

# Toward Country-led Development

A Multi-Partner Evaluation of the  
Comprehensive Development Framework

Findings from  
Six Country  
Case Studies

BOLIVIA  
BURKINA FASO  
GHANA  
ROMANIA  
UGANDA  
VIETNAM

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ISBN: 0-8213-5669-0

e-ISBN: 0-8213-5670-4

**Library of Congress Cataloging-in-Publication Data has been applied for.**

# Contents

<b>Country Case Study Teams</b>	<b>vii</b>
<b>Abbreviations and Acronyms</b>	<b>ix</b>
<b>1. Introduction</b>	<b>1</b>
The Broad Development Context for the CDF Evaluation	1
Purpose of This Volume	1
Selection of Country Case Studies	2
Country Study Methodology	2
Main Messages from Country Case Studies	2
CDF Principles—Working Definitions	3
<b>2. Bolivia</b>	<b>7</b>
Methodology	7
Bolivia and the CDF: A Glass Half Full—Or Half Empty	7
Unique Country Characteristics	7
Long-Term, Holistic Development Framework	10
Country Ownership	12
Country-led Partnership	14
Results Orientation	17
Central Issues	19
<b>3. Burkina Faso</b>	<b>21</b>
Methodology	21
Burkina Faso: A Proud Development History—and Daunting Challenges	21
Long-Term, Holistic Development Framework	25
Country Ownership	26
Country-led Partnership	28
Results Orientation	30
The Way Forward	32
<b>4. Ghana</b>	<b>35</b>
Methodology	35
Background	35
Long-Term, Holistic Development Framework	38
Country Ownership	40
Country-led Partnership	40
Results Orientation	43
Conclusions	44

<b>5. Romania</b>	<b>47</b>
Methodology	47
Romania: A Long and Rocky Transition	47
Long-Term, Holistic Development Framework	49
Country Ownership	50
Country-led Partnership	54
Results Orientation	55
CDF Interrelationships	57
A Proposal	57
<b>6. Uganda</b>	<b>61</b>
Methodology	61
Uganda: Rising from the Ashes	62
Long-Term, Holistic Development Framework	64
Country Ownership	65
Country-led Partnership	67
Results Orientation	70
Sequences and Reinforcing Relationships among CDF Principles	72
Budget Support, Aid Quality, and Fiduciary Assurance	72
<b>7. Vietnam</b>	<b>75</b>
Methodology	75
Vietnam and the CDF: Progress, Yes, but Challenges Remain	75
Long-Term, Holistic Development Framework	77
Country Ownership	78
Country-led Partnership	80
Results Orientation	83
Tensions	84
<b>Annex: Evaluation Methodology</b>	<b>87</b>
<b>Endnotes</b>	<b>91</b>
<b>Boxes</b>	
Box 2.1: Bolivia at a Glance	8
Box 2.2: Customs Service Reform: Tough Government Decisions, with Help from International Agreements	13
Box 2.3: Basket Funding Lessons from the Ombudsman’s Office: It Takes Time and Money to Reap the Benefits	15
Box 2.4: The World Bank and “Planet Bolivia”	17
Box 3.1: Burkina Faso at a Glance	23
Box 3.2: Donors to World Bank: “Know Thyself”	29
Box 3.3: Achieving the Millennium Development Goals: A Probability Scorecard	32
Box 4.1: Ghana at a Glance	36
Box 4.2: The First Health SWAp	41
Box 4.3: A Country with Real Potential	45

Box 5.1: Romania at a Glance	49
Box 5.2: Romania's Shared Vision—The 1999 CDF Consultations	51
Box 5.3: Jiu Valley Development: A Regional CDF Model	52
Box 6.1: Uganda at a Glance	63
Box 6.2: An Essential Element: The Joint Sector Review	68
Box 6.3: Grassroots Monitoring of Poverty-Reduction Progress	71
Box 7.1: Vietnam at a Glance	76
Box 7.2: The MDGs: Proof of Ownership	79
Box 7.3: Lessons from the Poverty Working Group	81
Box 7.4: Consultative Group Meetings: The CDF in Microcosm	82

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# Abbreviations and Acronyms

ADB	Asian Development Bank	GNI	Gross National Income
BEAP	Business Environment Action Plan (Romania)	GPRS	Ghanaian Poverty Reduction Strategy (Ghana)
BPRS	Bolivia Poverty Reduction Strategy (Bolivia)	GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
CDF	Comprehensive Development Framework	HIPC	Heavily Indebted Poor Countries
CEM	Country Economic Memorandum	HIV	Human Immunodeficiency Virus
CG	Consultative Group	IDA	International Development Association
CIDA	Canadian International Development Agency	IMF	International Monetary Fund
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)	IRP	Institutional Reform Program (Bolivia)
CSLP	Cadre Stratégique de Lutte Contre La Pauvreté (Burkina Faso)	JBIC	Japan Bank for International Cooperation
CSO	Civil Society Organization (Ghana) (Uganda)	JSR	Joint Staff Review
Danida	Danish International Development Agency (Denmark)	LIPDHD	Letter d'Intention de Politique de Développement Humain Durable (Burkina Faso)
DFID	Department for International Development (UK)	MDBS	Multi-Donor Budget Support (Ghana)
EBRD	European Bank for Reconstruction and Development	MDGs	Millennium Development Goals
EU	European Union	MFPED	Ministry of Finance, Planning and Economic Development (Uganda)
ESMAP	Energy Sector Management Assistance Program (World Bank)	MOFA	Ministry of Foreign Affairs
FAO	Food and Agricultural Organization	MP	Member of Parliament
FOIA	Freedom of Information Act (Romania)	MTEF	Medium-Term Expenditure Framework
GDP	Gross Domestic Product	MTES	Medium-Term Economic Strategy (Romania)
		NATO	North Atlantic Treaty Organization

NDC	National Democratic Congress (Ghana)	PNDC	Provisional National Defense Council (Ghana)
NDPC	National Development Planning Commission (Ghana)	PNGT	Programme National de Gestion des Terroirs (Burkina Faso)
NGO	Nongovernmental Organization	PPL	Popular Participation Law (Bolivia)
Norad	Norwegian Agency for Development Cooperation	PRSC	Poverty Reduction Support Credit
NPP	New Patriotic Party (Ghana)	PRSP	Poverty Reduction Strategy Paper
OED	Operations Evaluation Department (World Bank)	PWG	Poverty Working Group
OMS/ WHO	Organisation Mondiale de Santé	Sida	Swedish International Development Authority
PAF	Poverty Action Fund (Uganda)	SWAp	Sectorwide Approach
PAR	Public Administration Reform (Vietnam)	SWG	Sector Working Group
PEAP	Poverty Eradication Action Plan (Uganda)	UK	United Kingdom
PEP	Pre-Accession Economic Plan (Romania)	UN	United Nations
PIU	Project Implementation Unit	UNDP	United Nations Development Programme
PMES	Poverty Monitoring and Evaluation Strategy (Burkina Faso)	UNICEF	United Nations Children's Fund
		US	United States
		USAID	United States Agency for International Development
		WHO/ OMS	World Health Organization





## The Broad Development Context for the CDF Evaluation

In early 1999, World Bank President James Wolfensohn launched the Comprehensive Development Framework (CDF)—a new framework for how the World Bank should do business with recipient countries and other development partners. Two basic ideas are at the heart of the CDF: one, that poverty reduction should be the fundamental goal of international aid and, two, that the way aid is delivered, not just its content, has an important influence on its effectiveness.

The CDF promotes four principles, each of which responds to past development assistance shortcomings and presents an approach for improvement. First, development efforts should be rooted in a *long-term, holistic perspective of a country's needs*, and should *focus on results* rather than inputs. All assistance should be based on *country-owned strategies* and *partnership relationships among development actors, led by the country*. While these four principles themselves are not new, bringing them together in a unified framework and promoting them vigorously in the global arena is an important—indeed, unprecedented—innovation at the World Bank.

In late 1999 the Committee on Development Effectiveness of the Bank's Board asked the

Operations Evaluation Department (OED) to evaluate how the CDF approach was being implemented. This resulted in a two-and-a-half-year multi-partner evaluation effort. A broad array of stakeholders—representing donor and recipient countries, multilateral agencies, and civil society and private sector organizations—joined in designing and funding the evaluation. The work was overseen and the findings were endorsed by a 30-member Steering Committee and a 5-member Management Group. The main source of evidence for the evaluation comes from six countries selected for in-depth case studies—Bolivia, Burkina Faso, Ghana, Romania, Uganda, and Vietnam.

## Purpose of This Volume

Collectively, the six country case studies provide an unusually rich source of material on the local dynamics of the aid business and the realities that countries face when they try to adopt CDF principles in earnest. In order to make this material more accessible (full case studies are over 70 pages), OED has summarized each study to about 15 pages and gathered all six summaries into this volume, which is intended to complement the main synthesis report for the CDF evaluation, *Toward Country-Led Development: A Multi-Partner Evaluation of the Comprehensive Development Framework*. This volume can also be used alone, to enrich the discussion of development assistance in a particular case study country or as a basis for

comparing country experiences. The CDF Evaluation Synthesis Report and the full Country Case Studies can be found on the OED Web site at [www.worldbank.org/evaluation/cdf](http://www.worldbank.org/evaluation/cdf).

## Selection of Country Case Studies

Since the main purpose of the CDF evaluation was to look at what had happened since the CDF was launched, priority was given to interested countries where pilot implementation of the CDF was the most advanced (on the grounds that these countries would offer the greatest potential for learning). Consideration was also given to Regional balance. One non-CDF pilot country (Burkina Faso) was chosen as a control.

## Country Study Methodology

Interdisciplinary teams of international and national evaluators spent several weeks in each country. A variety of methods were used to collect data, including literature reviews, focus group meetings, structured interviews, and field visits to regions and districts. Each team examined the extent to which CDF (and CDF-like) principles had been implemented, the factors that helped and hindered progress, and the impact on behaviors and outcomes. The teams drew from evidence already available to chart changes in behaviors, processes, and transaction costs and to identify emerging problems and risks. Surveys of government-donor relations, with a focus on the cost of doing business, were carried out in five of the six country studies. In each country, a small group of advisors was selected from the various stakeholder groups and

asked to serve as a country reference group. Their job was to guide the evaluation process and provide feedback on design choices and early findings. Each mission concluded with a workshop to allow country-level stakeholders an opportunity to comment on the findings before a draft was offered to an international audience for feedback. For more detail on country selection and methodology see the annex to this volume.

## Main Messages from Country Case Studies

Evidence from the case studies shows progress in implementing the CDF principles, particularly where one or more of the principles have been applied over a number of years.

But these positive changes are also uneven and fragile. This is not surprising, given that the process of change is still young and that implementing the principles requires changes in entrenched behaviors and institutional practices on the part of both donors and recipient countries—something not easily or quickly done. The evaluation concluded that continuous political leadership and sustained will by all development actors are needed if today's inefficient aid practices are to be transformed under the CDF approach. Common findings across case studies call for several areas of immediate change.

Despite some improvement, especially with regard to strategic alignment, there is still significant scope for donors to harmonize policies, procedures, and practices with each other and with partner governments. Ultimately, what is also needed to harmonize the current fragmented situation is strong country leadership.

