

Presentation of the OED IDA Review to the IDA13 Replenishment Meeting
(Addis Ababa, June 7, 2001)
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I wish to begin by saying how pleased we are to have the opportunity to present the findings of the OED IDA Review to this meeting. The Review has been a challenging exercise that covers a period of dynamic change in the world of development. We hope that its assessment and recommendations provide useful input into the IDA13 replenishment negotiations.

Our presentation, which will be brief, is in two parts. The first part focuses on our assessment of IDA's performance in implementing the IDA10-12 replenishment undertakings. The second addresses the implications of the Review's findings for IDA13 and beyond.

Review of IDA's Performance in Implementing Replenishment Undertakings

Just to remind you, the Review was undertaken in response to a request by IDA Deputies in the course of the IDA12 negotiations for an independent evaluation of IDA's performance in implementing the main program and process recommendations in the IDA10, 11 and 12 replenishment agreements.

The review process, as endorsed by the Board of Executive Directors Committee on Development Effectiveness (CODE), involved a comprehensive, multidimensional, and participatory evaluation effort.

- In-country consultations were conducted in nine "focus countries" with representatives of government, civil society, the private sector, and other development agencies (and a separate summary report of those discussions is available as one of the Review's background papers).
- Two international workshops were held that brought together experts from both borrower and donor countries (a "proceedings" report from the final workshop was also prepared).
- Wide-ranging interviews were conducted with relevant Bank managers and staff as well as selective surveys of staff in key program areas.
- Desk reviews of Bank documents and working papers, Bank and OED project databases, OED sector and Country Assistance Evaluations, and external studies provided further information.

On the basis of this input, the Review team produced major background studies on the replenishment undertakings' core program and process themes; and these studies – on poverty, private sector development, environment, governance, aid coordination and IDA's performance-based allocation system -- served as key building blocks of the Review. In addition, the Review team interacted with and drew from on-going OED evaluations in the areas of participation, gender, and environment. These IDA Review

and OED evaluations contain the bulk of the evidence on which the Review's final report is based.

The main findings of the Review are best summarized in four points:

- The IDA10-12 replenishment undertakings have been relevant but highly demanding for both IDA and its borrowers.
- IDA's compliance with those undertakings have been satisfactory, but with qualifications.
- This performance has been helped by substantial changes in IDA's corporate capacities and in its way of doing business with its borrowers, though in particular areas the transformation remains incomplete.
- Development outcomes of IDA programs have been partially satisfactory, with notable improvements over the review period.

I will take up each of these points in order.

IDA's compliance with its undertakings has been for the most part satisfactory – although uneven across and within areas of emphasis. The Review notes significant advances in strengthening the poverty focus of IDA's analytical work, dialogue and lending. It also notes IDA's substantial contributions to poverty data collection and analysis; strong presence in the social sectors; and increased poverty and social dimensions in adjustment operations. These actions have helped countries to establish stronger foundations for economic growth and poverty reduction.

However, it has proven difficult for IDA and its partners to come up with practical policy measures to achieve broad-based growth, and to address the factors that affect the ability of the poor to participate in the opportunities created by growth-oriented policies. Two observations are relevant here. First, links between policy change, sector strategies, and poverty outcomes have not always been well articulated in country assistance strategies and programs. Second, lags in both rural and private sector development have been important contributing factors to the weak broad-based growth story.

Over the review period, IDA has also made important contributions in the areas of governance, gender and environment. But in each of these areas success has been limited relative to commitments – constrained, in part, by lack of consensus within IDA and among its member countries on the priority of these concerns and IDA's appropriate role in advancing each issue. In particular, on the issue of governance, IDA was slow to comply with its IDA10 governance undertakings. However, over the past four years it has given strong emphasis to public sector reform. It has increased staffing, analytical work and policy guidance. Country dialogue and reporting on governance issues have picked up; and institutional development is increasingly addressed in public expenditure reviews and lending operations. This is a promising start, but it is still early days in IDA's heightened attention to governance. The treatment of governance issues is still limited and not yet consistent across countries; and country-level strategies for institutional development, capacity-building, and public financial accountability are needed.

In the area of gender, considerable effort has been made in education and maternal health. In countries with large gender disparities, IDA has integrated gender into virtually all education projects, contributing to positive trends in girls' school enrollment. IDA assistance has been weaker, however, in promoting the economic participation of women and in supporting national gender plans and institutions.

On environment, there has been significant Bank research and analysis, a stable level of lending since the increase in IDA9, and support for the extended use of environmental assessments. But there has been only modest progress in promoting environmental sustainability at the country level, and in establishing criteria and mechanisms for tracking Bank/IDA environmental mainstreaming.

One constraining factor has been a lack of country interest in borrowing from IDA for either gender or environment, due, at least in part, to the availability of grant resources from other sources. But IDA has also lacked clear accountabilities for gender and environmental mainstreaming. In both areas, there is need to better integrate the issue into CASs, concentrate on strengthening borrowers' own action plans and institutions, and increase the diagnosis of the issue in CAS, program, and project related ESW.

