics as the scientific paradigm for the human sciences in most aid agencies, it overlooks the contributions of other social sciences that are more context-based or sensitive to institutional conditions.

In sum, experience suggests the following lessons:

- The poverty reduction strategy paper should be viewed as an evolving strategy. The emphasis should be on the quality of the process within the country, not the written document provided to the International Monetary Fund and the World Bank.
- Analytical and advisory services should be used to build broad participation and commitment to strategy development and policy reforms—and to build the capacity of local think tanks and implementing institutions.
- Analytical and advisory services should become participatory and increasingly support country-led processes. They should facilitate genuine dialogue, the generation of options, and the promotion of local debate and national consensus. This requires a shift in aid agency attitudes—more humility, problem solving, and teamwork are crucial. Incentives to staff should encourage support to local decisionmaking, enhanced client understanding, and greater stakeholder capacity.
- Development assistance agencies may need to mobilize multidisciplinary teams to assist countries in leading the production of comprehensive assessments and strategies that build on lessons of the past. This requires a change in skills mix.

# Lessons from Multisectoral Planning

Multisectoral planning approaches share many features with the CDF approach—and present many of the same challenges. Experience suggests key and common pitfalls: overambitious goals and rigid targets, overemphasis on data collection and comprehensive analysis at the expense of implementation, imposition of new administrative and hierarchical structures, excessive focus on forms and documentation, political naivete about the scope for genuine national consensus, and poor linkage between planning and implementation (Maxwell and Conway 2000). A review of target-based planning suggests that comprehensive international development targets are effective in gaining international commitment and providing a structure for monitoring, but they can oversimplify complex problems, distort local priorities, and divert attention from action to measurement.

A recent DFID review of national strategies for sustainable development illustrates these lessons and new directions (OECD 1999). The Development Assistance Committee set 2005 as the target date for countries to have begun to implement national sustainable development strategies. The goal is to integrate sustainability with socioeconomic development strategies. Many national sustainable development strategies have had little impact because they focus mainly on the production of a document as an end product, a reflection of a tendency by donors to separate processes and products. The review notes that the integration of sustainability issues is often impeded by sectoral turf battles. Similarly, government capacity to involve the private sector in policymaking and planning is often inadequate, even though the private sector is a major agent of environmental degradation. Finally, there is the risk of a proliferation of strategy and action plan processes, notably in response to international conventions—a risk that can result in overburdening governments and reducing their capacity for action.

Another example of multisectoral planning is the UNDP program approach, which has received close attention since 1993. The UNDP's program approach embodies principles similar to those of the CDF, including an emphasis on country ownership, development partnerships, participation of the whole of society, and a focus on results. This approach has taken many forms, from multisectoral programs focusing on specific objectives, geographic areas, or beneficiaries, to sectoral approaches, to projects managed independently but placed under a single umbrella program, to enhance flexibility in resource allocation.

A recent assessment of this approach offers pointers for bringing the CDF principles into country assistance programs (UNDP 1999). Preliminary findings suggest both significant startup costs and gains from improved ownership and partnership and daunting challenges. Multisectoral programs demand coordination across sectors, while national

administrations and aid agencies are most often organized on a strictly sectoral basis. Though clearly conducive to aid coordination and partnerships, the approach has made very modest progress. UNDP resources have been very limited, and donors vied for visibility and autonomy for their own programs. Progress on results-based monitoring and evaluation of programs was limited because of local capacity deficiencies, donor tendencies to set up parallel systems, neglect of the information needs of many stakeholders, and the lack of local information systems that would enable monitoring of multidonor programs. The program approach also fell into the trap of excessive preoccupation with formats, procedures, and documentation.

Donors and central governments have too often adopted a hegemonic planning mentality that enhances the power of international agencies and external technical assistance, to the neglect of local institutions and practical experience (Scott 1998). Large-scale programs are typically products of top-down and centrally driven planning. A lack of context and specificity is a necessary premise of such planning. The subjects of development are abstracted and standardized, and one-size-fits-all solutions are used to facilitate central design and top-down implementation. Such planning also routinely ignores uncertainty about the future and the learning and adaptation that must be mobilized during implementation. It takes a social engineering approach that reflects little confidence in the skills, initiative, intelligence, and experience of intended beneficiaries. This posture may enhance the authority and apparent precision of the central planners. But it diminishes the morale, learning, and human capital of other stakeholders, particularly the poor and voiceless.