Donors must be willing to change their own internal procedures and culture to better

accept and foster country leadership. These changes include:

- Increasing the responsibility and authority of donor field offices
- Furthering institutional reform to shift all actors from a disbursement culture to a learning and results culture
- Implementing new incentives systems to reward achievement of outcomes instead of success in spending money
- Making longer-term commitments and increasing the predictability and reliability of donor funding.

Reciprocal actions by recipient countries are also critical. They include:

- Place responsibility for aid management at a high level of government and provide that function with the authority and resources needed to demonstrate leadership over the various operating ministries.
- Where needed, give priority to overarching public sector reform to provide the environment in which CDF principles can flourish.
- Ensure that donor efforts to consult with country stakeholder groups are undertaken in a broad and transparent (rather than ad hoc and selective) manner, with the government in the lead.
- If harmonization is to mean adopting recipient country procedures, then those procedures must be sound and within a range of international good practice.
- If donor budget support is to be forthcoming, with its implied reduction in aid delivery

transaction costs, then the financial management systems of recipient countries must be sound.

## CDF Principles— Working Definitions

The following working definitions are drawn from President Wolfensohn's January 19, 1999, speech launching the CDF, and documents subsequently issued by the CDF Secretariat.<sup>1</sup> Because of space constraints these definitions will not be repeated in each country case study summary, but are placed here for reference.

### Long-Term, Holistic Development Framework

1. Design of a 15-to-20 year vision statement containing monitorable development goals that will:
  - a. Take account of broad aspirations of the population.
  - b. Include sustainable poverty reduction as overarching goal and related sub-goals aligned with the Millennium Development Goals.
2. Formulation of a coherent medium-term (3-to-5 year) strategy for making progress toward vision goals, specifically addressing need for:
  - a. Balance among macroeconomic and financial issues and structural and social concerns
  - b. Priorities in the face of capacity and hard budget constraints; and time-bound, concrete actions, with attention to phasing and sequencing.

### Country Ownership

1. Identification of development goals and formulation of strategy by country, not by donors.

2. Regular, broad-based stakeholder participation, under government leadership, including civil society, the private sector, local governments, and parliaments, with sustained public support from top political leadership and intellectual conviction by key policymakers, and strong links to institutions.

### Country-led Partnership

1. Government leadership in management and coordination of development partners and aid resources, including:
  - a. Consultative Groups, Aid Roundtables, and other coordination mechanisms
  - b. Analytical and diagnostic work
  - c. Alignment of external support—including lending, grants, analytical and diagnostic work, and capacity building—with the country's development strategy and donor comparative advantage
  - d. Harmonization of development agency procedures and practices
  - e. Alignment of internal partners' (civil society, the private sector, local governments) activities with the country's development strategy.
2. Relations among government, development agencies, and other stakeholders, marked by:
  - a. Mutual trust, consultation, and transparency
  - b. Assumption of mutual accountabilities and review of partners' performance
  - c. Demand-led support for strengthening government management and coordination capacity.

### Results Orientation

1. Designing programs with evaluable objectives that contribute to development framework goals, and developing intermediate indicators toward these goals
2. Monitoring and regularly sharing progress, with accountability for outcomes and goals, not just inputs
3. Creating and enabling capacities to generate, monitor, and use results information to improve performance in achieving goals and accountability.



World Bank

# Bolivia

## Methodology

The Bolivian study team was led by Nils Boesen, consultant, Process & Change Consultancy, and included Laura Kullenberg of the World Bank's Operations Evaluation Department; and Jose Antonio Peres and Juan Carlos Requena, national consultants.

The study was launched in October 2001 with a preparatory mission in Bolivia, followed by fieldwork from January 21 to February 11, 2002, to collect the majority of the data for the evaluation. The team benefited from the contributions of a national reference group that guided the evaluation and provided advice during the final stage of report drafting. The study's conclusions rest on a number of information sources: interviews with leaders and selected staff of government and donor agencies and nongovernmental organizations (NGOs); relevant reports and other documents; and survey results from respondents engaged in development work in the country. The team held a number of focus group discussions. The team's findings were presented at a stakeholder workshop at the conclusion of the fieldwork.

## Bolivia and the CDF: A Glass Half Full—Or Half Empty

While the relationship between the Bolivian government and international aid agencies had

been marked by ups and downs in the 1990s, more recently the planning and management of international support has generally evolved toward CDF principles—between 1997 and 1999 Bolivia had developed an aid framework that largely anticipated the CDF principles. International aid plays an extremely important role in Bolivia: half of the country's public investment has been supported by aid.

## Unique Country Characteristics

Twenty years of democracy and 16 years of structural reforms have changed Bolivia from an unstable country with a strong military presence into one with a free-market economy and improved social indicators. Bolivia's reform record is particularly impressive given its 1984–85 starting point: a budget deficit equaling one-quarter of the nation's gross domestic product (GDP), an inflation rate of 23.4 percent, and a balance of payments crisis that made it impossible for Bolivia to meet its international obligations.

In 1985, under a new government headed by President Victor Paz Estenssoro, Bolivia initiated a series of economic reforms centered on market economy principles that put the private sector in the driver's seat. Specific measures included free-market pricing of both salaries and interest rates and a more open stance to foreign trade, supported by a unified official exchange

rate. More stringent monitoring of public finances controlled deficit spending. The result: the public sector fiscal deficit dropped to 2.7 percent of GDP in 1986, and by 1987 a negative economic growth rate had turned around to a positive 2.5 percent. Inflation had dropped by more than half.

Social reforms began in earnest in the early 1990s, when the government proposed the Bolivian Social Strategy. The main thrust of the Strategy was a comprehensive approach to poverty reduction. It not only increased public spending for health, education, and sanitation, but also put in place economic measures designed to increase productivity and revenues in the country's poorest sectors.

In addition, the Popular Participation Law (PPL) was enacted in 1994 to counter Bolivia's long-standing public expenditure bias toward urban areas—through a pattern set in the colonial era, most government funding had flowed to the capital cities of the country's departments (as Bolivia's regional subdivisions are called). Along with the 1995 Administrative Decentralization Law, the PPL established a more equitable basis for the distribution and management of government revenues.

Reform measures extended to Bolivian institutions as well. These included giving the Central Bank the power to monitor banks and other financial entities (including pension, securities, and insurance firms), and reining in monopolies.

### Box 2.1. Bolivia at a Glance

#### POVERTY and SOCIAL

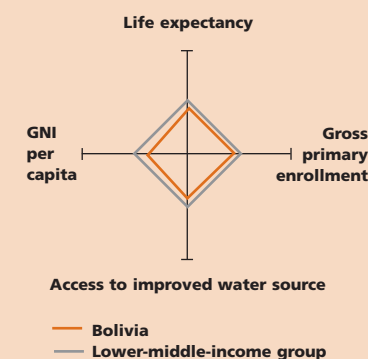
##### 2001

	Bolivia	Latin America & Carib.	Lower-middle-income
Population, mid-year (millions)	8.5	524	2,164
GNI per capita (Atlas method, US\$)	950	3,560	1,240
GNI (Atlas method, US\$ billions)	8.1	1,862	2,677

##### Most recent estimate (latest year available, 1995-01)

Poverty (% of population below national poverty line)	60	–	–
Urban population (% of total population)	64	76	46
Life expectancy at birth (years)	63	70	69
Infant mortality (per 1,000 live births)	61	29	33
Child malnutrition (% of children under 5)	7	9	11
Access to an improved water source (% of population)	75	85	80
Illiteracy (% of population age 15+)	14	11	15
Gross primary enrollment (% of school-age population)	98	130	107
Male	99	131	107
Female	96	128	107

#### Development diamond\*





## Role of International Aid

International aid has played an extremely important role in Bolivia's structural reforms. Between 1990 and 2001, aid averaged slightly over 9 percent of GDP.

## Stubborn Problems

Despite Bolivia's significant progress, problems remain on all three fronts: economic, social, and institutional. Economic growth has been modest—an average of 3.1 percent between 1986 and 2001. In per capita terms, this has not been enough to make an appreciable dent in the poverty level: at the end of the 1990s, Bolivia remained one of the poorest countries in the Americas, with a poverty incidence of 63 percent, ranking behind only Honduras. In rural areas, poverty incidence reached 82 percent.

Bolivian informants interviewed for this evaluation point to a crisis of political representation in the country, with a significant segment of the population excluded politically and marginalized economically. This is particularly true of the indigenous peoples, who make up nearly 60 percent of the populace and who have traditionally settled in rural areas, where the poverty level is 82 percent. The incidence of poverty combined with political exclusion is a combustible mixture: over the past several years the lack of a legitimate dialogue or common meeting ground has resulted in demonstrations and violent street clashes. With the 1985 shift to market economy principles, the traditional "functional" organizations such as the Bolivian Workers' Center and affiliated organizations such as the Trade Union Federation of Mining Workers lost much of their capacity to serve as a channel for representation and dialogue with the political system. While there are other emerging systems of representation—for example, regional and indigenous organizations—they have not yet filled the vacuum.

On the health front, while services delivered under Bolivia's Basic Health Insurance system have improved (for example, in maternal and child health), staff shortages undermine the quality of care in rural areas. In the education sector, while the illiteracy rate dropped from 20 percent in 1992 to 15 percent in 1999, the overall quality of education is still quite poor, judged by a number of standards. For example, it takes all students an average of seven years to complete the fifth grade, and less than a third of students in rural areas complete the eighth grade.

Progress toward institutional capacity building is limited by the significant gap between how laws and regulations formally define operations, and how public institutions actually operate. Cronyism is rife; the fragmentation of the political system produces coalition governments under which parties forge agreements to share state patronage. Concerns about corruption—the misuse of public power for private benefit—are pervasive in Bolivia. Indeed, the country scored 2.2 on a scale of 10 (highly clean) to 0 (highly corrupt) in the 2002 Corruption Perceptions Index by Transparency International. This score reflects perceptions of business people, academics, and risk analysts on the degree of corruption among Bolivia's public officials and politicians.

It is against this backdrop of mixed indicators that the CDF principles are being implemented in Bolivia: on one hand, real economic, social, and institutional progress; on the other, acute tension and conflict. It is therefore a complex context: one that both shapes the way CDF principles are applied in the country and that the CDF principles themselves help shape.

## Chapter Structure

The following four sections discuss Bolivia's progress toward each of the CDF principles—

Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership; and Results Orientation (see Introduction to this volume for a description of the CDF principles). The discussion of each CDF principle is divided into two segments: *achievements* already in place and remaining *challenges*.

## Long-Term, Holistic Development Framework

To a large extent, Bolivia had already pioneered CDF-like principles before they were articulated by the World Bank in 1999. The ground was prepared by the government that came to power in 1997, which held a nationwide dialogue designed to explain and enlist support for its domestic reform program focused on opportunity, institutionality, equity, and dignity. The government also reached out to the international donor community, inviting agencies to align their aid with its political vision.