Process as well as program change has marked the review period – aimed at building more effective partnerships.. IDA has considerably enhanced the role of the CAS, as the core planning document for its support of country development efforts, and has increased participation in CAS design. But selectivity in program and instrument choice remains a weakness within country programs – partly a reflection of the very limited progress achieved in aid coordination and harmonization.

Country selectivity is determined by IDA's PBA system. Here the Review finds that there has been a tightening of the link between country performance and IDA lending, that reflect improvements in the design and implementation of the performance-based allocation system. But the Review also finds some shortcomings –especially affecting the issues of equitable treatment across countries, the link between performance criteria and poverty reduction, and the link between performance ratings and CAS lending triggers. The Review makes a number of recommendations intended to address the remaining shortcomings – including, among others, a rethinking of the governance discount methodology and a move to full disclosure of the system.

As regards the additional issues of effective partnership – participation and donor coordination, the CDF and PRSP initiatives (both of which were launched after the negotiation of IDA12) have brought increased momentum to IDA's efforts. Still, there is much to do by IDA, together with its partners, to reduce the transactions costs of external assistance, harmonize aid standards, and increase aid's development effectiveness. This is a point on which we will put particular emphasis in the later discussion of the implications for the future.

Along with refocusing the IDA program, Management has done much to change IDA's way of doing business. As a result, IDA is today very different from IDA in 1994

(at the start of IDA10). IDA has shifted its focus to “the higher plane” of country programs and has increased its responsiveness to borrowers. This has included a more strategic role for the CAS, decentralization of an increased number of staff to the field, and the introduction of new lending instruments and program approaches – supportive, in particular, of increased emphasis on institutional development and public sector reform. In addition, Management has taken steps to improve the quality of the performance of the IDA portfolio, including through the establishment of the Quality Assurance Group (QAG) and Network quality assurance units. And these steps are showing results, in terms of improving IDA portfolio performance.

Still, as the Review points out, there are important areas of unfinished corporate adjustment, including the continuing need to strengthen sector and thematic strategies and policy compliance, rebuild economic and sector work (a key dimension of IDA’s comparative advantage), and develop adequate monitoring and evaluation (particularly at the sector or thematic and country levels) focused on results. All of which would require a better alignment of budget resources with program priorities.

We sought to assess what all of this has meant for the development outcomes (or expected development outcomes) of the IDA programs. We trust that you will appreciate the challenges of making this assessment, as discussed in the methodological note included as an annex in the final report. For one, neither the replenishment agreements nor Management’s instructions to staff provide specific benchmarks against which compliance or outcomes could be measured. Second the scope of the evaluation was limited by the IDA12 request for an assessment covering only 1994 to the present. This has meant, for the most part, making determinations of whether actions taken are likely to lead in the future to desired outcomes based on existing information on IDA activities and what evaluation has taught about what works and what doesn’t. However, as the Review stresses, weak M&E (and especially weak impact assessment) of IDA programs has limited what has been learned. Third, since many factors affect country program outcomes, attributing program success or failure to IDA’s actions alone is not possible.

Taking account of all this, the Review finds the development outcomes of IDA programs to be partially satisfactory, with notable improvements over the period – for reasons which we can discuss in more detail should you wish.

Overall, there can be no doubt that IDA has made very many important contributions to borrowers’ development efforts. Among them, are: support for improved economic management, increased social sector expenditures (including for girls’ education), expanded access to basic infrastructure, with increasing private participation, increased environmental awareness, heightened attention to public sector reform, increased poverty data and analysis, expanded stakeholder participation in projects and Country Assistance strategies.

Could IDA have done better? In our view, the answer is yes. IDA efforts could have had a greater impact if IDA had:

- Moved more quickly to address governance and institutional issues
- Better supported rural and private sector development, and economic opportunities for women
- Provided more and better assistance for capacity-building in borrower countries, including in the area of public financial management and accountability (now a major focus)
- Been more strategically selective in the use of its resources in coordination with partners.

Implications for the future

What does this evaluation imply for the future? The Review concludes that the policy framework that has guided the three replenishment periods remains broadly relevant – in terms of its broad-based growth and poverty reduction focus, within a framework of good governance; its emphasis on building more effective partnerships; and its increasing attention to monitoring for results.

However, IDA and its partners have a distance to go in putting the current policy framework into practice; in bringing their performance up to the expected higher performance standards; and in achieving stronger results on the ground.

The Review therefore suggests that the period ahead should be one of consolidation, focused on implementation of the program and process innovations developed over the past period, based on better alignment of IDA administrative resources with core program priorities. In drawing this conclusion, we do not intend to counsel complacency. Consolidation, implementation, and strategic resource allocations are, at this point, the “hard option.” “Hard” both in terms of what will make the crucial difference in advancing the now considerable breadth agreement on what needs to be done; and of the challenge entailed in moving away from entrenched practices on the part of both developing country governments and donor agencies.

For IDA, this means further adjusting its role at both the country and global levels. In its primary role of supporting country-based development efforts, the Review emphasizes that IDA should concentrate more on its areas of comparative advantage – which lie, for the most part, at the strategic level in supporting economy-wide, sector-wide, and government-wide reforms. At the same time, the Review suggests that IDA, with endorsement from its member governments, play a more pro-active role at the agency level to facilitate achievement of the long overdue harmonization and coordination of external assistance (needed for making greater progress toward the goal of poverty reduction).