These experiences, and many others from diverse aid agencies and developing countries, point to a need to shift from blueprint to process approaches. Process approaches start small, and with a built-in bias to action and learning. The learning process approach emphasizes flexible, evolutionary, and participatory methods that are results oriented and client centered. Top-down approaches to planning are combined with bottom-up approaches to link together local initiatives, facilitate exchange of information and experience, and promote stakeholder commitment and active learning.

# Lessons from Corporate Planning

Corporate planning in the private sector has been relatively more advanced than national or public sector planning in learning to adapt, remaining outward-looking and client-oriented, and working through alliances and partnerships. Business organizations have faced challenges in adapting and positioning themselves in response to fast-changing environments in an increasingly turbulent, competitive, and knowledge-intensive global economy. Corporate strategy development and strategic planning practices have undergone fundamental transformations. Recent understanding of strategic decisionmaking in organizations suggests that it is a social and political process, involving communication and negotiation. Strategic problems are not always amenable to forecasting and blueprint solutions, and strategy formulation is an adaptive learning process (Hanna 1985; Mintzberg 1998).

While businesses have different objectives than developing countries and aid agencies, their experience in strategic planning and management processes provides valuable lessons in building strategic planning capabilities, managing strategy formulation, creating strategic alliances, and monitoring for sustainable performance.

*Ownership of strategy by line managers and other stakeholders is essential for successful implementation.* Corporate planning during the 1960s and 1970s was centrally driven, with elaborate form-bound planning processes, complex planning documents, technocratic tools, large-scale data collection, elaborate controls, and large central planning departments. Rather than facilitating creative thinking and dialogue across functions and management layers, planning processes often degenerated into mechanistic thinking that stifled creativity, ownership, and commitment. Most such plans were never implemented: planners became the primary producers and users of plans, and planning tools and documents became ends in themselves.

Reforms to strategic planning aimed to revitalize the process by promoting participation and dialogue with all levels of management, suppliers and partners, and clients. Ownership and commitment was built incrementally through action learning and broad involvement. From being preoccupied with data and forms, planning processes shifted to establishing conditions for effective participation, capturing the tacit knowledge of participants, and mobilizing grassroots learning.

*Business strategy is essentially about adaptive learning.* No amount of forecasting or blueprint planning can substitute for flexibility, timely response, and systematic learning from experience. Traditional planning assumed predictable trends, a controllable internal environment, and no fundamental changes to the external environment. Blueprints typically led to inflexibility and obsolete plans and degenerated into inward-looking processes. Formal feedback was often too little and too late. Management consulting firms

often perpetuated the myth that such blueprint strategies could be created on behalf of their clients.

Strategy evolves when internal decisions and external events flow together to create a new, widely shared consensus for action. Strategies often emerge where people have the capacity and resources to learn. Once recognized as promising, plans can be selectively propagated and scaled up. Thus organizations discover their strengths and weaknesses by testing the market, experimenting, and learning. Recent advances in strategic management emphasize an agile, selective, results-focused, and continuous strategy process. Such processes rely on cross-functional teams for quick and integrative response and on a rich variety of feedback and learning mechanisms, drawing on qualitative and quantitative information throughout the process. Best practice in management consulting aims at enhancing clients' capabilities and processes to generate their own strategies and adaptive responses.

*Strategies must be congruent with current capabilities and structures for the short term, while building competencies and transforming capabilities for the long term.* Centrally driven planning either overestimated implementation capabilities or ignored implementation and change management challenges. Central planners discovered that they have no power to impose blueprints and that incentives, capabilities, and managerial systems must match strategy. Strategy management thus focuses on implementation dynamics through nurturing, adjustment, venturing, and change management. It integrates strategic planning with resource allocation; information and communication systems, skills, values; and incentive and organizational structures. Such change requires strong leadership to build coalitions and facilitate learning at all levels.