In early 1999 the resulting donor-government partnership was spelled out in the New Relationship Framework—a made-in-Bolivia Comprehensive Development Framework. Given this head start on CDF principles, Bolivia was a natural choice as one of the initial CDF pilot countries.<sup>2</sup>

Even though the New Relationship Framework for international aid had prepared the ground for the CDF, seeds sown in the late 1990s did not flourish: the optimism and trust engendered by national dialogue and government-donor partnership withered with the waning influence of key government reformers and the persistence of a stubborn patronage system—and even, according to some observers, under widespread corruption.

## Achievements

Today there is a new government-donor initiative that provides a compatible structure for implementing the four CDF principles: the Bolivian Poverty Reduction Strategy, or BPRS.

Preparation of a national plan to reduce poverty is a requirement for access to an IMF–World Bank debt relief initiative tapped by Bolivia. (Since Bolivia receives its substantial level of aid in the form of both grants and loans, the country’s balance of payment obligations have remained a concern.) The program, the second iteration of the Heavily Indebted Poor Countries initiative, or HIPC II, offers a tradeoff to developing countries with a high debt burden: debt is restructured if the country commits to using the resulting budget savings for poverty-reduction efforts. HIPC II is delivering over \$100 million in debt relief to Bolivia each year.

Designed through a national dialogue process with participants representing the country’s municipalities (divisions of the country that include both rural and urban areas), the fundamental goal of the BPRS is to reduce poverty through both economic and social policies that fall under four interrelated categories:

- *Expanded employment and income opportunities* through support of productive capacity
- *Increased capacity* through improved primary education, preventive health care, and better housing
- *Enhanced security for low-income groups*, including the elderly and children
- *Expanded social integration* and participation for marginalized groups.

The BPRS includes a set of indicators to measure results, starting with three-year targets. In addition, it shares long-term objectives with the

Millennium Development Goals, a broad set of development goals with measurable outcomes supported by the international aid community.

The BPRS serves as the fund transfer mechanism for HIPC II. Fund allocation has several innovative features, which have been spelled out in the country's Dialogue Law: enacted to assure the continuity of the dialogue process, it requires updating of the BPRS every three years. Provisions of the law include:

- Significant increase in resources channeled directly to the local level.
- Municipalities determine resource use based on local demand.
- Portion of funds earmarked for local revenue generation.
- Municipalities discouraged from seeking additional funds from “godfathers”—whether local or international—outside of BPRS transfers.

Bolivia's 2002 budget mirrors BPRS priorities, and expenditures budgeted within the BPRS framework rose from 21 percent of GDP in 2001 to nearly 24 percent in 2002. Between 2001 and 2006 the BPRS will require \$7.3 billion to implement; that amount is projected to be available under agreements with international aid partners.

There are other wide-ranging reform initiatives under way in Bolivia, including programs that address issues in education, the legal system, and land ownership. All touch on strong national and local interests—and therefore all generate heated discussion, or even conflict.

## Challenges

There is no question that Bolivia has a highly developed capacity to formulate comprehensive

and long-term strategic plans and to convince international partners to endorse them. What has sometimes been less developed is Bolivia's ability to carry them out. The link between planning and implementation is often weak for a number of reasons; several relate to the central budget process. For example, budgeted funds are sometimes held up because of larger economic concerns, or because a relevant agency's budgetary discipline is lax. In addition, accounting is both late and unreliable, with no penalties for poor performance.

An additional stumbling block to current BPRS implementation includes the disconnect between the level of effort expected from local governments and actual municipal capacity. While scattered local capacity-building efforts are now under way, there is still considerable ground to be made up before municipalities can efficiently use funds being transferred to them under decentralization measures.

In addition, opposition parties, civil society organizations, and international partners fault the BPRS for failing to attack large structural issues contributing to poverty. They cite, for example, the need to address land redistribution, political inclusion of indigenous people, the issue of coca growers, and increased generation of tax revenues—a layer of issues they believe should be added to the current BPRS priorities of improved services in education, health, and sanitation.

Critics also cite what they see as the BPRS's unrealistic projection for economic growth, set at 5 percent per year, when the average rate was 3.1 percent between 1986 and 2001. Growth for 2002 was estimated at roughly 3 percent as well, but this is now seen as overly optimistic, given the ripple effects of neighboring Argentina's economic problems.

A final challenge to implementing Bolivia's comprehensive development vision as it is expressed in the BPRS is the fundamental question of whether a development strategy *can* be consistently applied over time in a democratic society—given shifting priorities when newly elected leaders come to power. For example, even though President Jorge Quiroga played a key role in promoting both the BPRS and the CDF when he was vice president, major elements of these plans were missing from his strategic plan for the country when he assumed the presidency after the incumbent president stepped down because of illness.

Some informants argued that the push for a national vision (as expressed in the BPRS) that is broadly agreed between the parties and by society may actually be incompatible with a basic characteristic of multiparty democracy: groups with different interests and values create different visions and plans that compete openly with one another.

In a democracy, successive governments have the right—and even the duty—to shape and reshape their own vision, strategies, and policies. Perhaps the answer to sustaining the CDF's long-term comprehensive vision is to think of the principle as being contained not in a single *paper*, but rather as a continuing *process* of construction and reconstruction.

## Country Ownership

Successive Bolivian governments designed and managed long-term reforms before the launching of the CDF. And many reforms for which there is strong country ownership have been supported by Bolivia's international partners. Rather than reforms having “country ownership” or “donor ownership,” what has often developed is a sense

of “shared ownership” between the two parties, complete with mutual responsibilities and accountabilities. The lesson is that the ownership principle should not be understood as a rigid absolute that dictates exactly what roles the government and international aid entities should play, but rather as a flexible relationship.

## Achievements

The dialogue leading up to the BPRS drew from a broader base of Bolivian civil society than previous national strategic planning efforts. In addition, BPRS preparations encouraged greater dialogue between government ministries.

As noted above, a further positive development was passage of the Dialogue Law, which laid a foundation for continuing the process. The law also provided a legal framework for a social watch mechanism by civil society organizations, an effort that was spearheaded by the Catholic Church. The evaluation team raises a cautionary question, however, in regard to establishing this supplementary process to the oversight provided by representative democracy: Will perceived deficiencies in the political system lead to other such parallel mechanisms, rather than changes that would allow the democratic system to function more effectively?

A related issue is the technocratic bias that governmental reform efforts tend to adopt (international agencies adopt it as well) in order to protect areas of public administration from the political system. There are conflicting forces at work here: unless a technocratic stance is taken, it can be difficult to prevent reforms from being appropriated and abused by the informal public administration system, with its widespread cronyism. However, a development dialogue divorced from a significant part of Bolivia's reality risks becoming a technocratic discourse of limited relevance.

The government's decentralization efforts can be seen within a context that includes the ownership principle: as noted earlier, the decentralization process was launched in 1994 through the Popular Participation Law (PPL). The PPL established "municipalities" that included both rural and urban areas, and specified that 20 percent of internal revenue and customs funds go to the municipalities, based on their population. While donor agencies were not consulted in designing the PPL, they have made significant contributions to its practical application: donors work with the government to monitor progress, and they finance both technical assistance and ongoing policy dialogue. Here, too, say evaluation informants, there is a sense of shared government-donor ownership.

There is also progress in the government taking ownership of donors' long-desired goal of improving the professionalism of civil servants. Previously, progress had been slow, with only such regulatory bodies as the Central Bank and the Customs Service showing improved profes-

sionalism and decreased politicization (box 2.2)—and then typically as the result of aid-related requirements. Not surprisingly, much of the explanation for lack of progress could be found in the resistance of political and economic entities with strong vested interests.

Under the 12-month term of President Jorge Quiroga (2001–02), however, an Institutional Reform Program (IRP) was implemented, which included:

- Creation of a Civil Service Superintendency
- Declaration of net assets by civil servants
- Reduction in number of people on the civil service payroll
- Increased wages
- Requiring employees to reapply for positions
- Expanding efforts beyond those already made in regulatory bodies—for example, now including the Ministry of Agriculture—to implement reforms.

### Box 2.2. Customs Service Reform: Tough Government Decisions, with Help from International Agreements

Until reform efforts in the late 1990s, the level of corruption in the Bolivian Customs Service had long been illustrated by a single surprising fact: even though many staff members received no salary, it was considered highly desirable to work there.

While several governments had tried to reform and modernize the institution, political pressures from their own political parties stood in the way of making the tough decisions necessary for effective restructuring. Finally, the government's desire to access International Monetary Fund (IMF) resources forced the issue: Customs Service reform was among the required conditions.

In 1998, the government asked the IMF for technical assistance in shaping a study to identify steps for implementing reform. After protracted political debate, enabling legislation was drafted and enacted. One of the law's key elements is shifting the authority to hire staff to a competitively selected firm, taking the Customs Service out of the process. These reform efforts have proven successful: Current problems in the institution now reflect concerns central to the Customs Service mission—for example, developing methods to reduce contraband.

The IRP initiative has the strong support of the international aid community, including the World Bank.

## Challenges

While the majority of CDF evaluation informants stress that the dialogue leading up to the BPRS was broader than that employed in shaping previous national strategies, they nevertheless agree that political and social support for the BPRS is less than what had been hoped for.

One explanation, briefly mentioned above, may be that there are actually two types of national dialogue that take place in Bolivia: The first is the “fight poverty” dialogue, which is typically the focus of international aid agencies and their plans, procedures, and processes. The second is a broader dialogue rooted in structural issues; it is mediated by the Catholic Church; by Bolivia’s recently established Ombudsman’s Office; and by the Permanent Assembly for Human Rights. It is this latter dialogue that expresses itself in social conflicts, including the violent street clashes of recent years. The two dialogues have separate agendas and priorities; the great challenge is to build a bridge between them.

The BPRS participatory process did not build the kind of stabilizing social agreement that could serve as such a bridge. In fact, note informants, the process had several negative repercussions. For example, by generating high expectations on a widespread scale—expectations that were not quickly met—the National Dialogue led to deepened cynicism and a loss of government credibility. The dialogue’s first phase had to be suspended in April of 2000 as the government declared a state of siege to suppress social protests.

The Bolivian experience confirms that the ultimate success of reform measures rests on a con-

tinuing strong base of support and effective implementation. Since there is no fixed roadmap to establishing the reform process, or for defining the exact role of international agencies, each reform initiative must have a careful strategic design: a subtle and complex mixture of government-donor leadership and broader participation at appropriate times—and then skillful “marketing” of the overarching vision.

Evaluation informants cited the need for international aid agencies to develop a greater understanding of the country’s political processes and institutions in order to be a truly effective agent in this process—one that has earned a level of trust developed over time through shared efforts among government, international agencies, and other stakeholders.

## Country-led Partnership

The relationship between Bolivia and its international partners has improved significantly over the past 10 years, notes the evaluation team. Among the contributing factors are increased government participation in donor-government Consultative Group meetings (facilitated by moving the meeting to La Paz from Paris in 2001); the New Relationship Framework (a CDF precursor), which more closely aligned government and donor efforts; and international agencies’ gradual movement away from traditional donor-driven and free-standing “island” projects toward broader sectorwide approaches that support national goals.

A significant step toward government-led aid partnership was taken at the 1999 Consultative Group (CG) meeting, where an aid management group was established. The group assigned a government and a donor representative to each CG working group (the working groups

### Box 2.3. Basket Funding Lessons from the Ombudsman's Office: It Takes Time and Money to Reap the Benefits

The Bolivian Ombudsman's Office was established by law in 1997 to implement a system for addressing citizens' government-related complaints and to provide such services as education on dispute resolution through mediation and consensus-building.