More specifically, the Review makes the following main suggestions for strengthening IDA’s strategic role in the future.

- *Be more selective at the country, sector/thematic, and corporate levels.* OED and management agree that more needs to be done to increase IDA’s country,

program, and corporate selectivity, with greater concentration in IDA's areas of comparative advantage. This calls for rebuilding and strengthening IDA's economic and sector work; and better integrating corporate priorities, as reflected in sector and thematic strategies, into CASs (consistent with country ownership and improved aid coordination) to identify more clearly what IDA can (and cannot) commit to do. This corporate-level selectivity cannot be effectively determined in isolation from the strategic decisions of other agencies. Rather its needs to be part of a broad harmonization plan – that includes but goes beyond procedural issues.

Quantitative lending targets for sectors, lending instruments, or groups of countries are, in practice, disincentives for greater programmatic and country selectivity.

- ***Focus on governance and capacity building.*** The Review's second main implication for the future is the need to persevere with the heightened focus on governance. Every area of this Review highlights the centrality of governance and public sector capacity-building – with a view to encouraging borrower governments to be more efficient in providing public goods and services and more transparent and accountable to their publics. This implies that every aspect of IDA's assistance – analytical work, design and supervision of operations, monitoring for results – should have a capacity-building dimension. And that raises the question of whether IDA has the right instruments to carry out its particular role in institution and capacity-building, or whether it needs more grant resources. Recent experience also suggests that IDA, its borrowers, and other development partners need to make a special commitment to enhancing country public expenditure management and financial accountability.
- ***Commit to effective development partnerships.*** Put simply, the Review urges that IDA work at the country and global levels to get movement toward a new development architecture that entails a shift from ad hoc to structured arrangements of aid coordination. The PRSP, as a concrete mechanism for applying CDF principles, offers a potentially important way forward; and effective implementation of the initiative is obviously a priority for IDA12 and 13. Within that context, widened and strengthened application of sector-wide programs should be a priority at the country level, building on accumulated lessons of how to make this approach effective. IDA neither can, nor should, take the lead in all aid coordination efforts, although it can further adjust its own processes and procedures and it should work at the global level with others to do the same to achieve the much greater coordination needed at the country level and greater harmonization at the agency level.
- ***Strengthen policy accountability and program monitoring.*** These points were raised earlier and are areas of agreement between OED and management. The issue is to put in place what is needed to ensure policy accountability, develop monitorable performance and progress indicators, and establish the processes needed to track IDA and country performance and results, including importantly

capacity-building at the country level. Of particular immediate importance is the development of processes for tracking progress and monitoring country and IDA performance within the context of the PRSP initiative.

- ***Better align administrative resources with IDA program priorities.*** A better deployment of resources relative to IDA undertakings is essential to applying the other lessons of the past seven years. As the Review emphasizes, the relation between the budget process and the full funding of CAS is of particular importance. The introduction of a three-year rolling budget in the FY01 budget exercise is a useful step. We have also already noted the importance of maintaining adequate funding for IDA diagnostic and analytical work, carried out where appropriate in collaboration with partners.

The Review has also suggested that the Replenishment process might usefully be revised. Though broadly consistent with the evolving “mainstream development consensus,” the replenishment undertakings have been to some extent both over-loaded and over-determined. (Too much has sometimes been asked of IDA and too much sometimes promised) Undertakings have at points been unrealistic about what IDA and its borrowers could reasonably accomplish in three-year periods; have focused more on inputs than outcomes and results; have failed to consider IDA budget resources; and failed to take adequate account of the overall development assistance system.

Specifically, the process has in the past been too disconnected from IDA’s development partners – so that specific priorities have not always been as relevant as they might have been and IDA’s comparative advantage not sufficiently emphasized. The Review suggests three changes:

- ***Develop a longer-term vision focused on results.*** The specific suggestion here is that Deputies ask Management to develop, in consultation with borrowers, a long-term vision for IDA. This vision ought to clarify what is meant by IDA’s poverty focus, identify how resources can best be deployed to advance that over-arching goal, and consider IDA’s global role as a complement to its support for country programs.
- ***Engage borrowing countries in setting and reviewing replenishment commitments.*** Clearly this meeting is an important step in achieving the first half of this. But following the IDA13 negotiations, IDA ought to determine the best way to ensure on-going feedback and to engage partners in monitoring and evaluating IDA13 performance and the development outcomes of IDA programs.
- ***Define monitorable and achievable objectives and cost major new commitments.*** The point here is to shift the focus as much as possible from inputs and outputs to outcomes and results. And, to enhance IDA’s effectiveness, to make realistic costings of new commitments that would avoid IDA being asked to take on more than it can effectively deliver.

The changes underway in the development system generally and in the IDA program specifically are very encouraging. The challenge ahead is to keep moving in the right direction so as to accelerate desired results on the ground.

Again, I thank you for the opportunity to present these conclusions of the IDA Review. We look forward to your comments.