

OED IDA REVIEW

REPORT ON COUNTRY CONSULTATIONS



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This is one of the series of background papers prepared for the OED IDA Review. In the IDA12 Replenishment Report IDA Deputies requested OED to undertake an independent review of the IDA program during the IDA10-11 period and an interim review of IDA12. The Review concentrates on IDA's development contribution in six *thematic development priorities*: (i) poverty reduction; (ii) social development; (iii) private sector development; (iv) governance; (v) environmentally sustainable development; and (vi) gender. It also addresses four priority *process reform objectives*: (i) performance based allocations; (ii) enhanced CAS design and implementation; (iii) improved aid coordination; and (iv) participation.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the Operations Evaluation Department or any other unit of the World Bank, its Executive Directors, the IDA Deputies or the countries they represent.

List of Acronyms

CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CSO	Civil Society Organization
ESW	Economic and Sector Work
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IPRSP	Interim Poverty Reduction Strategy Paper
LIL	Learning and Innovation Loan
NGO	Non-Governmental Organization
ODA	Overseas Development Assistance
OED	Operations Evaluation Department
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SAC	Structural Adjustment Credit
SAPRI	Structural Adjustment Participatory Review Initiative
SME	Small and Medium Enterprises
SOE	State-owned Enterprise
SWAP	Sector-Wide Approach
TA	Technical Assistance

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Executive Summary

Country consultations in Bangladesh, Bolivia, Cambodia, Ghana, India, the Kyrgyz Republic, Mozambique, Uganda and Vietnam formed an important pillar of the IDA Review. The consultations had a two-fold purpose: to strengthen the individual thematic and process assessments by probing specific topics and to gain a better understanding of stakeholder views on the key factors that contribute to or constrain IDA's development effectiveness. This report focuses on the dominant themes emerging from the country consultations, namely: (i) participation; (ii) governance (iii) aid coordination; (iv) poverty; (v) private sector development; and (vi) IDA procedures and performance.

All constituencies acknowledged that the relationships among governments, donors, and civil society changed for the better during the 1990s and are significantly more open today than they were even one decade ago. Nonetheless, many questioned the extent to which the new emphasis on partnership and cooperation had fundamentally changed the rules of the game, whether in donor organizations or within countries. Overall, the country consultations demonstrate a mixture of hopefulness and skepticism, based on what has and has not changed about the development assistance system.

Country experiences suggest that IDA played a leading role in creating mechanisms or forums to strengthen the dialogue between civil society and government, though many constituencies were doubtful about the impact of these consultations on policy and programming. An overriding message from civil society and NGO representatives, as well as from some government officials and donor representatives, was that effective participation is determined as much by the extent of consultation as by its impact on decision-making. Governance was the top issue in several, though not all, country consultations. Constituencies underscored the need to strengthen financial accountability and institutional capacity in government as well as IDA's appreciation of countries' social and political dynamics.

With few exceptions, respondents from donor agencies, government, and civil society agreed that poverty reduction should be the main litmus test for effectiveness in development assistance, and IDA's increasing focus on poverty was widely acknowledged and welcomed. Many agreed that the poor were not yet well served by the development system in various countries, and there were wide divergences in views between government officials and representatives of civil society about IDA's impact on poverty reduction.

IDA's leadership role in aid coordination was lauded, although some cautioned that IDA was sometimes dominant, leaving insufficient room for leadership from government or other donors. Donors also maintained that informal norms still have significant impacts on how the "aid machinery" works in individual countries: expectations and incentives within donor agencies remain real constraints to donor activities and behavior.

Of all consulted groups, discussants from the private sector were the least satisfied with the extent and quality of their communication with IDA and a sizable proportion expressed strong dissatisfaction about IDA's involvement with the private sector. Numerous business leaders across countries claimed that core constraints to enhancing the business environment in their countries result mainly from government suspicions of private sector activity and weak legal and accountability systems. IDA's decentralization to field offices was largely appreciated. Constituencies argued, however, that IDA's complex procurement procedures, unclear delegation of accountabilities between field offices and headquarters, and budget limitations are among the key unresolved implementation constraints for IDA on the ground.

1. Introduction

- 1.1. Nine country consultations formed an important pillar of the IDA Review, offering insight into the many factors that influence the design, implementation and outcomes of IDA activities. The consultations had a two-fold purpose: to strengthen the individual thematic and process assessments by probing specific topics and to gain a better understanding of stakeholder views on the key factors that contribute to or constrain IDA's development effectiveness. Consultations with stakeholders from Borrower governments, civil society, non-governmental organizations, the private sector and donor agencies elicited a rich and complex set of views about progress and challenges in the development enterprise in the nine countries. These comprise Bangladesh, Bolivia, Cambodia, Ghana, India, Kyrgyz Republic, Mozambique, Uganda and Vietnam.*
- 1.2. The following report focuses on the dominant themes emerging from the country consultations, namely: (i) participation; (ii) governance (iii) aid coordination; (iv) poverty; (v) private sector development; and (vi) IDA procedures and performance.¹ The report aims to present stakeholder perceptions and concerns as accurately as possible. Although the views expressed in the report have informed the IDA Review, as unqualified opinions and assertions, they do not provide a complete or definitive assessment of IDA performance and do not represent the conclusions or recommendations of the evaluation.

2. Participation

In each of the nine focus countries, stakeholders from government, non-governmental organizations, and donor agencies affirmed that IDA had become more open, more transparent, and more accessible during the 1990s. Further, the vast majority of respondents claimed that the quality of CAS consultations had discernibly improved. Country experiences also suggest that IDA played a leading role in creating mechanisms or forums to strengthen the dialogue between civil society and government. While several respondents argued that the CDF and PRSP have the potential to make useful and lasting contributions in this regard, many cautioned that this potential could easily go unrealized and should not be taken for granted. In addition, many constituencies were doubtful about the extent to which consultations for the CAS and IDA projects had actually made a difference in policy and programming.