*The essence of strategy is a dynamic strategic fit.* Strategy is about choosing a position in a competitive market, a process requiring a decade or more (Ghemawat 1991). There is a need to build core competencies and transform capabilities. An organization achieves a strategic fit through the selective and effective use and accumulation of its invisible assets such as technological and market know-how.

Strategies should not be captive to static comparative advantage and inherited systems. In diversified corporations, competitive advantage is rooted in core competencies, which bind together existing activities and drive new business development. Vision and strategic intent embody the aspirations and commitment of the organization and set the direction for long-term resource commitment, core competency development, and organizational learning (Hamel 1995). Strategic vision thus complements and guides bottom-up learning. Building strategic positions or competitive advantage for nations follows similar processes but takes much longer to establish (Porter 1990).

*Corporations are increasingly entering into alliances to increase responsiveness to clients, gain new knowledge, focus on core businesses and competencies, lower overhead costs, enhance flexibility, mobilize resources, and increase reach.* They are becoming increasingly networked and multiorganizational. The Internet is increasing collaborative planning, global reach, and learning and action across teams and organizations.

The processes underlying strategic alliances and partnership development are evolutionary. They require continuous maintenance and evaluation. Partnerships have to be founded on good understanding of an organization's core competencies and the type of relationship each partner wants. Successful partnerships require clear strategic fit and

mutual agendas, incremental processes of increasing involvement and sharing information, cultural fit and partnership orientation, mutual respect, collaborative planning and learning, dedicated interorganizational communication, investment in mutually beneficial goals, and a sense of “co-destiny” (Johnston and Lawrence 1988; Kantor 1994; Buono 1997; Doz and Hamel 1997).





# Implications for Analytical and Advisory Tools and Approaches

In developing new-style analytical and advisory instruments, the Bank and other development assistance agencies should be concerned with:

- Impact on motivation and empowerment, to ensure autonomy-compatible assistance (Ellerman 2000).
- Impact on learning, capacity building, and sustainability, to avoid cognitive dependency.
- Quality—as defined by all stakeholders, not just by internal peer groups and bureaucratic norms—to enhance relevance and ownership.
- Impact on partnership with other donors, to harmonize donors' frameworks, reduce transaction costs, and improve selectivity.

DFID's (1998) sustainable livelihood approach illustrates the new-style analytical tools and their implications for local knowledge management and capacity building. An analytical framework is used to guide understanding of the factors that influence poverty and to identify where interventions might best be made, based on a holistic view of poverty and poor people's livelihood. The approach thus facilitates cross-sectoral and multidisciplinary thinking. Recent applications of the tool raise new challenges, particularly in finding an institutional locus for the tool and in engaging sectoral institutions. Used to empower clients and enhance learning, such tools will also require better understanding of the knowledge systems surrounding various stakeholders (Nicol 2000). Information on changes taking place in a given setting, essential for avoiding blueprint approaches, requires informed stakeholders and continuous feedback from participants.

Common approaches to national development strategy typically ignore the gap between the “grand design” and implementation capacity, create enclave project units, and engage in drawn-out analysis as a substitute for action and practical learning. To overcome these tendencies, new approaches should be sought to blend bottom-up with top-down strategies. For example one approach is to engage clients in a series of small-scale, results-producing, and momentum-building initiatives (Matta, Ashkenes, and Rischard 2000). These rapid-results projects can be linked with each other and with longer-term, more traditional project activities into an implementation strategy grounded in the capacity limitations and potential of the client country. Each project is aimed at achieving a small-scale strategic result, building capacity for change, generating learning, and reducing the execution risk of long-term project activities. The rapid-results approach would move quickly from an overall view of the comprehensive changes needed, to small-scale experiments, to learning about what it takes to achieve broader results and build confidence and capacity in the client. This learning is fed back into an evolving comprehensive

strategy. Strategy formulation and implementation, analysis, and action are thus blended, shortening the feedback loop.