Since many aid agencies wanted to support the Ombudsman's Office, extensive funding discussions were required. Initially each agency wanted to decide on its own how and where to provide assistance—the traditional project approach. But then a suggestion from one agency representative led donors to agree on pooling resources, which would allow for a more comprehensive approach, complete with performance indicators and a monitoring mechanism.

Although it took a year to debate disbursement procedures and secure individual agency headquarters' approval for basket funding, in the end seven bilateral donors and the United Nations Development Programme reached agreement on the concept.

Despite the length of time needed to sort out the basket funding mechanism and initially high transaction costs, both donor agencies and the Office itself state that the benefits gained through a long-term comprehensive approach and simpler disbursement procedures were worth it.

being aligned with the four pillars of the government's Plan of Action for 1997–02: opportunity, equity, institutionality, and dignity). The continuing relationships established through this process formed the basis for planning the BPRS. Also contributing to progress in partnership is donors' ongoing shift to a broader program focus and the related use of joint financing methods, including common pool or "basket" funding. Bolivia displays considerable flexibility in constructing these arrangements to accommodate individual donor agency financing requirements. One example occurs when several donors finance a program through one common channel or donor, while donors with more rigid requirements provide direct support, all within the same program and with shared monitoring mechanisms (box 2.3).

The same kind of donor coordination also allows imaginative use of the competitive advantages of individual donor agencies—for example, using

agile agencies with local decisionmaking power to provide near-term technical assistance, and employing the skills of agencies with more rigid procedures (which require a lengthier headquarters' approval process) at a later project stage.

These kinds of partnerships, among donor agencies and between government and agencies, require a comfortable level of trust. In Bolivia, the trust level has followed something of a roller-coaster path: initially high in the mid-1990s, a 1998 power shift in the government—one perceived as accompanied by a significant increase in corruption—undermined trust. Under the Quiroga Presidency, trust increased. Now, in 2003, the government under President Gonzalo Sanchez de Lozada has the task of building trust for its own administration, as every new government must do.

What is evident over the long term, however, is that by building on achievements already in

place, the CDF partnership principle has considerable potential for making government-donor cooperation much more effective.

## Challenges

Despite progress toward government-donor partnerships, cooperation remains scattered and fragmented. The government must still spend administrative time and resources on more than 850 separate programs or large projects funded by international agencies. Many of these programs will be “reallocated” under the BPRS—that is, shifted to BPRS priority areas and away from lower-priority areas now considered overfunded. Observers see reallocation as a true test of donor agencies’ willingness to adapt to the country’s national priorities. That reallocation will take place under a new government that is defining its position in relation to the BPRS could further complicate what is already a complex process.

An additional challenge for establishing country-led partnership is the tendency for donors to participate in one level of national dialogue—one focused on reducing poverty through improved services such as education and health care—while avoiding the second level of dialogue, one that involves the more controversial structural issues of land ownership and the exclusion of indigenous groups. Both government and donor stakeholders point out that sticking to the first, more limited, view threatens to divorce donors from Bolivia’s political reality. They suggest it may be necessary for donors to widen their network of contacts to include leaders of social movements, parliamentarians, politicians from opposition parties, and the police in order to gain a more representative view of the issues facing the country.

Furthermore, while many donors say they are prepared to adapt to national priorities, the

evaluation team saw obvious problems with coordination and synchronization as they made field visits. Beyond “island” projects that are still being imposed by agencies on the basis of preconceived ideas, there are also examples of road and municipal capacity building that simply ignore Bolivia’s decentralization policy. This retrograde approach is being carried out by some agencies that are on record as supporting decentralization reforms.

The evaluation team also saw evidence that international agencies continue to micromanage projects—for example, by hiring consultants to do tasks that could be carried out by the country’s public administrators. In addition, there are many parallel project and program management units. While their presence may be warranted in a few cases, overall they undermine the long-term development of national and local institutions, by denying them project management experience.

The local offices of international aid agencies vary widely in terms of their authority to reallocate already approved assistance and administer programs at the local level: some have considerable autonomy, while others are constrained by a highly centralized structure (box 2.4). Agencies in the latter category are often prevented from “harmonizing” their procedures to make them more compatible with those of the government. (Donors are helping the Bolivian government strengthen its own procedures so they offer a credible alternative to donor procedures.)

There are other occasional tensions between bilateral and multilateral agencies; many can be attributed to the dominant role played by the World Bank and the IMF in the country. Sometimes the bilaterals band together in taking a common stand when they disagree with the Bank or IMF, in order to gain sufficient counterweight.



Other tensions arise because bilateral donors often have limited technical capacity to participate in policy dialogue or sectoral analytical work. One solution is for bilateral donors to become more selective, concentrating their efforts on a few areas where they can make an intellectual as well as a financial contribution. Doing so could also help “un-bunch” popular sectors where donors tend to concentrate. In Bolivia, these include decentralization, institutional reform, and the Ombudsman’s Office.

Finally, implementing the Country-led Partnership principle must balance the interests of all parties—not an easy task when international aid partnerships are inherently asymmetrical, based as they are on either a donor-beneficiary

or a borrower-lender relationship. It is possible, however, to build asymmetrical relationships that are both productive and reflective of CDF principles. One way is to make donor-government cooperation more efficient by reducing burdensome transaction costs imposed by donor procedures—for example, by improving procedure harmonization and donor coordination. Another is to recognize that wise, bold, and respectful behavior is the best path to sound policies.

## Results Orientation

The CDF evaluation informants agree that both the government and international aid partners

### Box 2.4. The World Bank and “Planet Bolivia”

The following example illustrates the difficulties international agencies can encounter in adapting to CDF principles. In 1999 the World Bank decided to conduct a pilot experiment and decentralize its operations to Bolivia, in order to better support country partners and priorities. A country director was posted in Bolivia (instead of a resident representative); the office in La Paz was reorganized to correspond to the four pillars; appropriately qualified professionals were appointed to boost the office’s capabilities considerably; and extensive authority was delegated to the leaders of each pillar (instead of being centralized in sector units in Washington). This arrangement was so different from the Bank’s usually centralized procedures that the Bolivia program was referred to internally as “Planet Bolivia.”

Bank staff engaged in an intensive participatory process with government counterparts over how to best serve country needs. This resulted in a proposal to, among other steps, decentralize authority so that the country office could approve individual operations within an agreed three-year program framework and budget. Although this proposal was enthusiastically supported by Bank staff and the Bolivian government, when it was discussed by the Bank’s Board of Executive Directors (in 2001), they disagreed, arguing that such an arrangement would cede too much of the Board’s stewardship and approval authority to the field. Operations were subsequently recentralized. A subregional office was opened in Lima, where the country director now resides. The staff was reduced in La Paz and the organizational structure based on “pillars” was dismantled.

This recentralization evoked a strong reaction from the largest bilateral agencies in Bolivia. They complained in writing in early 2002 that the Bank had “undermined the (CDF) pilot scheme, while a number of bilateral agencies have on the contrary decentralized their field (La Paz) operations to support the CDF. It is ultimately ironical and unhelpful that the Bank itself is now no longer supporting this key requirement of the CDF.”

are now more focused on measuring development results. On the government's side, results-oriented management as well as disbursement based on achieving targets are now used at both the central and the local level. In addition, the BPRS contains specific measurable goals. According to Bolivia's Interagency Monitoring and Evaluation Council, nearly 90 percent of the 81 short-term activities spelled out in the government's 2001 BPRS Plan of Action are complete—although it is too soon to evaluate their impact.

Local stakeholders have taken an active role in defining intermediate indicators as well as end results for the BPRS. And the Catholic Church is helping structure the social watch mechanism authorized in the Dialogue Law as a way to involve civil society in monitoring the BPRS. In addition, the National Compensation Policy establishes fiscal restructuring and efficiency goals at the municipal level, with incentives for municipal governments to meet them.

Some sectors, such as health, have been performance-oriented for years, either because of their scientific nature or through the influence of institutions such as the World Health Organization. And, since 1982, the government has had access to the analytical skills of the Economic and Social Policy Analysis Unit, which, together with the country's National Statistics Institute, is widely respected for its monitoring and analytical skills.

## Challenges

The strong focus of the BPRS on such “soft poverty” indicators as education and health limits understanding of the larger structural determinants of poverty. As noted above, these include lack of a political voice and restricted access to land and employment. Indicators for vulnerability and social and political exclusion

would have to be added to the BPRS in order to gain this broader understanding.

In addition, there is a need to coordinate the BPRS social watch functions defined in the Dialogue Law with those that have been established through other grassroots participation and decentralization efforts. Also needing coordination are the country's various methods for audits, inventories, and financial accounting, which now overlap and result in duplication of effort.

And, while Bolivia's central government has the skills needed to gather as well as process and interpret data, these skills are not matched at the municipal level—where, in any event, it is no easy task to devise performance indicators. At the same time, there are tendencies among donors to make monitoring and evaluation systems too complex, which results in less efficient data collection, processing, and feedback. A balance needs to be struck between complex systems and actual capacity.

While progress toward implementing the CDF results-orientation principle has certainly been made in Bolivia, weaknesses reveal that stakeholder incentives do not consistently support the goal. For example, international agency respondents identified their own “disbursement fever” as a barrier, not only to moving toward measurable results but to other CDF principles as well. Disbursement is an integral part of agency culture, where an official's success is frequently measured by their ability to spend budget allocations rather than by ability to achieve results.

Pressure to disburse funds is also a strong motivator for Bolivia's government. The country's level of aid dependence means aid is tied not simply to accessing know-how, but to balancing macroeconomic accounts: a low level of execution lowers Bolivia's level of economic

activity. Strengthening the results-orientation approach will therefore require a comprehensive reexamination of the incentives—or rather the current disincentives—contained in the Bolivian environment.

## Central Issues

Depending on an observer's perspective, Bolivia's progress toward achieving CDF principles can be seen as either a glass half empty or a glass half full. For example, a number of the recent institutional and macroeconomic reforms are well under way, including the Institutional Reform Program and the 2001 Finance Law. However, other reforms launched several years ago—such as those in education and decentralization—still have a long way to go, perhaps indicating a lack of institutional and political absorption capacity.

A further concern is that to some extent, the CDF casts international agencies as stakeholders in Bolivian arenas that are much broader than they used to be. Local representatives and agency headquarters staff must be on guard if they are to avoid lapsing into not only the tra-

ditional micromanagement, but also the “macro management” that the broad focus of the CDF and BPRS invite.

The challenges for both government and donors are enormous. For Bolivia, the main challenge is to extend national ownership of CDF principles to all social stakeholders and important political parties in the country—and to do so in a climate of social unrest where large groups of people have historically been excluded from the political process.

For international aid agencies, application of CDF principles in Bolivia has reached a watershed: since they are now well internalized by a critical mass of local representatives, continued progress requires changes at agency headquarters—and, in some cases, reengineering of operating methods.