An overriding message from civil society and NGO representatives, as well as from some government officials and donor representatives, was that effective participation is determined as much by the extent of consultation as by its impact on decision-making. Several respondents across countries argued that IDA consultations are still partly ritualistic, with governments motivated to comply with IDA expectations and IDA fixed on fulfilling its own bureaucratic requirements.

* Country consultations in Bangladesh, Cambodia, Ghana, the Kyrgyz Republic, and Mozambique were conducted solely by the IDA Review. The consultation in Vietnam was conducted in cooperation with the OED Vietnam country evaluation and the Bolivia consultation was in cooperation with the Bolivia country team, follow-up activities for the OED Aid Coordination study, and the CDF evaluation. The IDA Review has incorporated feedback from multi-stakeholder focus groups conducted in Uganda and India for OED country evaluations.

¹ Stakeholder comments on IDA's involvement related to gender and environment were scarce and tended to be highly specific, focused on particular contexts or projects; they consequently do not feature prominently in this composite report.

2.1. **Increased openness by IDA:** In Mozambique, all constituencies commented that they had noted a positive change in the Bank’s attitude, from secretive to considerably more open and consultative. Similarly, Ghanaian civil society representatives argued that IDA’s interactions with the government were previously “shrouded in secrecy” and echoed the approbation of many respondents that access to information about IDA and the policy dialogue had increased dramatically in the past six years. Yet many NGO and civil society respondents across countries held that the improved CAS

Box 1:

More NGO involvement desired

A common message from NGO respondents across countries was that they wanted to be more involved “in all phases of the project cycle” rather than only in project design. NGO representatives in India and Ghana, for example, urged IDA to make more use of NGOs in project implementation.

consultation process was still disappointing in several respects, often lacking adequate feedback to consulted groups, sometimes excluding local NGOs, rarely tapping into actual project beneficiaries, and barely skimming the key issues because of haste and resource constraints. Others claimed that IDA’s reach often does not extend past the capital city, arguing that IDA needs more contact with the grassroots to “assess the impact of policy and the extent of poverty.” Participants from Uganda and Ghana noted that the Structural Adjustment Participatory Review Initiative (SAPRI) had included a successful and broad consultation process, although the impact of SAPRI was not clear to them. Private sector representatives tended to have the least positive views of their consultations with IDA, with some claiming that they were “woefully inadequate” and “not meaningful.” Governments views ranged from positive in Mozambique, where the CAS consultation was credited with helping the government to “feel ownership,” to coolly pragmatic in Bangladesh where officials proposed that “the CAS is a bureaucratic ritual that is not a useful vehicle for strategic planning.” Donors in Bolivia made a similar assessment, asserting that “the CAS is a planning tool for the Bank itself rather than a strategic, coordinating instrument.”

2.2. **Creating mechanisms for dialogue:** Numerous civil society representatives emphasized concerns about their governments’ fundamental reluctance and distrust of popular participation in policymaking. IDA was credited in Bangladesh, Vietnam, Ghana, Uganda, Bolivia, and the Kyrgyz Republic with helping to bridge the communication gap between government and the non-government actors. International NGOs in Vietnam, for example, expressed appreciation for IDA’s support and efforts to encourage the GVN to make space for local NGOs and civil society over the past three years. IDA’s promotion of participation by NGOs and donors in the budget process in Uganda was also considered to be very helpful, enabling the GOU to recognize how NGOs can contribute to well-informed policymaking. Nevertheless, respondents argued that creating space and mechanisms for government-civil society dialogue was only a first step: if the processes don’t result in genuine input and impact on decision-making, they are hardly more than gestures. Several respondents across countries argued that there was still a long way to go for a more participatory approach to governance to take root in their countries. One respondent lamented that participants are “treated like decorations... but their inputs [aren’t] taken into account,” and a donor representative questioned whether “the government might only be doing this to satisfy the requirements of IDA and might revert back to its old ways once the cycle is complete.” Several NGO representatives as well as parliamentarians in Ghana, Bangladesh, and Mozambique also suggested that more attention should be paid to the implications of participation on already established parliamentary processes, some arguing that IDA should work to strengthen the integrity of such processes.

3. Governance

Governance was the top issue in several, though not all, country consultations. Most constituencies across countries applauded IDA's increasingly vocal treatment of issues related to governance and corruption during the 1990s, although government officials were of mixed opinions about the appropriate scope of IDA activity on the topic. Numerous civil society representatives emphasized that IDA was tardy in acknowledging widely-held concerns about the quality of governance and the existence of corruption in several countries. Discussants suggested that IDA's economic and sector work, including corruption surveys and WBI efforts, have made appreciable contributions to inform the dialogue on governance and corruption in several countries.

Concrete IDA efforts to improve transparency and accountability (particularly financial accountability) were also praised, although assessments of IDA's performance in this area varied significantly across countries. In addition, three basic concerns about IDA's approach to governance issues came up in several of the consultations: a lack of understanding of local realities and a tendency towards 'one-size-fits-all' solutions; worries about decentralization within government; and the need for capacity building in government and civil society.

3.1. Supporting the dialogue: IDA's efforts to increase the quality and accessibility of information on governance issues were commended for having had a substantial influence on the dialogue among government, civil society, and donors. In addition, several donor respondents commended IDA for opening up the dialogue on governance in the focus countries, affirming the observation of one donor that "the issue was not open for discussion with the government until IDA spoke out."