# Implications for Aid Agencies

Lessons from strategy development in the public and private sectors point to a common pitfall in comprehensive and top-down planning approaches: tools, models, and frameworks often become ends in themselves.<sup>1</sup> The modalities by which the new and more comprehensive analytical tools are applied need to support ownership and learning. The tools must be considered not in isolation from client processes, but in relation to local tools for policymaking and in the context of local processes for strategy formulation and implementation.

As development strategies must be formulated and implemented at all levels of society, it is important to use both top-down and bottom-up approaches and to promote interaction and dialogue among all levels. Top-down approaches may be used to generate national consensus, provide strategic direction, facilitate coordination, provide frameworks and tools for local initiatives, mobilize national resources, and build capabilities for scaling up. Bottom-up approaches may be used to tackle the specificity of poverty, engender ownership and commitment, mobilize local assets and knowledge, promote innovation, and generate new models and ingredients for future strategies. This should be viewed as an interactive and continuous process.

All this calls for new skills within development agencies in promoting participatory processes, building partnerships, developing institutions, and sharing knowledge and learning services. In that sense the CDF can be a tool for changing the way aid agencies work. Changes in behavior and culture do not come quickly or easily, but they are key to meeting the challenges of CDF implementation and the development of new-style knowledge services and technical assistance.

With development conceived of as a social transformation process, aid agency staff need to be equipped to understand the dynamics of such change and to become change agents themselves. Incentives have to be revamped to reward new competencies and behaviors, such as learning, information sharing, and concentration on sustainable results. Leadership development should emphasize motivation and change management, imparting change and building ownership within the client system. Staff need to become adept at empowering and facilitating the development of local counterparts. To become selective and make room for genuine partnerships, aid agencies should be honest and modest about their comparative advantage, acknowledging weaknesses as well as strengths.



# Role of Knowledge and Learning

**K**ey to adequate implementation of the CDF and support for country-led development will be building client capacity to access knowledge and develop learning processes. Knowledge management initiatives at leading aid agencies such as the World Bank have focused on internal organization and systems renewal to improve institutional knowledge and information sharing, to the neglect of helping clients build their own capacity to access and manage global and local knowledge. The erosion of the World Bank's expertise in the information infrastructure sector is particularly alarming at a time when many developing countries face the prospect of being left out of the information revolution.

There are several implications to a recognition of the opportunities presented by the information revolution and of the central role of knowledge and learning for implementing the CDF principles by all stakeholders.

First, building on the findings of the *World Development Report 1998: Knowledge for Development*, aid agencies should systematically assist clients to develop institutions for knowledge generation, adaptation, and diffusion, including local think tanks and research and extension agencies. Global and local knowledge need to be blended and adapted to local conditions. Development assistance should concentrate on shrinking the growing gap between the information haves and have nots. Participation, ownership, and partnership require fair access to information and to opportunities for learning. Applying these principles would lead to better development results. Since the poor suffer most from information market failures, particular attention should go to the information and learning needs of the poor and rural populations. Information and knowledge relevant to the poor would not have to come from aid agencies, but could come from other providers of such knowledge, including local and international NGOs.

Second, aid agencies such as the UNDP and World Bank should accelerate their development of competencies to assist clients in positioning themselves for the information age and exploiting the revolution in information and communication technologies. Aid agencies should build local capacity to effectively apply and adapt the new technologies and enable developing countries to become full partners in a globally networked economy. Information systems and infrastructure components are already present in all sectors in a majority of aid-supported projects. But quality is uneven and impact uncertain. These activities should be scaled up, evaluated, and integrated into overall sectoral and country strategies.

Finally, large development agencies such as the World Bank should see themselves not as information monopolists or sole keepers of development knowledge, but as hubs and participants in a growing global network of communities of practice. This implies a shift in

self-perception: from an agency that has all the answers to one that is looking for answers, from one full of doers to development to one full of listeners, learners, and connectors. Adopting this perspective may call for a new business model that puts knowledge and learning at the center of these agency's services and strategies.

