



OED REACH

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Rating IDA'S Development Performance

OED evaluates development interventions by assessing how their results stack up against their own stated objectives.¹ From an accountability perspective, this goal-based approach is attractive since it relates results to objectives agreed to by the Board of Executive Directors.²

Specifically, OED evaluates outcomes by considering three factors:

- the *relevance* of the intervention's objectives in relation to country needs and institutional priorities;
- *efficacy*, i.e. the extent to which the developmental objectives have been (or are expected to be) achieved;
- *efficiency*, i.e. the extent to which the objectives have been (or are expected to be) achieved without using more resources than necessary.

The assessment of relevance is especially critical.

When done well, it nets out excessively or inadequately ambitious objectives. Combining these three factors, overall outcome is rated on a six-point scale, ranging from *highly satisfactory* to *highly unsatisfactory*. (See box 1 for details.) Outcome is not a simple average of the factors because the factors interact: they are cumulative and interdependent, e.g., satisfactory relevance is useless if efficacy is poor.

How Did OED Evaluate IDA 10-12?

Compliance. The review concentrated on IDA's compliance with replenishment undertakings and development contributions in *six thematic development priorities*: poverty reduction, social sector development, private sector development, governance, environmentally sustainable development, and gender. It also addressed *four priority process reform objectives*: performance based allocations, enhanced CAS design and implementation, aid coordination, and participation.

Outcomes. OED assessed the extent to which IDA-supported projects, programs, and other activities were relevant to these concerns, the degree to which they have been or are expected to be achieved (efficacy), and at what cost (efficiency).

Design. OED's review used a multifaceted evaluation design, including:

- desk reviews of Bank documents and working papers, project operations databases, extant studies, and OED Country Assistance Evaluations;
- staff surveys, with more than 200 respondents;
- in-country and international consultations with representatives of government, civil society, the private sector, and other assistance agencies in nine focus countries involving more than 680 participants;
- two international workshops bringing together nearly 60 experts from both borrower and donor countries;
- wide-ranging interviews with relevant Bank managers and staff; and
- where the evidence allowed, results-based analyses tracing IDA inputs (policies, alignment of resources), outputs (volume and composition of lending and non-lending services), and reach (stakeholder participation, coordination with other donors), to outcomes and results.

Box 1. OED's Outcome Rating Scale

Highly satisfactory: All relevant developmental objectives are (or are expected to be) achieved and/or exceeded efficiently, with no shortcomings.
Satisfactory: most of the relevant development objectives are (or are expected to be) achieved efficiently with only minor shortcomings.

Partially satisfactory: Substantial shortcomings are observed, even though most of the major relevant objectives, on balance, are (or are expected to be) met.

Partially unsatisfactory: Some of the major relevant objectives are not (or are not expected to be) met, and/or many of the objectives are not relevant.

Unsatisfactory: Most major, relevant objectives are not (or not expected to be) met and/or most objectives are not relevant.

Highly unsatisfactory: None of the relevant objectives is (or is expected to be) met or is not relevant.

This work was done with the support of an international advisory group of six prominent international development experts, three each from developing and developed countries, including a number with experience in high-level government, private sector, civil society, and MDB positions.

Because few activities initiated under IDA 10, 11, and 12 are complete, the evaluation had to consider a number of proxies for assessing IDA's performance: the quality of the analysis underlying the program, its coherence at the country and sector (or thematic) levels, the responsiveness of lending and non-lending services to the country context, the selectivity of resource allocations and choice of instruments, and, where possible, IDA's impact on country policies, institutions and actions. This analysis was made more difficult by the lack of a corporate scorecard or fully-implemented results-based management system from which performance data could be extracted. Box 2 highlights the methodological challenges.

Box 2. What Were the Main Challenges of the IDA Evaluation?

Conducting evaluations is almost always complicated, but this evaluation was especially demanding and complex.

First, neither the replenishment reports nor management instructions provided specific benchmarks against which compliance or outcomes could be measured. OED therefore looked at the extent to which IDA took actions to change its processes and programs and to institutionalize those changes.