- ◆ The first initiative taken by IDA on governance in Vietnam was to promote greater budget transparency, which has so far met with some, though limited, success: the broad outlines of the budget were made public. The initiative was praised by interviewed legislators who now have more information and more opportunity to debate public finance allocation decisions. IDA was also credited with supporting the successful ban on illegal logging, also helping to coordinate donor efforts in an Environmental working group.
- ◆ Respondents held that IDA's Integrity Workshops and Investigative Reporting Seminars in Uganda have helped to build media skills and networks and have improved civil society perceptions of the Bank as an ally in the fight against corruption. Officials in Uganda also maintained that IDA support for budget reform had assisted the GOU to improve allocative and technical efficiency and to broaden the budget process to include a broader range of stakeholders in sector working groups.
- ◆ Government officials in Bangladesh argued that IDA's work on governance in specific areas, namely banking and finance of local government, has been useful and suggested that sector programs have been good in areas where IDA and the government has been able to clearly identify the needed reforms. Government officials, members of the press and the research community in Bangladesh commended an IDA analytic report on governance as a useful contribution to the policy dialogue and a key input into the work of the national public administration reform taskforce.

- ◆ Top officials in Ghana held that an IDA-supported anticorruption survey, along with a WBI course attended by seven African governments, was a major contributor to the national anti-corruption coalition. NGO and civil society representatives argued, however, that IDA had been “inexcusably slow” in confronting corruption and held that IDA was not doing enough to encourage good governance.

3.2. **Calls for greater accountability:** Criticisms of IDA’s negligence of financial accountability were raised in several countries, however, based on the perception of IDA and donor’s preoccupation with donor assisted projects to the neglect of quality concerns for the overall management of public resources. In Ghana, for example, most non-governmental and civil society respondents suggested that IDA had not made adequate use of its leverage or influence to keep the government accountable or “on its toes.” Several argued that there is little public pressure for financial accountability in the country and that IDA should do more to promote transparency and accountability in government. Others held that large donor investments in certain sectors have “masked” the corruption in government funded projects. In Bangladesh, civil society and private sector representatives argued for full disclosure of all IDA programming in the country to encourage transparency. Respondents from civil society in India were also very outspoken, criticizing the Bank for being too complacent with the government and suggesting that country officials may not be strongly required by IDA to disclose information about the use of project funds. Indian civil society respondents argued that IDA’s impact could reach far beyond individual projects if it worked more to improve the quality of public expenditures overall. Similarly, donor respondents from Uganda expressed the following:

IDA’s low emphasis on accountability, complex procurement and disbursement procedures (which delay implementation), and emphasis on disbursements contribute to corruption.

3.3. **Areas of common concern:**

- ◆ *Lack of understanding of sociopolitics:* Numerous respondents from government, the private sector, and non-governmental organizations across countries proposed that IDA did not adequately understand their country’s complex social and political dynamics, which negatively affected the design of IDA-financed reform programs. A government official from Uganda articulated a common refrain, namely that IDA had pushed “a one-size-fits-all approach that ignores social and political conditions.” Respondents from Bangladesh, India, and Ghana argued that IDA has failed to recognize core, underlying constraints to improving governance. They commented that IDA did not understand the “bureaucratic culture” of the government, which could not sustain reform in all areas at once; that the “mindset” of government had not changed and was still an impediment to reforms and the workings of the market; and that the country’s prior socialist culture was not fully expunged from either the populace or the government. Officials in Mozambique held that IDA has yet to learn how to “take into account socio-anthropological [considerations]” and Bolivian respondents from civil society and donor agencies also decried what were perceived to be “canned recipes from DC.”
- ◆ *Implications of decentralization within government:* Decentralization was raised as an important issue in Bolivia, Ghana, India, and Mozambique. Many contended that the growing movement towards decentralization is not matched by adequate accountability mechanisms or institutional capacity at the local or state levels;

donors, government officials and NGO representatives suggested that the development assistance system has not fully appreciated the implications of decentralization in Borrower countries. Respondents in Bolivia, for example, highlighted the need to reconcile a logic of centralized management of public investment with decentralized implementation. Donors in Ghana also expressed concerns about pushing the decentralization agenda “too far and too fast” due to the fact that donor’s own processes are currently inadequate at lower administrative levels. In India, discussants applauded IDA’s increasing attention to states, but questioned whether adequate accountability mechanisms are in place to prevent the “decentralization of corruption;” respondents held that there is almost no monitoring of the use of funds at the village level currently. Government officials in Mozambique characterized decentralization as “inevitable” but underscored that “capacity is not available on the local level, especially in the districts.” Donors in Mozambique also proposed that “low salary disincentives” on the local level could seriously limit the effectiveness of decentralization and some questioned whether decentralization was the best solution for enhancing project implementation in all cases.

- ◆ *Need for more capacity building, in government and more broadly:* Across countries, government officials and civil society representatives argued for more and better IDA attention to capacity building. Government officials in both Uganda and Bangladesh queried about why years of IDA involvement in the power sector in their countries had not resulted in more institutional development and a spectrum of respondents in Vietnam and Cambodia emphasized the need for accelerated IDA efforts to build capacity in government and civil society, including the press. NGO respondents in India called for more capacity building in both the public and voluntary sectors, and respondents in Ghana urged IDA to support the strengthening of NGO networks. Some commentators in Bolivia suggested the Bolivia Social Fund was becoming its own bureaucracy, possibly laying a foundation for social development at the expense of institutional development in respective ministries. In Mozambique, Ghana and Bangladesh, respondents appealed for more use of local expertise to build national capacity and were critical of the perceived overuse of “highly-paid expatriate consultants.”

4. Poverty

With few exceptions, respondents from donor agencies, government, and civil society broadly agreed that poverty reduction should be the main litmus test for effectiveness in development assistance. A majority of respondents across countries and constituencies acknowledged and welcomed IDA’s growing emphasis on poverty in the 1990s as reflected either by IDA’s public statements and dialogue or, in the best cases, in actual lending activities. There were wide divergences in views between government officials and representatives of civil society and NGOs about IDA’s impact on poverty reduction. Governments and donors credited IDA with raising the profile of the poverty issue during the 1990s and a majority of government officials agreed that IDA’s projects directly or indirectly contributed to poverty reduction. Respondents from civil society and NGOs were less generous and more skeptical in their assessment, arguing that IDA emphasizes growth more than poverty, that growth has had little impact on the very poor, and that IDA’s projects do not reach the poor.