But even if the challenges are daunting, the results so far show that progress is possible. Given the vulnerability of the disadvantaged in Bolivia, and of the country itself, these challenges need to be tackled—while the glass may indeed be half full, it nevertheless needs to offer more to Bolivia's citizens.



Curt Carnemark

# Burkina Faso

## Methodology

The Burkina Faso case study team was led by Dominique Lallement, manager, Energy Sector Management Assistance Program (ESMAP). Team members included Della McMillan, sociologist, consultant; Kyran O'Sullivan, senior energy specialist, World Bank Energy and Water Department; Patrick Plane, macro-economist, Director of the Development Studies Center, University of Clermont-Ferrand, consultant (France); and Kimseyinga Savadogo, macro-economist, former dean of the Economics Department, University of Ouagadougou, consultant. In addition, Jean-Pierre Ouedraogo, economist, independent consultant, organized focus group discussions with business owners and managers. Begnadeyi Claude Bationo, consultant for CIDA, contributed a report on the monitoring system for the country's poverty reduction strategy paper, the Cadre Strategique de Lutte Contre La Pauvrete, or CSLP. Eight University of Ouagadougou graduate students, supervised by Kimseyinga Savadogo, administered a survey to a cross-section of development stakeholders in four provinces.

The team conducted fieldwork during two visits to the country (in April and May of 2002), using a single reference framework in interviews and in focus group meetings, the latter with six categories of identified stakeholders: central government, technical ministries, donors, local institutions, civil society, and the general population. The reference framework was also used

in analyzing the main themes and sectors dealt with in the case study. These were grouped in three categories: institutional issues; social sectors; and growth, employment, and income generation. Altogether, roughly 200 people were interviewed for the case study (see Annex 2 of the case study report, "Evaluation of the Comprehensive Development Framework: Burkina Faso Case Study," for a list). The team also conducted an extensive literature review, including an analysis of government and donor assessments of Burkina Faso's experience in shaping its current poverty reduction strategy.

In addition, the study team employed a random survey of a cross-section of stakeholders in the four districts of Ouhigouya, Kaya, Boromo, and Tienkodogo. The districts were chosen to represent a range of poverty levels and ecological zones.

## Burkina Faso: A Proud Development History—and Daunting Challenges

### Unique Country Characteristics

The implementation of CDF principles in Burkina Faso takes place in a complex environment shaped by a long history of participatory traditions and long-range development strategies anchored in grassroots consultations, including through the colonial period. The governments that followed independence (the first lasted 14

years) built on the reforms of predecessors; the administration of the second post-independence government (1983–87), known as the revolutionary era, included a CDF precursor in the form of a comprehensive development vision, spelled out in Popular Development Plans for regional, provincial, and national levels.

Nonetheless, the legacy of the revolutionary era is mixed. The government had established local citizen committees with the primary goal of rooting out corruption, and a secondary role of mobilizing popular support for selected national strategies. In some instances, these committees became instruments of repression. To date, the government has had difficulty engaging civil society in national policy-related dialogue, including establishing a broad understanding of the country's development goals, such as those reflected in the poverty reduction strategy put in place in 2000, the *Cadre Strategique de Lutte Contre la Pauvrete* (CSLP). What has not been tamped down, however, is community participation in local development, which continues to be one of the country's strengths—as illustrated by more than 200 NGOs and roughly 14,000 associations.

Starting in the late 1980s, Burkina Faso developed long-term poverty reduction plans in four sectors: education, health, water and sanitation, and rural development. In the 1990s, the plans were supported by two poverty surveys—one done in 1994, the second in 1998. Both efforts made important contributions to the country's current poverty reduction strategy, and enabled it to articulate a comprehensive vision for long-term development and poverty reduction well in advance of the 1999 launch of the CDF. For example, the government shared its vision with aid donors at the 1995 government-donor Consultative Group meeting.

## Economic and Social Indicators

Supported by the international finance institutions, Burkina Faso launched a series of economic reforms in the 1990s. These included more prudent monetary and budget management policies as well as devaluation of the country's currency. The reforms worked; with an average 1994–99 growth rate of 5 percent, Burkina Faso's economy grew faster than the 3 percent average for the Sub-Saharan region.

Despite this overarching success, however, not all economic indicators were positive in the 1990s. Among the negatives were a 10 percent balance of payments deficit; high production costs that undermined export competitiveness, administrative barriers that hampered domestic and foreign economic investment, and the slow pace of privatization.

Although the privatization effort was launched in 1991, more than a decade later roughly two-thirds of public enterprises were still operating under state ownership. The privatization process, as in neighboring countries, has been undermined by a number of factors, including resistance from vested interests among both labor and management.

In addition, Burkina Faso's big-picture economic growth did not translate into progress in reducing poverty. The 1998 Poverty Survey showed a slight increase since 1993, with 45.3 percent of the population below the poverty line, compared with 1993's 44.5 percent. In addition, significant rural-to-urban migration was associated with a sharp growth in urban poverty, which rose by 6 percentage points over the same five-year time-frame, from 10.4 percent to 16.5 percent. There are also continuing regional differences in poverty levels, with areas lacking natural resources typically showing higher rates.

Burkina Faso ranks lower than most Sub-Saharan countries in social indicators. Infant and early childhood mortality levels are 104 per 1,000 and 219 per 1,000, respectively, versus 91 and 151 for the region. The country's literacy rate is 25 percent (less than 6 percent for women). While the school enrollment rate of 43 percent is low for the region, it is nevertheless a marked improvement over the country's 5 percent level in 1983. (See box 3.1 for these and other social indicators compared to Sub-Saharan benchmarks.)

### Need for Private Sector Growth

With the private sector contribution to GDP still nascent, the role of Burkina's central government remains paramount. The state is the major source of new ideas for the country's socioeconomic life, and public debate is sub-

dued. At the same time, Burkina Faso was the first country in Africa to have a privately operated radio outlet, and there are 10 newspapers, which are quite vocal. While the University of Ouagadougou's technical standards seem quite good, the government does not fully utilize its resources as a potential source of fresh policy approaches.

Burkina Faso's government is the major employer for nonagricultural sectors. Divestiture and devolution of economic activities to the private sector should therefore remain government priorities as a way to broaden the participation of the population in the country's economic and social development.

Currently the government relies on the rural population for economic growth: farmers have

#### Box 3.1. Burkina Faso at a Glance

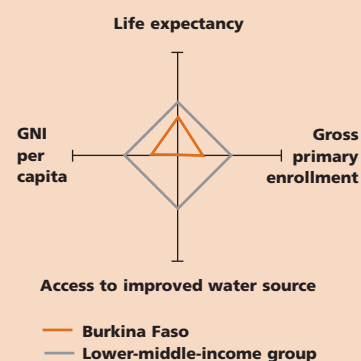
##### POVERTY and SOCIAL

	Burkina Faso	Sub-Saharan Africa	Low-income
<b>2001</b>			
Population, mid-year (millions)	11.6	674	2,511
GNI per capita (Atlas method, US\$)	210	470	430
GNI (Atlas method, US\$ billions)	2.4	317	1,069

##### Most recent estimate (latest year available, 1995-01)

Poverty (% of population below national poverty line)	–	–	–
Urban population (% of total population)	17	32	31
Life expectancy at birth (years)	44	47	59
Infant mortality (per 1,000 live births)	104	91	76
Child malnutrition (% of children under 5)	34	–	–
Access to an improved water source (% of population)	–	55	76
Illiteracy (% of population age 15+)	75	37	37
Gross primary enrollment (% of school-age population)	43	78	96
Male	51	85	103
Female	35	72	88

##### Development diamond\*



invested heavily in land and water conservation as well as in land development networks. However, internal population migrations undermine land-tenure security. The issue's complexity is illustrated by the fact that even though achieving land tenure security has been debated since the mid-1980s, little progress has been made. In addition, the significant rural-to-urban migration (between 12 and 15 percent a year) contributes to the lack of urban employment opportunities for unskilled workers, turning many urban immigrants into the unemployed homeless. Among the most vulnerable are adolescents and young adults, making job-training programs a likely future priority for the government.

### Aid Characteristics

Aid levels as a proportion of GDP in Burkina Faso are nearly four times higher than the average for Sub-Saharan African countries—15.5 percent of GDP in 1998, compared with the 4.1 percent regional average. Aid transfers to Burkina Faso make up about half of the country's public expenditures. While project aid still predominates, its share of all aid has been decreasing—between 1997 and 1999, from 87.7 percent to 79.6 percent.

### Reducing Aid Dependency Through Economic Diversification

There has been some progress toward increased economic diversification, an important factor in achieving poverty reduction and reducing aid dependency. Agriculture has diversified to some extent with the expansion of fresh vegetables sold to coastal countries (cotton and cereals are the traditional agricultural exports). However, given scarce land resources, a better approach to economic diversification may be to export services. By 1998, services already made up a greater share of the country's GDP than agriculture: 40 percent compared with 32 percent.

Burkina Faso's human resources are both its greatest asset and a liability. When given the opportunity, entrepreneurial and technical competencies among the population are evident. At the same time, the country's 2 percent annual population growth rate threatens development (this contrasts with a population growth rate of 2.5 percent yearly between 1997 and 2001 for Sub-Saharan Africa). There has been a regression in the reach of family planning programs since the 1980s; only one of 10 women who come to consult health clinics receive family planning services. Birth control devices are available but expensive; when they are used, wives often do so at some risk by making the decision without their husbands' consent. Unplanned teen pregnancy is also a concern.

Burkina Faso does, however, seem to be making progress in managing the AIDS epidemic. Evidence is found in the commitment of public resources to diagnosis and care as well as to social support—the latter provided by the country's large number of associations as well as local community support. At the time of the evaluation team's work in the country, the rate of reported HIV cases was estimated to be declining, although AIDS education for adolescents and young adults remains inadequate.

### Capacity Building Key

The study team concluded that human capacity building should therefore be a top priority of the country's poverty reduction strategy, the CSLP. (The CSLP is Burkina Faso's Poverty Reduction Strategy Paper, prepared to access debt relief under the World Bank-IMF HIPC initiative. As such, it is also the embodiment of CDF principles in the country, in keeping with the HIPC guidelines.) Among the most pressing capacity-building issues is to aggressively address the high rate of adult illiteracy, which is roughly 75 percent. At present, parents resist sending their



children to primary school because the cost of schooling is seen as high relative to the opportunity cost of losing their labor for cultivation. Post–primary school professional training is virtually non-existent in Burkina Faso, and university-level technical education is extremely limited but improving, even though employers are looking for technical skills.

These, then, are the mixed social and economic indicators facing Burkina Faso as it works to implement the CDF principles embedded in its poverty reduction strategy, and to reach its parallel target, achieving the Millennium Development Goals. On the plus side is that the country has never had the total economic, political, and social breakdowns that led to entire new national identities in several CDF pilot countries, such as Uganda and Vietnam. (Burkina Faso was not a CDF pilot; it was chosen for the CDF evaluation because of its early success in accessing debt relief under HIPC by rather quickly drafting a poverty reduction strategy, and because of its above-benchmark level of aid.) And even though each Burkinabe government since independence has formulated its own approach to economic and political development, under most administrations a common thread has been citizen participation in identifying the country’s long-term development vision.