Second, the temporal scope of the evaluation was limited. At the request of the IDA Deputies, the evaluation focused on performance under IDA replenishments 10 and 11 and the first year of IDA 12. Many of the programs supported during this period are still under way, and their development outcomes are not fully known.

Finally, since many factors affect country program outcomes in a country context, attributing success or failure to IDA's actions posed a particular difficulty. To deal with this, OED took account of external factors that might have affected IDA's development performance, such as fluctuations in the world economy, borrower's and partner's performance, war and civil disturbances, and natural disasters.

In addressing this last issue, OED conducted in-country consultations in nine focus countries, chosen according to the following criteria: size of IDA program, inclusion of blend and IDA only countries, regional diversity, country performance ratings (i.e., countries across the CPIA spectrum, excluding the very lowest, where the IDA program was small because of very low performance), availability of an OED Country Assistance Evaluation (CAE), and special circumstances (e.g., post conflict).

How Well Did IDA Meet Agreed Undertakings?

Overall, IDA's compliance with the replenishment undertakings has been satisfactory, with important qualifications. During the IDA10-12 period, IDA made significant advances in sharpening the poverty focus of investment and adjustment lending and analytical work, established a strong presence in the social sectors, brought governance issues to the fore, and enhanced processes related to country assistance strategies, performance-based allocations, participation, and aid coordination. However, compliance was uneven across and within areas of program and process emphasis. Though recently accelerating, IDA's implementation of undertakings related to gender, environment, and private sector development was modest in depth and pace in relation to the replenishment agreements.

The compliance rating is based on the findings of IDA Review background studies which identified the extent and pace of implementation to date of over 150 separate IDA10-12 undertakings. The rating reflects *the overall extent of substantive compliance*, rather than the effectiveness or outcomes of IDA's actions. The individual replenishment undertakings varied widely, ranging from broad redirections in operations to calls for specific reports. Findings on the degree of IDA's compliance made use of a system of ratings on individual undertakings, which was reviewed with management. This system also served as input into the substantive discussion of implementation summarized in the background paper entitled, *IDA 10-12 Replenishment Undertakings Implementation Matrix*.

What Were IDA's Contributions to Development Outcomes?

OED finds the development outcomes of IDA programs—influenced by exogenous factors and borrower and partner performance, as well as IDA performance—to be partially satisfactory, with notable improvements over the period. Much progress can be seen in project-level outcomes as well as in quality indicators compiled by QAG. For example, as the figure shows, projects completed in the IDA 11 period (mostly initiated in earlier periods) are significantly more likely than those completed in IDA 9 or 10 to be rated by OED as having satisfactory outcomes, likely sustainability and substantial institutional development impact. (Too few cases are available from the IDA 12 exiting year for analysis.) This is a welcome development and the hypothesis of increasingly satisfactory outcomes is well supported by other evidence displayed throughout the IDA Review.

Project-level performance is an important indicator, but does not tell the full story of IDA's contribution to development outcomes. In recent years, IDA has shifted its focus to the “higher plane” of country programs. The results from OED's CAEs for 23 IDA and IDA blend countries (adjusted to match the rating scale in Box 1) found that 13 of these country programs were rated partially satisfactory, compared to 8 that were rated fully satisfactory.³ (Two others were rated unsatisfactory.) While CAEs

Table: Compliance and Outcomes Related to IDA Undertakings

	Compliance	Outcomes	
<i>Development objectives</i>		Relevance	Efficacy/Efficiency
Poverty reduction	Satisfactory	Highly satisfactory	Partially satisfactory
Social sector development	Highly satisfactory	Highly satisfactory	Satisfactory
Private sector development	Partially satisfactory	Partially satisfactory	Partially satisfactory
Governance	Satisfactory	Satisfactory	Satisfactory
Environmentally sustainable development	Partially satisfactory	Partially satisfactory	Partially satisfactory
Gender	Partially satisfactory	Satisfactory	Partially satisfactory
<i>Process reform objectives</i>			
CAS enhancement	Highly satisfactory	Highly satisfactory	Satisfactory
Performance-based allocations	Satisfactory	Highly satisfactory	Partially satisfactory
Aid coordination	Satisfactory	Satisfactory	Partially satisfactory
Participation	Satisfactory	Satisfactory	Satisfactory