- 4.1. **Shared rhetoric, different interpretations:** Most government respondents suggested that there is considerable agreement between their government’s objectives and IDA’s objectives for poverty reduction, although many held that important differences in

strategy persisted. In Ghana, core government officials held that IDA and the government were broadly in agreement on the overall objective of poverty reduction, although they noted that ‘genuine problems’ remain in improving the reach and impact of programs to the poorest. Officials in the Kyrgyz Republic and some government officials from Bangladesh held that all IDA programs contribute to poverty reduction either indirectly or directly. NGO respondents from several countries argued, however, that neither their governments nor IDA had clear strategies for identifying how various development activities would benefit the poor; they suggested that a common fall-back position was to assert that all activities would eventuate into indirect or direct poverty reduction. NGO and donor respondents in Bangladesh, for example, appealed for IDA to support the government in the development of a national poverty reduction strategy. Some donors also argued that beyond the shared rhetoric about poverty reduction, there is very little shared understanding of what poverty reduction means or requires. The vast majority of civil society and NGO discussants disagreed with the notion that all activities will directly or indirectly have poverty reduction impacts and many insisted that IDA continues to be much more interested in growth than in poverty reduction.

- 4.2. **Poverty reduction results:** To a greater extent than in other focus countries, Vietnamese officials underscored the vital and effective role that IDA played in the effort to reduce poverty. Vietnamese observers agreed that “judged by outcomes, the Bank’s analytical work and persistent policy dialogue on reform has undoubtedly yielded results... [including] rapid growth and a sharp fall in poverty.” Respondents from government and civil society in Bolivia were of the opposite opinion: most respondents agreed that poverty reduction efforts have largely failed in Bolivia thus far, and poverty may have actually worsened in rural areas. Some Bolivian respondents held that the Bank had “a far too narrow supply-side, medium term, human capital oriented approach to poverty reduction that disregards the immediate need to generate jobs and income.” While assessments of IDA’s poverty reduction impact varied across countries, common emphases included the following: (i) IDA projects had difficulty in successfully targeting and reaching the poorest people, and (ii) reduction of ‘hard core’ poverty would have to be a deliberate effort; it would not happen as a byproduct of all development efforts. Ghanaian government officials underlined the concern that the poorest people often do not have the means to access the programs designed to help them, and argued that “we have to lift [the poorest] people to a level from which they can participate.” Respondents in Uganda and Mozambique noted that, despite notable growth in the economies, severe and widespread poverty has persisted; Ugandan officials also reported that poverty disparities have increased. NGO respondents in Vietnam, along with numerous others, questioned whether enough attention has been given to the link between poverty alleviation and growth and to understanding the poverty impact of economic reforms such as trade liberalization.
- 4.3. **Reaching the poor:** A cross-section of respondents held that IDA does not consult adequately with project beneficiaries, especially poor people, which has compromised the poverty focus of IDA projects and also reduced IDA’s involvement in the areas that really affect poor people’s livelihoods. Civil society respondents in Uganda, Mozambique and Bangladesh emphasized that IDA’s project designs suffer from inadequate consultation with ‘the poor.’ Donors in Ghana and NGO representatives in India questioned whether IDA’s institutional mechanisms were adequate for receiving feedback from beneficiaries during implementation; some suggested that there was a ‘disconnect’ between IDA’s objectives for participation of primary stakeholders and the resources allocated for such objectives.

4.4. **Lack of activity in Agriculture and Rural Development:** Government and civil society representatives in several countries expressed strong concerns and considerable puzzlement about IDA's lack of activity in rural development and agriculture, especially given the organization's objective of poverty reduction. Ugandan respondents from government and civil society, for example, held that IDA seems to have lost sight of agriculture's key role in reducing poverty and urged IDA to listen more to farmers when assessing the needs of the agricultural sector. A cross section of respondents in Bangladesh also underscored the need for more active IDA support in agriculture diversification and agro-business. Government and donor respondents in Mozambique also highlighted the damaging lack of credit for small farmers and traders, and held that the "the neglect of rural smallholders" by IDA and other donors was a crucial poverty issue.

4.5. **Poverty Reduction Strategy Papers (PRSP):**

Particularly within government, several respondents across countries expressed considerable optimism about the potential contributions of the PRSP. In Ghana, IDA staff observed that the PRSP has "increased the leverage" of the poverty unit within the central government by putting poverty reduction at the center of development planning. Similarly, respondents in Bolivia credited the PRSP with "forcing the [poverty] issue to center stage." Government officials in Vietnam explained that they have engaged in detailed consultations with the "mass organizations" prior to submitting the interim PRSP (IPRSP). They added that the IPRSP has fed into the Social and Economic Development Plan for 2001-2010. Opinions about the PRSP were far from uniform, however. A donor to Cambodia expressed a concern that was raised elsewhere: the poverty reduction focus could possibly distract government from the task of achieving rapid economic growth.

Box 2: PRSP in Bolivia

Respondents held that IDA was catalytic in initiating the National Dialogue (DN2K) in Bolivia, a process of national consultation that was set in motion to derive the mandate of the PRSP. The PRSP was widely held to be a popular and participatory process, anchored in the national Dialogue and popularized through Jubilee 2000. Respondents from the Bolivian government and donors projected that the PRSP is likely to become the key organizing principle for public investment.

4.6. **PRSP and ownership:** Some respondents proposed that the PRSP would be likely to suffer from the same flaw as innumerable other well-intentioned initiatives, eliciting compliance but not commitment from governments. Commentators from governments and civil society, for example, worried about the negative impact that PRSP deadlines would have on country ownership. Donors in Ghana also commented that the government's ownership of externally initiated processes is low, despite its willingness to comply; they asserted that the only "truly owned" development strategy was the government's own indicative plan. Similarly, NGO respondents in Cambodia claimed that if IDA is serious about ownership, it should accept the government's recently produced development strategy as the basis for the PRSP. Notably, two IDA country teams have decided not to distribute the 14 PRSP tool-kits to their respective governments based on the concern that the tool-kits would dampen ownership of the ensuing strategy.