At the same time, Burkina Faso is faced with daunting economic and social problems, from the slow process of privatization and private sector growth to below-benchmark social indicators. However, if the country continues to improve its economic management and sustains its commitment to poverty reduction, there is a good probability that it can implement the CSLP and, in the process, make solid progress toward achieving the Millennium Development Goals, a parallel target of the government.

## Chapter Structure

The following four sections discuss Burkina Faso’s progress toward each of the CDF principles—Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership; and Results Orientation (see Introduction to this volume for a description of the CDF principles). The discussion of each CDF principle is divided into two segments: *achievements* already in place and remaining *challenges*.

## Long-Term, Holistic Development Framework

Burkina Faso has a proud 40-year tradition of articulating an interconnected series of long-term development goals. There are two documents that represent the tradition today: the more recent—the Cadre Strategique de Lutte contre La Pauvrete (CSLP), developed in 2000—builds on the first, the Lettre d’Intention de Politique de Developpement Humain Durable (LIPDHD), developed in 1995. The CSLP sets out the country’s poverty reduction strategy. The development visions set out in the two documents are fairly consistent.

## Achievements

The strength of the CSLP is that it reflects the broad aspirations of the population for improved social services and income growth, and attaches measurable goals to achieving those aspirations. In addition, it contains a workable process for achieving the goals. The CSLP has gained legitimacy by building on both solid economic performance and statistical analyses in priority social sectors—for example, on the two poverty surveys done in 1994 and 1998.

Also critical to how well the CSLP will work in transforming the country’s long-term develop-

ment vision into on-the-ground programs is its recognition of the need for improved public expenditure management. In 2001, the government adopted the Public Expenditure Improvement Plan to address shortcomings in budget formulation, execution, monitoring, and auditing; a number of its recommendations are now being implemented.

These recommendations are also reflected in the country's 2003–05 medium-term expenditure framework for the central government budget, which is the main instrument for transforming CSLP goals into concrete reality. The increase in national expenditures for social sectors in the 2002 budget reflects this link.

Burkina Faso has also improved its ability to control budget expenditures by creating several new oversight institutions; the challenge is to ensure that they function effectively. Here the National Assembly can provide support by exercising its new oversight authority, granted in the 2002 budget execution laws. Taken together, these measures for improving Burkina Faso's ability to manage public expenditures enhance the CSLP's credibility with development stakeholders. For donors planning to initiate or increase direct budgetary support, such fiduciary safeguards are critical.

## Challenges

The major weakness of the CSLP is that it depends too heavily on an agriculture sector characterized by uncertain rainfall for the country's economic growth. The threat to the economy was seen in the first two years of CSLP implementation, when a drought reduced cereal production (a traditional export) by 15 percent: GDP grew by only 2 percent, far short of the country's targeted 7 percent. In addition, exports of the most important crop, cotton, are adversely affected by protectionist measures adopted by other cotton-producing countries.

Given these agricultural realities, the government should be solidly behind the CSLP's well-articulated objectives for developing small- and medium-size businesses. However, in case study roundtable discussions, private sector representatives complained about the government's distinct lack of urgency in improving the climate for private sector development—citing in particular the failure to address tax issues, credit availability, and administrative burdens.

Another CSLP weakness is its failure to identify potentially synergistic linkages between sectors. For example, a linkage between the education and economic development sectors could address the fact that while the education curriculum emphasizes non-technical subjects at the secondary level, the economy has a growing demand for technical skills.

And while the CSLP is gaining recognition and legitimacy, it is still unclear whether it will provide a strong enough framework to engage all development stakeholders in achieving the country's long-term development vision. Even though the country has a growing number of political, intellectual, and entrepreneurial leaders, many of the case study team's key informants seemed hesitant to identify gaps in the government's long-term vision. By capitalizing on the country's university-related think tanks and the experience of the private sector, the government could strengthen public debate on Burkina Faso's development vision.

## Country Ownership

While Burkina Faso has fashioned a number of long-term development plans for itself over its 40-plus years of post-colonial history, several stand out as having been shaped by a particularly broad participatory process. Of most relevance in the country today is the *Lettre*

d'Intention de Politique de Developpement Humain Durable (LIPDHD), developed in 1995 entirely by Burkinabe institutions; it is often referred to as the predecessor of the country's poverty reduction strategy, the CSLP.

In addition, long-term sectoral plans for the rural sector (the Programme National de Gestion des Terroirs, or PNGT) as well as 10-year plans for health, education, and water development were created with strong participation from civil society, government, and various donors that helped finance pilot studies (including the French government, GTZ [Deutsche Gesellschaft für Technische Zusammenarbeit], and IDA [International Development Association] for the PNGT; the OMS/WHO [the World Health Organization], the Swiss, and IDA for the 2000–10 health strategy; and Danida and the Netherlands for the water strategy). Overall, the development of goals and sector strategies has traditionally been country-led, with regular and sustained stakeholder participation as well as sustained political commitment.

The preparation of the country's poverty reduction strategy, the CSLP, was not entirely in this mold, however. Because Burkina Faso was under pressure to complete the CSLP in order to access HIPC resources, the document was prepared in seven months, leaving little time to work through a bottom-up process for consulting local communities about its content. In addition, the chairman of the National Assembly complained that the Assembly was marginalized from the process because discussion was limited and rushed.

Nevertheless, several consultative sessions did take place, including two regional focus groups that generated feedback on the draft document. In addition, CSLP consultations continued after the document was finalized: four participatory workshops were conducted at the regional level

with the goal of broadening the plan's topical and geographical coverage. The workshops focused on human resource development; rural development, economic competitiveness, and good governance—all in the context of their link to poverty reduction.

There has also been progress toward implementing the decentralization of government administrative services as laid out in the CSLP (which in turn is anchored in the democratic principles spelled out in the country's 1991 constitution). Scheduled for full implementation in 2003, the process began in 1993 with the creation of a National Commission on Decentralization. The first municipal elections took place in 33 municipalities in 1995, and a second round was held in 49 municipalities in 2000. By the end of 2003, Burkina Faso is scheduled to have 350 fully established rural and urban municipalities, with its 45 provinces grouped into 13 regions.

## Challenges

Carrying out the decentralization strategy has been the greatest challenge to CSLP implementation. Designed to distribute financial resources more equitably—and thereby give local populations the opportunity to shape their own development initiatives—decentralization effectiveness depends on municipal administrative and political capacity. The case study team's assessment is that such capacity varies greatly, from the traditional mayors and municipal counselors to newer, better-trained municipal secretaries. Ensuring that local administrative structures are able to design, budget for, and implement development programs will require careful government monitoring.

In general, there needs to be more active engagement of Burkina Faso's political entities—high-level government officials, the parliament, and political parties—in revising and implementing the CSLP. The government also

needs to take the lead in promoting broader-based discussion of the overall CSLP strategy, as well as potential synergies among specific sectors. Those involved in broader discussion should include the private sector and the NGOs (which can also be seen as representing the population at large). Despite the CSLP's strategy for reducing the state's role in the economy, there was little private sector involvement in its initial design, nor is there now during its implementation. Reaching out to involve the private sector in the CSLP is critical, since it plays a key role in raising incomes and living standards by expanding nonagricultural employment. Although some government entities have pursued more active dialogue with private enterprise, business owners' often perceive that rather than being helpful, the government has promulgated inefficient regulations that create barriers to success.

In rural areas, despite the lack of awareness of the CSLP on the part of village leaders and cooperatives interviewed by the study team, the team found a strong commitment in these populations to their own development, along with optimism that they can move away from aid dependency through their own cooperative efforts. The anticipated implementation of administrative decentralization reinforced this optimism. To be successful, however, decentralization will require:

- Strengthening local capacity in ways that meet local needs
- Improving flow of funds tracking and monitoring
- More timely arrival of funds that support local schools and other government-supported entities
- Improving employment conditions for local staff, especially in remote hardship areas.

Finally, the government needs to de-link the CSLP from sector ministries that receive HIPC resources (primarily health and education). Until that happens, the CSLP will not be broadly owned, and will not be able to serve as Burkina Faso's development framework over the long term—that is, beyond the duration of the HIPC initiative.

## Country-led Partnership

The CSLP makes clear that it is the government's responsibility to take the lead in coordinating donor activities and ensuring that aid fits within the country's strategic framework. To make the process work, it is also the government's responsibility to define implementation instruments and to create a consultation process for evaluating poverty reduction programs.

Burkina Faso's participatory tradition has already provided a model for more effective donor coordination: through five meetings held during the EU-coordinated Conditionality Test Exercise under the 1997–00 Special Program for Assistance to Africa, the government provided donors with the financial information they needed in order to understand the implementation process and to work on standardizing (“harmonizing”) their disbursement criteria. In response, donors agreed to support the government's economic management program and to work on harmonizing their disbursement procedures.

## Achievements

In general, donors working in Burkina Faso recognize the preeminent role of the CSLP in defining the country's development framework, and therefore as a process through which they can and should work together. By linking the CSLP to the country's medium-term expendi-

ture framework, the government has provided a level of fiscal security that allows donors to increase their share of direct budget support. In addition, donors that are still providing project aid are increasingly aligning that support with the CSLP.

While some tensions remain regarding the government's ability to implement sound economic management policies, the donor-government relationship is increasingly marked by greater understanding and coordination. This is particularly evident at the sector level. An example is agreement on rural potable water development, achieved through a series of donor-supported workshops that the government then built on to create standard water project approaches.

In addition, the CSLP has been notably successful in directing HIPC resources toward social service sectors at the local level. Evidence is found in increased levels of health center supplies and the hiring of 800 primary school staff. In addition, local Development Committees (created under a National Village Land Man-

agement Program and chaired by provincial governors) have in some provinces proved to be effective vehicles for coordinating projects such as water and small business development at the local level.

## Challenges

While aid to Burkina Faso is generally aligned with the CSLP, there is still room for improvement in both donor-government partnerships and donor coordination. One divisive factor is the lack of donor agreement on the country's ability to manage direct budget support—those that do not think the country has adequate capacity prefer to continue to award aid through the project approach. This disagreement has resulted in the development of parallel processes—the European Union's on one hand, and the World Bank's on the other (box 3.2). So far, the government has been reluctant to dictate a single process. Although doing so would reduce aid transaction costs, the government's decision may reflect a past perceived advantage, when different donor approaches resulted in

### Box 3.2. Donors to World Bank: “Know Thyself”

A majority of donors interviewed by the evaluation team suggested that the World Bank should give more thought to the important role it plays in setting the tone for relations among donors in Burkina Faso. Particularly in the past, they noted, Bank officers would often deal directly with central government officials in shaping new policies, and then announce them after the fact to other donors working in the country. While acknowledging the weight of the Bank's loans and direct technical assistance, those interviewed expressed the view that this behavior did not reflect the CDF country-led partnership principle.

At the same time, however, most donors interviewed expressed respect for the hard work and competence of World Bank staff based in the country—as well as their commitment to stepping back from leading donor-coordination entities they had helped create. In addition, those interviewed echoed a suggestion made by an earlier CSLP evaluation carried out by Danida: give local Bank staff more latitude in supervising Bank loans and financial monitoring systems. They also suggested that the Bank should consider expanding its in-country Burkina Faso staff, in order to give the Bank stronger representation in national and regional coordinating groups organized by sector theme.

greater financial resources for the country—even though it may no longer be the case.