cover a longer period than the IDA Review, most do cover the most recent CAS periods, make use of up-to-date QAG data, assess efficiency using country budget coefficients, and draw lessons for improving program performance going forward. These results support the finding that the performance of IDA has been partially satisfactory in terms of development outcomes.

An important indicator of performance across countries is the allocation of aid. Recent work by DEC (box 3) suggests that the allocation of IDA resources across countries is highly aligned with poverty reduction and policy performance.

Given the terms of reference of the Review, of particular importance to this assessment is performance against the objectives embedded in the replenishment undertakings. The results of that analysis are shown in the table in terms of their relevance, efficacy, and efficiency.

To assess *relevance*, OED evaluated the corporate strategies in each of the priority areas, and their translation in country assistance programs. Overall, the relevance of IDA's efforts in most areas targeted by IDA undertakings has been highly satisfactory.

But the bottom line on development is results on the ground. This calls for an assessment of the *efficacy* of IDA's activities. To this end, OED asked the extent to which, given the corporate strategy, implementation is likely to achieve program objectives. As the table shows, in 6 of the 10 priority areas likely progress against objectives is only partially satisfactory, while aggregate efficiency has fallen short of the targets set forth in the Strategic Compact.

On the most important dimension—poverty reduction—evaluations of IDA performance at the country level point to a generally positive record in assisting countries to lay the foundations for economic growth and poverty reduction. Yet the record of IDA countries in sustaining growth high enough and long enough to benefit the majority of the poor has been disappointing in most IDA countries due in part to many factors beyond IDA's control. The review found that IDA's efforts to foster private sector development, enhance opportunities for women, promote environmentally sustainable development, use its resources more selectively at the country

level, and promote aid coordination fell short of admittedly demanding objectives.

As noted earlier, since many IDA-supported projects and programs from the period under review are still ongoing and their results not fully known, OED considered a number of proxies for performance that informed its assessment. This analysis found many areas of progress, but some significant shortcomings as well:

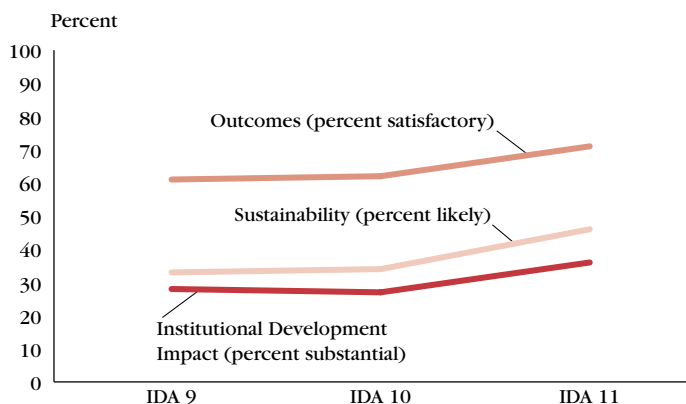
Quality of analysis underlying the program: IDA's analytical work is one its strengths, highly regarded by borrowers and other development partners. The increase

Box 3. Evaluating Aid Effectiveness across Countries

A major methodological difficulty is distinguishing the contribution of IDA from all other activities. OED's approach is to assess country assistance strategies down to the project level and see whether the results of lending and non-lending operations were satisfactory. This approach has limitations because of fungibility.