5. Aid Coordination

IDA's leadership role in aid coordination was lauded, although some cautioned that IDA was sometimes too dominant, leaving insufficient room for leadership from government or other donors. Donors suggested that Consultative Group meetings and sector-wide approaches (SWAPs) were helping to create a culture of information sharing among donors, which would lay the foundation for enhanced selectivity and cooperation in the future. Donors also maintained, however, that less formal norms still have significant impacts on how the "aid machinery" works in individual countries: expectations and incentives within donor agencies remain viable constraints to donor activities and behavior. They also held that efforts to harmonize procedures among donors cannot be tackled solely at the country level and called for more effort at the institutional level. Comments suggested that the extent to which Borrower governments have assumed leadership of aid coordination varies on the national and sectoral levels, both within and across countries.

- 5.1. **IDA performance on the country level:** Donors considered IDA's role in leading and facilitating aid coordination on the country level to be instrumental in each of the focus countries. Comments suggested that IDA played a key technical role in creating mechanisms for collaboration through semiannual Consultative Group meetings as well as ongoing local consultative group (LCG) meetings on specific sectors or themes in several of the countries. Sector specialists in Bangladesh noted that the LCG meetings were making a qualitative difference, enabling donors to "work in the same direction." At the same time, donors in Bolivia, Vietnam, Ghana and Cambodia underscored that aid coordination was a surprisingly time consuming and staff intensive exercise. While some donors criticized IDA for being too proactive, others acknowledged cases in which IDA's efforts to encourage leadership by government and other donors at the sectoral level have failed, causing IDA to "drive by default."
- 5.2. **Comprehensive Development Framework (CDF):** In Vietnam, skepticism of the CDF as a Bank initiative launched with what some considered to be insufficient recognition of prior efforts to coordinate aid and build partnerships, seems to be giving way to general support and even enthusiasm. The Government of Vietnam has indicated its willingness to assume leadership of the CDF working groups, which may signal growing ownership of the process. The CDF in Ghana was seen by CSOs as having the potential to be an important instrument for promoting popular participation in development, but the widely articulated caution was that it would not automatically fulfill this role. Discussants in Bolivia noted that the CDF was a useful tool for rationalizing public investment and coordinating foreign assistance, embraced by a small cadre of technocrats in the MOF. Comments from a cross section of respondents suggested that the CDF process bears some resemblance to the still nascent and uncomfortable interactions between government and civil society that were observed in the non-CDF countries. In Ghana, NGO discussants held that participation in CDF consultations was "limited to elites who are handpicked by the government;" one official argued that, as a consequence, the CDF was a "flawed process... [that] lacks popular legitimacy." Similarly, respondents from Bolivia proposed that "outside the donor community, the CDF was not a familiar concept... and is virtually unknown outside the upper echelons of the government." Donors in the Kyrgyz Republic also expressed concern that only pro-Government NGOs had been invited to a recent CDF workshop, diminishing the outreach impact of the exercise.
- 5.3. **High transaction costs expected to decline:** Donors and some government officials in Ghana, Bolivia, and Vietnam held that "the inputs to the process are heavy now because

we are in the start-up phase” and that “despite the steep initial costs... transaction costs will eventually decline and benefits will become more apparent.” In the short run, some Bolivian officials maintain that the CDF has “slowed things down,” making aspirations to establish ownership and partnership even more difficult. Several officials in Bolivia agreed that “the CDF has not been internalized fully by the government, IDA, or other donors.” Donors in Vietnam agreed that if the CDF were to be successful, it could greatly improve the effectiveness of aid; if it were not well managed in the future, however, they agreed that the CDF could result in excessive meetings of low productivity.

- 5.4. **Perspectives about IDA’s partnership:**² Across countries, donors suggested that IDA’s cogent analytical reports, “phenomenal” financial investments, and capacity to dialogue with government have shored up its leadership role in aid coordination. However, donors observed that IDA’s internal constraints and priorities have constrained its ability to be an equal partner with other donors. Comments from donors in Uganda, Bolivia, Bangladesh and Vietnam included the following:

It is hard [for IDA] to collaborate with others when running programs from Washington. More delegation of authority to field offices is necessary in order to make partnership in the field work.

The split between Headquarters and [the Field Office] is creating problems...IDA is [limited] by a critical lack of field staff with decision-making authority and by poor communication between headquarters and field offices.

In Uganda some donors held that, “[IDA] has its own agenda and therefore is not a neutral coordinator.” Similarly, several donors in Bolivia argued that IDA was sometimes too much of a protagonist and maintained that they “would be more ready to collaborate if the government, rather than the Bank, did the leading.” They suggested that, at times, aid coordination seems like an exercise in convincing donors to agree with IDA’s point of view. Several government officials and NGOs in Bangladesh contended that donor coordination has perhaps given IDA and other donors “too much clout,” which may be undermining country leadership of the development agenda. Respondents from donor agencies in Uganda, Mozambique, and Vietnam emphasized that country leadership of aid coordination processes was strong, but perspectives about the extent of country leadership in the other focus countries were mixed.

- 5.5. **More harmonization required, at country and institutional levels:** Several government officials across countries lamented the high transaction costs of disparate donor reporting requirements and procedures; many donors also concurred that the need for harmonization of procedures is acute, especially in the context of sector-wide approaches. Donors in Bangladesh suspected that IDA “was not quite ready to handle” the implications of harmonization of procedures and core funding in the country’s Health SWAP. One observer in Bangladesh also noted that “the system is trying to solve these issues on a case-by-case basis... [but] they can only be adequately addressed on the institutional level.” Respondents from the Kyrgyz Republic, Bolivia, and Ghana also held that many of the constraints to better partnership, such as procedural requirements and accountability standards, cannot be addressed at the country level and argued that there was insufficient coordination on these issues at the institutional level among donor agencies.