# From Retooling Aid Agencies to Retooling Countries

The CDF calls for a critical shift in perspective: from one revolving around the aid agency and its concerns to one revolving around the country and its institutions—with the aid agency an intellectual partner and enabler, not the planner or doer of development. With this must come an enabling shift in the design and use of analytical tools and the delivery of knowledge and advisory services. It is time to move beyond a preoccupation with developing tools and frameworks for unilateral definitions of problems and solutions, in the name of due diligence, and on to applying instruments and approaches that support participatory diagnosis and improve local processes for development planning and decisionmaking.

The World Bank is in the process of examining its economic and sector work, a process that is likely to lead to a fundamental choice: either to further invest in its diagnostic tools to re-enforce due diligence and independent assessment of country policies and institutions, or to invest in new tools and modalities that allow for joint and participatory diagnosis and assessment with its clients.<sup>2</sup>

The first choice would assume the existence of a country development vision, facilitated by the CDF, articulated in a poverty reduction strategy paper, and developed and led by the country. The World Bank's economic and sector analyses and diagnostic tools would be used to carry out due diligence and independent "professional" assessments of the policies and institutions to implement the vision. While the country would own its vision and programs, the Bank would own and be accountable for its diagnosis and the programs it supports. This choice calls for more resources to build the Bank's knowledge about each country, fill the due diligence gaps, and keep this knowledge current and comprehensive. This choice also implies little facilitation or analytic support to the country's own diagnosis and formulation of its development vision and strategy. There is a clear division of labor between the Bank (and other donors) and the client, each using its own tools, and with external assistance strategies starting from where the country's strategy formulation ends. The promise of this approach is that it would allow "space" for clients to develop their own tools and "own" their development visions and strategies.

The alternative choice is to shift to a new style of analytical and advisory services, in which economic and sector analyses are carried out in partnership with other aid agencies and with client countries. Accordingly, the Bank would play empowering, facilitating, and advising roles. Due diligence work and independent assessment would be kept to a minimum, to avoid crowding out customized and collaborative economic and sector work or imposing outside frameworks. Policy dialogue would replace policy dissemination (often deteriorating into monologue). Intellectual partnership would replace one-sided flow

of development “knowledge” and centrally driven dissemination of blueprint solutions. Tools and assessments would become transparent, draw on and help build local knowledge, and be adapted to local skills and processes. On request from clients, the Bank would move upstream and support—not supplant—the analytical and diagnostic activities required for designing long-term visions and strategies. Clients would be engaged downstream in both due diligence and other diagnostic and customized economic and sector work and in the shaping and the monitoring and evaluation of the Bank’s (and donors’) assistance strategies.<sup>3</sup>

The World Bank, the United Nations Development Programme, the International Monetary Fund, and most key donors and aid agencies are introducing strategic and diagnostic frameworks to focus on poverty reduction, to capture the holistic nature of development, or to coordinate assistance among an increasing number of partners in each country. This proliferation of tools and concepts puts an enormous administrative burden on developing countries as they strive to “negotiate” multiple frameworks, priorities, processes, and performance indicators with multiple donors and aid agencies. It may also divert local resources and managerial talents away from improving current and building new local processes for strategy formulation and implementation.

Developing countries should have a voice in shaping and harmonizing the design of these new tools and standards. Even better, attention should now shift from imposing externally-driven tools and frameworks to enriching and strengthening local tools, processes and information systems. Aid agencies would then devise their business strategies in response to richer local contexts and client-centered processes.



# Endnotes

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1. This tendency to view planning models and frameworks as ends in themselves has been long recognized in the development planning literature. Yet, the tendency prevails. See, for example, Hanna (1976).

2. “Due diligence” economic and sector work is used to cover key areas of work: Poverty Assessments, Public Expenditure Reviews, Social and Structural Reviews (or country Economic Memoranda), and fiduciary (financial management) assessments.

3. This implies a paradigm shift in the role of professionals in development assistance agencies, away from a focus on techniques and unilateral control of problem definition and prescription, and toward collaborative diagnosis, mutual control over the analysis, and the search for solutions.



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