An additional approach, which has different limitations, is the aid effectiveness analysis that has been done in DECRG ("Aid Allocation and Poverty Reduction," forthcoming in *European Economic Review*). It estimates the contribution of aid to poverty reduction econometrically across countries. This approach evaluates major aid programs—bilaterals and IDA—for its allocation across countries, but cannot distinguish different effects of 'rival' aid programs within a country. This is complementary to OED's approach, which is much better in-country than cross-country. Specifically, DEC finds that IDA's allocation is superior to any of the bilateral programs, and indeed, that its allocation rule is good in absolute terms. IDA deviates from the poverty—policy' rule (direct aid to low income countries with reasonable policies) on an ad hoc basis, but not systematically. Its deviations usually reflect additional knowledge.

Trends in Performance of IDA Projects Closing in the Years Covered by Replenishments 9, 10 and 11



in the quantity of data and analysis, especially on poverty is a major achievement. But the quality of the data and in-country capacity building on data collection and analysis (e.g., on poverty and on gender) remain important challenges (as borne out in the PRSP progress reports).

Coherence at country and sector (or thematic) levels: Although IDA has strengthened its poverty orientation, more needs to be done to integrate that orientation into macroeconomic and sectoral priorities and policies. While CASs have shown substantial improvement in their coverage of poverty over the last seven years, with most occurring since 1997, they have made less improvement in setting priorities and identifying country-specific poverty-focused assistance strategies.

Responsiveness of lending and non-lending services to country context: While the innovations in lending instruments are an important feature of the period, there also has been a decline in support for ESW, and continuing weakness in M&E, which denies IDA and its partners of adequate knowledge on cost effective interventions in support of core objectives.

Strategic selectivity: OED found—and it is commonly agreed that—strategic selectivity remains a challenge for IDA and its partners.

Impact on country policies, institutions, and actions: Portfolio performance shows improvements on outcomes, and QAG ratings—which are useful leading indicators—are improving. But institutional development impact, though improving, still remains too low. In addition, the *Annual Review of Development Effectiveness* for 1999 and 2000

and many OED evaluations stress weaknesses in institutional analysis and capacity development.

Overall, then, OED finds that IDA has complied satisfactorily with the replenishment undertakings, and given factors not wholly under IDA control, made a partially satisfactory contribution to development outcomes against ambitious goals. This reflects accelerating improvements in IDA and country performance but still limited progress in achieving the over-arching goal of poverty reduction.

Conclusions

OED's evaluation of the IDA 10-12 program and the rating of partially satisfactory outcomes represents a careful application of an objectives-based methodology to a complex evaluation challenge, which has tried to take account of IDA's performance as well as exogenous factors and borrower and partner performance. Overall, OED found that the progress achieved has accelerated. Although shortcomings remain, implementation trends augur positively for the future. To realize this potential, however, the next IDA replenishment discussion should develop a longer-term vision focused on results, engage developing countries in setting replenishment conditions, and define those commitments in terms of monitorable and achievable objectives with realistic costing. More immediately, to deepen and broaden the gains from the existing policy framework IDA needs to:

- focus on implementation in areas of emphasis;
- align resources to strategic priorities; and
- consolidate the IDA mandates.

Notes

1. The results may represent substantial progress relative to the *status quo ante* (or what would have happened in the absence of Bank/IDA intervention) but still lead to less than fully satisfactory outcomes if they had not met their stated objectives or had done so inefficiently. This is especially likely when the objectives are particularly demanding, as was the case with the IDA replenishments.

2. The alternative—goal-free evaluation—is used by OED whenever it is feasible to weigh the net benefits of the intervention in relation to the opportunity cost of the resources used. Thus, economic and financial rates of returns are routinely used to assess the justification of projects where appropriate data can be obtained. Unfortunately, cash flow analysis is not practical for the complex programs funded by IDA. Even for projects, the implementation of policy and capacity building objectives (which are often the most crucial) cannot be quantified precisely enough to allow cash flow analysis.

3. The CAE ratings were adjusted to match the rating scale in Box 1. The methodology used in the CAEs has not been agreed with Management.



Task Manager: *Catherine Gwin*: (202) 473-1103

Director: *Gregory Ingram* (202) 473-1052

Brief produced by OEDPK: ecampbellpage@worldbank.org