² PRSP discussed in Section 4.

5.6. **Sectoral experience:** The experience with SWAPs were a top area of interest among donors in almost all of the focus countries.

- ◆ *Origin of SWAPs:* Donor respondents in Mozambique, like several in Ghana and Bangladesh, proposed that “SWAPs were developed with the aim of reducing the overlap among donor activities, increasing coordination, and harmonizing policies and procedures.” Notably, leading government officials in Mozambique and Ghana argued that top SWAPs in both countries began primarily as a result of government initiatives to develop coherent sector strategies and subsequently evolved into a mechanism for streamlining donor assistance projects; they held that government ownership of several SWAPs was “complete” and donors broadly concurred with their assessment.
- ◆ *An improvement from the traditional approach:* Donor leaders and sector specialists along with government officials from central and line ministries noted that the extent of donor coordination on the sector level is highly variable, ranging from mature sector wide approaches to the awkward co-existence of disparate projects. Donors involved in SWAPs affirmed that SWAPs were a significant improvement to the traditional approach of separate and uncoordinated donor-financed projects, although SWAPs were harder to design. Respondents noted, for example, that the Bangladesh Health SWAP took five years to develop and that the groundwork for the Ghana Health SWAP began in the late 1980s.
- ◆ *IDA Role in SWAPs:* IDA’s role in developing SWAPs was generally considered to be supportive and catalytic, although its performance during implementation drew considerable criticism due to perceptions of unwillingness to modify “protracted and centralized” procedures. One donor in Mozambique described a problem that was raised in other countries, noting that “IDA is a strong proponent in the initial plans, but when it comes to the nitty-gritty of working out the financial and procurement procedures, IDA falls behind.”

5.7. **Informal rules of the game:** Donors suggested that historical relationships and institutional incentives also have a strong influence on their actions on the country level. In Vietnam, observers proposed that the scope and dimensions of donor activities are influenced by an “informal pecking order derived from past roles.” In Bolivia, perceptions of a lack of good will and cooperation between IDA and another top donor were “a matter of great concern,” because “a common vision and approach are essential to get things moving... [when] local institutions are weak.” Regarding the relationship between donors and governments, donors made the following observations:

We all have the motivation of the pipeline; we have to move projects. The push to produce and have turn-over is a big limitation to promoting ownership and sustainability.

The automation related to our work is an impediment... [and] aid is not an instrument that can be used in the dialogue because the government knows they will get the money.

There are corporate vested interests at high levels in our organizations to maintain [the country’s] positive image... we need a “good pupil” in the region. The application of IDA and IMF conditionalities is not strong here.

Donors need to sing the same song; only if the donors agree and do not back down will we see progress. The system breaks down when some donors prioritize disbursement while others are trying to emphasize performance and results.

A number of donors proposed that some borrowers have learned to “manage the donors,” and several non-governmental respondents in Bolivia, India, and Ghana intimated that, at times, IDA has been too lenient – even complacent – with their governments, “acting against its better judgement and... true national interest.”

6. Private Sector Development (PSD)

Of all consulted groups, discussants from the private sector were the least satisfied with the extent and quality of their communication with IDA and a sizable percentage expressed strong dissatisfaction about IDA’s involvement in the sector. Numerous business leaders across countries claimed that core constraints to enhancing the business environment in their countries result mainly from government suspicions of private sector activity and weak legal and accountability systems. While government officials acknowledged successes and failures in IDA’s PSD activities, business leaders in several countries were broadly critical of IDA’s policy advice and involvement in privatization and liberalization efforts.

- 6.1. **Largely unsatisfactory levels of communication:** A striking commonality across several of the countries were the strong claims about the unsatisfactory extent of communication between IDA and the private sector. Entrepreneurs in five of the countries contended that IDA’s involvement in private sector development seemed lamentably restricted to the public sector; some agreed that their involvement with IDA was limited to “what trickles down from the government.” In most cases, private sector representatives called for more and better communication with IDA and underscored that better consultation was essential for improving the quality of IDA policy advice in the future. Comments from the consultations with private sector representatives included the following:

Entrepreneurs regretted “the aloofness and lack of interaction with the Bank,” some complaining that IDA had “abandoned” the private sector.

Respondents proposed that IDA is detached from the private sector and is not private sector friendly.

Business leaders called for a meaningful dialogue, with [IDA] officials illustrating results of consultations and explaining why certain ideas weren’t taken up; they held that the Bank only asks questions, and did not engage in truly participatory processes.

Entrepreneurs in Cambodia commented that IDA and IFC’s recent efforts to foster dialogue between government and the private sector through a Private Sector Forum was making a substantial contribution. In Vietnam, government officials had mixed feelings about the IDA/IFC Private Sector Forum, and were reluctant to accept local business representatives as legitimate participants in the dialogue.

- 6.2. **Constraints in the business environment:** Across countries, entrepreneurs argued that core constraints to improving the business environment related to ineffective legal and judicial systems and government suspicions of the private sector; their main problems

were less with the legislation on the books than with operational roadblocks on the ground. In Bangladesh, private sector representatives suggested that IDA should help to “get the government out of the way” and underlined the need for a “national integrity system” with checks and balances. They emphasized that “we need a stronger judiciary so that the legal system functions and law and order are maintained.” Respondents from the Kyrgyz Republic also raised concerns about the effects of corruption in critical parts of the executive and judicial branches on the business environment for medium-sized firms. Business leaders in Mozambique held that the “private sector culture” that IDA intended to promote was originally very encouraging, but it is still only on paper:

“the beginning was very promising, it opened a lot of doors... but once passing through the door, entrepreneurs found a different reality, a very negative environment. One of the most important problems hampering the development of small and medium local private enterprises is the lack of government support in dealing with legal, bureaucratic, and administrative requirements. Enterprises have to look after themselves in an environment of doubt.”