The government could do a better job of coordinating supervision and evaluation missions to the various governmental, NGO, multilateral, and bilateral CSLP partners. The current number of separate missions results in high transaction costs, noted several stakeholders interviewed for the evaluation. Frustrated by these costs, some donors have decreased their field presence and increased the proportion of funds they administer through international NGOs or through decentralized projects awarded to NGOs, village associations, or municipal governments. The problem is that these programs do not necessarily fit within the CSLP framework.

One way for the government to reduce transaction costs would be to encourage donors to organize a greater number of joint government-multidonor missions.

In case study roundtable discussions, several representatives from the private sector suggested that private-sector–government consultations need to be transformed into true forums where private sector input is applied to economic policy decisions—as opposed to their current format, which is often narrowly focused on defending the interests of sectoral groups, or even of an individual business. The result has been short-term fixes rather than sustainable economic policies.

Finally, both government and donors need to take steps to enhance trust. For the government, this should include making information more accessible to its donor partners and strengthening its accounting systems to discourage diversion of funds. For donors, it means giving Burkina Faso more credit for its considerable development achievements over the past

decade and acknowledging the country’s talent and potential. And for both government and donors, mutual performance assessment should be strengthened within an environment of shared respect.

## Results Orientation

Monitoring progress toward CDF principles as embodied in the CSLP poses a significant challenge for Burkina Faso—as the first annual progress report on the country’s poverty reduction strategy frankly acknowledged. After summarizing the ambitious goals (identify inputs, measure progress toward implementation, capture immediate outcomes, assess longer-term impact), the report observed: “This is a vast undertaking that calls for the mobilization of substantial resources and multidisciplinary expertise.”

Although Burkina Faso had built a solid foundation for gathering data related to the country’s poverty reduction efforts before the CDF launch, the progress report goes on to note that, in general, monitoring and analysis of results on the ground remain weak.

## Achievements

Starting nearly a decade ago, Burkina Faso crafted a number of poverty reduction initiatives that included a monitoring element. Among them:

- Surveys of household living conditions conducted in 1994 and 1998, as well as a 1998 qualitative study that captured the perceptions of the poor in identifying the causes of poverty, in support of long-term sector development plans
- Monitoring and evaluation provisions in pro-poor strategies for basic education and health

- A series of performance indicators for key public sector activities contained in the Conditionality Test Exercise conducted under the 1997 European Union–coordinated Special Program for Assistance to Africa.
- The overarching goal of *macroeconomic stability* for 2000–02 targeted real GDP growth at an ambitious 7 percent annually, inflation at less than 3 percent, and a current account deficit of 13 percent of GDP.

In addition, the budget process improvements contained in the CSLP provide for better integration of government and donor efforts in monitoring the effectiveness of assistance. The government and donors already cooperate in implementing the country’s medium-term expenditure framework, which plays an important role in grounding the broad range of CSLP funding initiatives in budget realities.

Finally, the government has established three committees to monitor CSLP progress: the Ministerial Commission for Supervision of the CSLP; the Inter-Ministerial Technical Committee; and the Sectoral Monitoring Group. The committees respectively focus on CSLP decisionmaking, technical coordination, and sectoral implementation.

## Challenges

While Burkina Faso has created a number of development documents that clearly identify which programs are of the highest priority, taken as a whole the CSLP is unfortunately not one of them. By making the CSLP extremely comprehensive, the government diminished its usefulness as an indicator of which programs are at the top of the agenda. In addition, although a number of indicators are defined, the CSLP itself as well as the first CSLP Progress Report rarely mention the methods to be used for monitoring and evaluation.

The 2000–02 development documents and those parts of the CSLP that do make clear judgments cite these priority programs along with their accompanying monitoring challenges:

- The primary goal for *cotton sector reform* was to end the SOFITEX monopoly. Although the monopoly was ended in late 2001, the anticipated outcome, increased employment of the poor, has been slow to materialize. Increased private sector investment may be a better measure.
- Even though *opening up isolated areas through rural road construction* is seen as a CSLP priority, the program is not reflected in the CSLP monitoring framework.
- World Bank assistance is expected to increase the rate of *privatization* of telecommunications, water, and energy and of *private sector development*. While progress in these areas is easily measured, the plan should also take account of poverty impacts.
- Although the CSLP does define a number of indicators to monitor the impact of improved budget formulation and execution under *public expenditure management*, results have been ambiguous—raising questions about whether the monitoring plan for these policies is appropriate for measuring anticipated impacts.

The weakness of the CSLP in monitoring and analyzing results on the ground undermines the country’s ability to understand the determinants of poverty and to make causal linkages between inputs and outcomes. Burkina Faso should improve the culture and incentives in sector ministries to generate and use results information at the operational level. In addition, the country could tap the potential of local communities to

### Box 3.3. Achieving the Millennium Development Goals: A Probability Scorecard

The government of Burkina Faso viewed the CDF evaluation as an opportunity to identify ways to strengthen local capacity in implementing the country's poverty reduction strategy—the CSLP—in order to enhance the likelihood of achieving the broad-based Millennium Development Goals (MDGs), adopted by much of the international development community.

After reviewing the present level of internalization of CDF principles in the CSLP, the study team concluded that if Burkina Faso sustains its current commitment to poverty reduction and continues to improve its economic management, there is a good probability of successful CSLP implementation—and thus of making solid progress toward achieving the MDGs.

While reaching the MDGs may take longer than the 2015 target date, the foundation for Burkina Faso to do so in a somewhat longer timeframe is sound. The study team created a simple scorecard (using a rating scale of 1 to 5, with 1 representing low probability, and 5 high probability) to illustrate the team's judgment of the extent of CSLP internalization for each CDF principle. The table below presents the results of the team's assessment.

#### Performance Rating of CDF Principles in Their Conception, Implementation to Date, and Likely Sustainability:

CDF principle	Conception	Implementation to date	Likely sustainability
Long-Term, Holistic Vision	4	3	2
Country Ownership	5	4	5
Country-led Partnership	3	3	4
Results Orientation	2	3	3

monitor public expenditures, especially for improving services to the poor.

### Poverty Monitoring and Evaluation Strategy

Implementing a national Poverty Monitoring and Evaluation Strategy (PMES) would provide a framework for providing results-measurement guidance to sectoral management information systems and to decentralized government administration. In addition, a PMES could recognize the important role of communities and NGOs, both as users and as providers of development information, by making them part of

the national monitoring system. Finally, a PMES could promote collaboration and coordination among civil society organizations, policymakers, and the private sector.

## The Way Forward

Burkina Faso is on a positive development path, capitalizing on previous institutional and economic management experience, strengthening its institutions, and building up its human capital. Its steady efforts to improve its economic management, adjust to the global market econ-



omy, and move toward democracy have brought a measure of political stability and encouraged a flow of foreign development assistance.

Overall, the country's poverty reduction strategy as contained in the CSLP provides a framework for domestic development policy and for internal and external resource mobilization. And although Burkina Faso was not a CDF pilot country, the evaluation shows that CDF principles are embedded in the country's sociological and cultural values—and are spreading to the political arena as well. Therefore, the CSLP has become an opportunity to advance CDF principles in Burkina Faso.

However, the case study does lead to the question of whether there is a missing CDF principle (and thus a missing chapter in CSLP documents). What seems to be missing is “Financing Instrumentation for Implementation.” While the case study suggests that the choice of financ-

ing instruments is largely donor driven, it also reveals that several potential financing sources are left out—for example, private sector investors, local financing institutions, and NGOs, as well as the financial and in-kind contributions of the general population. A systematic analysis of the financing instruments needed to achieve CSLP goals could mobilize a larger array of stakeholders.

Finally, human capacity building should be one of the CSLP's top priorities, not only to improve social indicators, but also to endow people with productive capacity. The liability of the high rate of adult illiteracy will continue to constrain economic and social transformation unless it is aggressively addressed. And for future generations, the challenge is to adapt the content of education to the needs of the changing economy. Only then can the many competencies of the Burkinabe—hard work, entrepreneurship, administrative ability, and the like—be fully realized.



Curt Carnemark

# Ghana

## Methodology

The study team was led by consultant Nils Boesen, Process & Change Consultancy. Team members included consultant Anthony Killick, Overseas Development Institute, London; Laura Kullenberg and Mirafe Marcos, World Bank Operations Evaluation Department; and consultant Abena D. Oduro, Center for Policy Analysis, Accra.

The study team worked in Ghana during April 2–9 and May 6–24, 2002. The team used the first visit to select issues and themes for review based on advice from stakeholders. Selected areas included the Ghana Poverty Reduction Strategy and health, agriculture, decentralization, and economic governance. In May the team added the broader issue of public sector capacity constraints. Team members worked individually on report chapters, which were compiled and edited by the team leader.

The team made in-country district visits and conducted document reviews. In addition, the team administered a survey to 13 major donors in Ghana, with follow-up interviews. Comments on donor experiences and perceptions are primarily drawn from the latter source. Donors responding to the survey included Denmark, Canada, the European Union (EU), the Food and Agricultural Organization (FAO), Germany, France, Japan, the Netherlands, the United Nations Development Programme (UNDP), the United Kingdom, the United Nations Children's

Fund (UNICEF), the United States, and the World Bank.

A workshop with a wide range of stakeholder participants was held at the end of the study period, generating useful feedback. The team especially appreciated the contribution of the Minister of Planning and Regional Development, Dr. P. Kwesi Nduoum.

## Background

For the last decade and a half, Ghana's economy has produced steady, if moderate, growth. The 2000 presidential election resulted in a peaceful transfer of power between political parties after a run-off—one of the few such instances in African history following the defeat of an incumbent party candidate. Most of the country's social indicators compare favorably with averages for Sub-Saharan Africa.

These positives, however, mask underlying negatives. For example, while overall poverty levels have fallen, two-thirds of the poor live in extreme poverty, with diets that provide less than their minimum nutritional needs. Furthermore, in some areas of the country poverty has increased. This is the case in three northern regions, where poverty levels range from nearly 70 percent to almost 90 percent. (See box 4.1 for additional social and economic indicators.)

## Unique Country Characteristics

The country's recent economic and political stability is in marked contrast to its earlier post-colonial turmoil. For 15 years after the 1966 ouster of the country's independence leader, Kwame Nkrumah, Ghana suffered under a series of 6 military and civilian governments—generally recognized as either corrupt, inept, or both. By the early 1980s the country's physical infrastructure was in serious disrepair; social services had deteriorated; and the economy was in desperate shape. GNP had shrunk by nearly 40 percent since 1970, and economic growth rates had been negative for three years. Import and export values had shriveled, while inflation ballooned to triple digits.

The Provisional National Defense Council (PNDC) government that came to power in the 1980s was successful in implementing a series of

structural and institutional reforms, although progress in civil service reform was not significant—limited public sector capacity continues to undermine Ghana's ability to implement comprehensive development strategies.

Political parties were not allowed in the 1980s. As the decade closed, pressure for a democratic government was building. In response, the government established District Assemblies, followed by a series of regional consultations on how to shape a new political system. In 1992, Ghana's citizens approved a new constitution establishing a parliamentary democracy.