In Ghana, private sector discussants widely agreed that entrée, decent regulations, and even incentives for PSD are on the books but held that the core constraint was government’s suspicion of the private sector which creates operational roadblocks: “the problem is getting from what we say to what we actually do.” They held that institutions that were set up to combat corruption have proven to be essentially toothless, and they urged IDA to strengthen institutions that facilitate and play advocacy roles for PSD. Respondents in Cambodia also held that although laws aimed at encouraging investment have been enacted, there is little practical value in such initiatives if the judicial system is weak or corrupt. By all accounts in Vietnam, the arguments within government about the pace of PSD reform reflects an ongoing battle between the old ideologues, who are afraid of losing control, and the younger leaders, who recognize that the country’s future development depends to a large part on the private sector and foreign direct investment. Some foreign private sector respondents alleged that IDA has done too little to develop PSD and, in this regard, has become an apologist for the government.

- 6.3. **Few positive views about IDA performance:** By and large, government respondents tended to have mixed views about IDA’s performance in PSD, acknowledging hard-won gains as well as policy and program failures. Officials held that IDA’s record in the regulatory field and the financial sector in Bolivia was broadly commendable, though progress was often halting. They maintained that Bolivia’s financial reforms have been tough, but necessary. Core government officials in the Kyrgyz Republic also held that IDA’s role in the corporate restructuring of an important SOE was “one of IDA’s most successful interventions” and considered IDA’s advisory role in the energy sector, including a recently produced sector note, to have been useful. Similarly, several government officials and private sector representatives in Uganda maintained that IDA played an important role in creating a credible investment climate, commenting that:

The most important step [IDA] took was to support consistent stabilization programs that built the credibility and confidence that are prerequisites for private sector investment.

The liberalization of the foreign exchange market was a brave move in the African context. The absence of capital flight vindicated the reform and built investor confidence, while coffee marketing liberalization, another excellent idea, promoted coffee recovery and exports.

Even in cases of policy and program failures, some government commentators argued that IDA's advisory role is critical. Officials in Bangladesh, for example, urged IDA to stay in dialogue with the government even if reform programs failed because IDA analysis could support the on-going sector policy-making. One official argued that "the ideas are more important than the money," and another proposed that IDA analysis "strengthens my hand."

6.4. **Experiences with privatization and liberalization:** In several countries, private sector representatives made critical and at times vociferous claims about the consequences of IDA policy advice and several IDA programs related to privatization and liberalization. IDA-financed privatization programs in Ghana, Bangladesh, Uganda, the Kyrgyz Republic and Mozambique were decried by private sector representatives as well as government officials based on claims of poor program design, ill-informed policy advice, and largely negative outcomes. Top issues of concern across countries were the following:

- ◆ *Questionable policy advice and program design:* Government officials from Mozambique held that IDA did not sufficiently advise the government on alternatives when the state development bank was privatized, and claimed that the government could not refuse because "[government] cannot say no to the Bank." Similarly, virtually all commentators on the liberalization of the cashew industry in Mozambique condemned IDA's policy advice and program design, maintaining that "people blame the Bank for the collapse of the cashew industry." While government officials from Uganda affirmed that the need for privatization was universally accepted, they argued that "privatization objectives, the role of stakeholders, and the transparency and independence of the process, were not well thought out [and] implementation was highly questionable." Private sector representatives from Uganda also argued that IDA's liberalization policies were based either on ideology or "ready made approaches" from other contexts. Business leaders in Bangladesh were strongly critical of IDA's policy advice for the privatization of the jute sector, and government officials held that the failed operation has felt the sector worse off; the officials agreed that the program was "ill-defined" and "poorly designed." A number of commentators in the Kyrgyz Republic also contended that an IDA-financed privatization effort was premature due to the weaknesses in the business environment (poor corporate governance, negative investment climate, etc). They argued that IDA should have tried to address these issues before initiating the program.
- ◆ *Concerns about sequencing and implementation:* Several government officials in Mozambique claimed that although they were not in agreement with the sequencing of the cashew industry reform program, "if we did not go along, we would have lost the Bank support that we needed." In Ghana, officials also argued that IDA was obstinate about implementing a "flawed [divestiture] program" despite governments objections; they held that IDA's push to divest an "arbitrary list" of state owned enterprises resulted in a hasty fire sale of assets that resulted in significant costs to the government and to workers. Ghanaian private sector respondents emphasized that the divestiture process had been characterized by lack of transparency, cronyism, and political favors and most held that IDA did not adequately supervise the privatization process. IDA's role in capitalization and pension reform in Bolivia was also criticized, and respondents held that the processes were carried out too fast with too many errors, such that failure was foreseen although the projects were allowed to go forward.

- 6.5. **More attention to SMEs and national strategy:** Numerous respondents from business groups and NGOs also urged IDA to pay more attention to the needs of small and medium enterprises (SMEs) and to the development of comprehensive national private sector development strategies. Respondents from Mozambique, Bolivia, the Kyrgyz Republic, Uganda and Bangladesh argued that IDA could do more to support SMEs and microfinance, and urged for more attention in these areas. In addition, private sector representatives from Mozambique, the Kyrgyz Republic and Bangladesh proposed that IDA should stimulate (through analysis and dialogue) the development of a national PSD strategy that aims to reduce the costs of doing business.

7. IDA Performance and Procedures

IDA's decentralization to field offices was largely appreciated across countries. A majority of respondents from government, civil society, the private sector, and donor agencies remain concerned, however, about the lack of clarity in accountabilities between field offices and Headquarters and about the multi-layer bureaucratic review processes that continue to impede working relationships in the field. Many held that there also remains substantial room for improvement in project design and implementation.

- 7.1. **IDA's comparative advantage:** The most commonly cited areas of comparative advantage for IDA were the following:

- ◆ Macroeconomic reform
- ◆ Superior analytical work and dissemination of information
- ◆ Technical competence and policy advice
- ◆ Human resource capacity
- ◆ Aid coordination and sector coordination
- ◆ Attractive lending terms

- 7.2. **Decentralization of decision-making to the field:** Respondents in Vietnam, Ghana, Bangladesh, and Bolivia expressed considerable appreciation for IDA's efforts to increase the staff and authority of the field offices in their respective countries. Government officials and donors in Cambodia would welcome an increased IDA presence in the country, and several Cambodian officials contended that the field office is currently inadequate for managing the portfolio. At the same time, the overwhelming perception in Bolivia regarding IDA's increasingly open and accessible posture was that it was less institutional than personal – i.e. that individuals made the difference – and that the improvement is more pronounced locally than in Washington. Like others in Bangladesh and Uganda, several Bolivian respondents believed that decisions that would best be made locally continue to be directed from headquarters; donors in each of these countries as well as in Vietnam echoed this concern.

- 7.3. **Project implementation:**

- ◆ *Project Preparation:* Government officials in several countries underscored the perception that IDA is sometimes constrained by haste and constant changes in staff, and argued that implementation and effectiveness suffer because of it. Respondents in Uganda asserted that IDA missions “don't adequately consult with civil society because they don't have time to do so,” and government officials held that frequent changes in IDA task managers has been problematic; several Ghanaian respondents were of the same opinion. In Vietnam, respondents observed that IDA staff from headquarters tend to be “in too much

of a hurry and don't appreciate local conditions." Donors in Vietnam also highlighted a perceived imbalance in staff resources devoted to project preparation and appraisal as opposed to supervision, alleging that this leads to "massive" over-design and insufficient attention to modifying and restructuring projects during implementation. Officials in Mozambique observed that IDA pays more attention to environmental considerations in preparation than during implementation and Indian respondents urged that IDA pay more attention to improving environmental indicators for projects and proper monitoring.

- ◆ *Supervision and monitoring:* Donors and NGO respondents in Uganda, Mozambique, Vietnam, Ghana and India held that there are sometimes serious weaknesses in project supervision and monitoring of IDA-financed projects. Commentators on environmental issues in India complained that IDA does not strongly enforce IDA guidelines and also alleged that IDA does not always abide by the country's own environmental regulations. Commenting on the treatment of gender issues in IDA projects, an official from Mozambique wondered about quality control of IDA's policies, observing that "it all depends on individuals." Additional comments include the following:

The failure to monitor how [IDA] policies affect local people means that negative impacts cannot be mitigated and future policies and project design do not reflect civil society input. Independent monitoring of Bank projects could forestall corruption.

Poor supervision is a serious problem. Task managers fly in from Washington four times a year for a fortnight, prepare an Aid Memoire and leave, but the project needs more continuous attention and assistance. The Bank cannot pretend to promote institutional reform...without continuous supervision.

IDA staff are too polite: public statements at the end of missions seem like fairytales.

- ◆ *Procedures:* IDA's procurement procedures were the subject of significant criticism and were described as "protracted," "bureaucratic," "rigid," "centralized," "an impediment to implementation," "too complex," "cumbersome" and "inflexible." Officials in Cambodia bemoaned the fact that IDA procurement and disbursement requirements were unfamiliar and problematic for government staff, resulting in difficulties and delays during implementation. Commentators from Bolivia and Bangladesh also took exception to perceived micro-management by IDA. Some Bolivian officials, along with officials from Mozambique, argued that the excessive use of the "no objection" function for routine decisions was in contradiction to the notion of ownership and undermined government authority. Government officials from Bangladesh also emphasized that IDA's procurement requirements caused their colleagues in line ministries to be "overloaded... and bogged down by micro-details." Although officials in Vietnam were also critical of IDA procurement procedures, several have reportedly admitted that the introduction of competitive bidding has resulted in considerable cost savings and would agree that IDA has strengthened the government's understanding of sound procurement procedures.
- ◆ *Budget constraints:* In Cambodia, IDA was criticized by donors and government officials for being slow to build up its field presence in order to adequately

assume its role as leader of the Consultative Group. Severe budget limitations were blamed for limiting IDA's ability to engage more fully with other donors and the government in the country. Similarly, observers hold that IDA is "hamstrung" by an inadequate budget for implementing the CAS in Vietnam, and some contended that the failure to adequately fund the Vietnam program is all the more regrettable given the Bank's substantial impact in the country.

8. Conclusion

- 8.1. In each of the focus countries, stakeholders affirmed the evolving poverty-focused development paradigm that emphasizes Borrower leadership, coordination among donors, substantive participation by non-governmental actors, and open dialogue. Although most parties seem poised and willing to put the CDF and PRSP to work, many stakeholders contended that the evolving development paradigm has not been fully internalized: some governments are still very reluctant to meaningfully engage with civil society and the private sector, harmonization among donors has been challenging and old tensions among donors persist, and many believe that IDA is still not fully prepared to be an equal partner with others. Most importantly, poor people are not yet well served by the system. In the words of one observer, "the poor have gained a voice, but not a solution."
- 8.2. By most accounts, IDA is considered to be a respected and valued development partner to governments, a resourceful partner with strong convening power within the donor community, and an advocate for the involvement of civil society and NGOs in development. IDA's strategic focus on poverty reduction was welcomed and its increased attention to governance and participation were broadly validated, though not wholeheartedly in all cases. A recurring message across countries and constituencies was the call for deeper and more targeted engagement by IDA – for consultations that have an impact on policy and programs; for governance efforts that improve financial accountability and build capacity; for poverty reduction efforts that reach the poor and impact the areas that matter most to the them; for private sector development that addresses the core constraints in the business environment; and for aid coordination that goes beyond information sharing to the harmonization of procedures across donor agencies. Constituencies argued that IDA's complex procurement procedures, unclear delegation of accountabilities between field offices and headquarters, and budget limitations are among the key implementation constraints for IDA on the ground.