The 1992 democratic elections resulted in the PNDC party remaining in power (although the party adjusted its name to National Democratic Congress—NDC). The government launched a new series of economic and social reforms. The

### Box 4.1. Ghana at a Glance

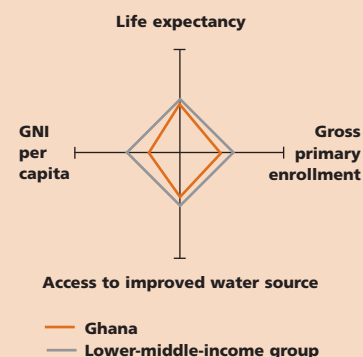
#### POVERTY and SOCIAL

	Ghana	Sub-Saharan Africa	Low-income
<b>2001</b>			
Population, mid-year (millions)	19.7	674	2,511
GNI per capita (Atlas method, US\$)	290	470	430
GNI (Atlas method, US\$ billions)	5.7	317	1,069

#### Most recent estimate (latest year available, 1995-01)

Poverty (% of population below national poverty line)	–	–	–
Urban population (% of total population)	36	32	31
Life expectancy at birth (years)	57	47	59
Infant mortality (per 1,000 live births)	58	91	76
Child malnutrition (% of children under 5)	25	–	–
Access to an improved water source (% of population)	64	55	76
Illiteracy (% of population age 15+)	27	37	37
Gross primary enrollment (% of school-age population)	78	78	96
Male	82	85	103
Female	74	72	88

#### Development diamond\*



incidence of poverty was reduced, from 52 percent in 1991–92 to 40 percent in 1998–99. Economic growth through most of the decade was stable, although never exceeding 5 percent annually. Investment rates were also fairly stable, and growth in exports healthy. Further economic growth was hampered, however, by fiscal imbalances resulting from declines in exports and, in election years, significant expenditure growth as the incumbent political party sought to gain favor with voters.

Although shifting the administration of government programs to the local level—decentralization—was put on the policy agenda with the creation of the District Assemblies, progress was limited since no coherent strategy for carrying out the change was developed. In addition, civil service reform stalled, a victim of the country's ingrained patronage system.

The economy lost ground in 1999 and 2000, depressed by falling prices for the major export commodities of cocoa and gold, as well as a shortfall in international aid. Starting in late 1998, the government began running budget deficits of such magnitude that the central bank no longer automatically honored government checks. The resulting fiscal crisis illustrated that the country's reform measures had not succeeded in diversifying the economic structure or markedly reducing dependence on foreign assistance.

The focus of the government elected in 2000—the New Patriotic Party (NPP), with John Kufuor as president—was therefore to stabilize the economy. After three months in office, the NPP government decided to apply for debt relief under the enhanced IMF–World Bank Heavily Indebted Poor Country (HIPC) initiative. Since a condition for accessing HIPC was development of a nationwide strategy to reduce poverty,

the financial stakes for finishing the country's poverty reduction plan (already in progress under a broad-based consultative process initiated by the previous government) were significantly increased. Starting in July 2002, a special National Development Planning Commission (NDPC) task force created five Core Teams to provide input into the Ghanaian Poverty Reduction Strategy (GPRS). The government then hired mainly Ghanaian consultants to synthesize the Core Teams' reports, ministry input, and other materials.

The resulting GPRS combined economic growth and social equity concerns, and included many of the country's long-standing reform goals. The wide-ranging GPRS initiatives had a preliminary total cost of \$8.3 billion over three years—roughly five times the available level of \$1.6 billion. This is because the broad-based consultative process used to develop the GPRS did not include a process for prioritizing investments within a hard budget constraint, and thus resulted in a list of investments far in excess of available resources.

When key aid donors made it clear to the government that the GPRS would serve as their reference for shaping support, prioritization of GPRS goals became essential. The new government worked to ensure that their medium-term economic priorities were included, particularly their emphasis on the role of growth in reducing poverty.

By applying prudent fiscal management and a tight monetary policy during its first year in office, the NPP succeeded in cutting the inflation rate by half, from 42 percent to 21 percent (by 2002, the rate was 15 percent). Furthermore, in broad terms the government's 2002 budget priorities did reflect an increased focus on poverty reduction. Still missing, however,

was an overall plan to fit together medium-term GPRS expenditures (even though a medium-term expenditure framework existed on paper, it was not yet operational), other budget expenditures, and HIPC funds.

Given Ghana's limited capacity to implement reforms, the GPRS's three-year time horizon needs to be extended. The three-to-five year budget planning process required by the constitution can serve as a vehicle for doing so, and the NPP government's intention to develop a new long-term vision statement will also support this process. Nevertheless, a realistic assessment of both central and local government capacity to carry out such long-term plans moderates expectations for success.

Although never effectively linked to the central budget, several previous plans—specifically, the poverty reduction strategies prepared in 1999 and 2000—did reflect the four CDF principles. Ghana had become a CDF pilot country in 1999, through agreement by Ghanaian and World Bank leadership. Ghana was subsequently chosen for the CDF evaluation because of its pilot country status and its level of international aid—foreign assistance finances roughly 90 percent of public investment expenditures.

The current Ghana Poverty Reduction Strategy embodies the CDF principles. It remains the focus of donor agency efforts, as illustrated by its role as the key document at a recent government-donor Consultative Group meeting, which took place during the CDF evaluation period.

It is within this economic and social context that CDF principles are applied in Ghana. In any context, implementing CDF principles is a large undertaking, often requiring major changes and restructuring for both government and donor agencies. These changes must be

built through political support, adequate implementation capacity, and continuous nurturing. In the Ghanaian context, a significant level of foreign assistance is accompanied by weak public sector capacity. While the country and its donors have made progress in implementing CDF principles, it is important to put this progress in a realistic light—one that reflects the country's current capabilities.

## Chapter Structure

The following four sections discuss Ghana's progress toward each of the CDF principles—Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership; and Results Orientation (see Introduction to this volume for a description of the CDF principles). The discussion of each CDF principle is divided into two segments: *achievements* already in place and remaining *challenges*.

## Long-Term, Holistic Development Framework

There are four questions to be asked in considering whether the GPRS—the embodiment of Ghana's approach to the CDF—is advancing the CDF's long-term comprehensive (or “holistic”) development principle. The four questions are:

- Does the GPRS contain a long-term vision?
- If so, does it strike a reasonable balance among economic, structural, and social dimensions?
- Does it cover all sectors and establish appropriate linkages among them?
- Is it grounded in the central budget process?

The first three of these questions are addressed here; the fourth is taken up under the Results-Oriented principle.

## As Yet, No Long-Term Vision

Does the GPRS contain a long-term vision? Under the version begun by the previous NDC government it did, but under the new NPP government this element has largely been abandoned. The pre-election NDC spending spree meant that the new government had no choice but to first address an immediate economic crisis. Prodding by donors did lead the government to prioritize the wide-ranging list of GPRS initiatives so development work aligned to the government's goals could begin. Initiatives that mirrored the new government's platform and priorities were inserted and given precedence. Together, they primarily reflected an emphasis on measures to stimulate economic growth, including greater attention to private sector development.

A more fully articulated long-term vision may materialize, based on the constitutionally required set of coordinated economic and development policies the government presented to Parliament in 2003 to cover the medium-term timeframe of 3-to-5 years. Thus the Ghanaian experience has been to start not with a long-term vision, but instead from short-term crisis management, then proceed to a medium-term poverty strategy, and to an eventual long-term vision statement. The progression is understandable, given Ghana's political context.

Does the GPRS reflect balance between the government's goals for structural growth and social considerations? The GPRS represents the most substantial effort yet to put poverty reduction at the top of the policy agenda and demonstrates the need for wide-ranging changes in order to move toward the goal. The government's orientation to a more indirect "trickle-down" approach, as distinguished from direct poverty reduction measures, can perhaps be illustrated by the number of GPRS pages

devoted to reducing poverty versus those discussing long-term economic growth: 21 on economic growth, and 5 on poverty reduction. Treatment of social sectors is also skimpy, with health issues (outside of HIV/AIDS) claiming a mere 3 pages. The situation is underscored by President Kufuor's January 2002 State of the Nation address, which made no reference to poverty at all.

The response to question number three—whether the GPRS covers all sectors and establishes appropriate poverty-fighting linkages between them—is not positive. The government's ministries jumped into the GPRS process only toward the end. Early department and agency discussion that could have established such linkages simply did not take place. The result can be seen in the patchwork nature of the final GPRS document. While some measures are pro-poor, others have little connection to poverty reduction, and there are no coherent connections among them.

While it is desirable for a country's leadership to have a clear sense of direction and to be able to carry the population with it (at the same time balancing macroeconomic and social concerns), the evaluation team has doubts about requiring a more formal process in shaping a long-term development framework. Given the reality of a four-year election cycle, reaching agreement on a long-term vision statement would require a political culture and institutions steeped in consensus-building. But these conditions don't yet exist in Ghana, for a number of reasons: democratic traditions are still too new; the influence of clientelist systems of reward remains too strong; the overall level of educational achievement is too limited; information flows are too weak; and local-level participation is still a long way from being fully realized.

## Country Ownership

### Achievements

Although elections and democracy are not explicitly linked to the CDF ownership principle, in Ghana the most significant contribution to broader country ownership of the aid process may be improvement in the country's democratic processes. First, popular pressure led to the reintroduction of multiparty democracy in 1992. Then a democratically elected government made some timid attempts at participatory policymaking. And now the current government is characterized by greater openness and tolerance, and a more serious commitment to consultation—both civil society and the private sector are more fully engaged in policy consultations at various levels, including those outside the GPRS process.

Donors have generally been supportive of the shift toward country ownership at the policy level—illustrated, for example, not only by the GPRS process, but also in a sectorwide approach (SWAp) in health and an agriculture policy solidly anchored in the Ministry of Agriculture.

### Challenges

Nevertheless, by general agreement the quality of domestic policy dialogue leaves room for improvement. Civil society organizations (CSOs) acknowledge that they often lack the capacity and resources to seriously engage in policy discussions that require expertise and research. And the documentation needed to support policy analysis is often inaccessible or takes too long to obtain, leaving little time for folding it into discussion. (The country's think tanks do have the potential to support CSOs in these areas, and to augment the policy analysis capacities of government and Parliament.) Furthermore, the machinery for policy consultation is not yet institutionally embedded: parlia-

mentary committees and District Assemblies are not systematically included, which could potentially lead to a divide between the consultative processes and representative democracy.

There are other realities that affect Ghana's ownership of the aid process. One is the high proportion of the central budget financed by aid—40 percent—and the other is the limited central and local government capacity for aid management. Still, if the government continues to broaden the policy process, it could transform its role from aid validator to aid consultant and then to aid participant. For now, however, the government is prevented from effectively taking ownership of the aid process by lack of both capacity and a clear and convincing program around which coordination could coalesce.

## Country-led Partnership

### Achievements

While both donors and government have taken steps toward building aid partnerships in Ghana, progress so far has primarily been in laying a foundation through increased consultation and dialogue. Government-donor Consultative Group (CG) meetings are held every two years in Accra and co-chaired by the government. And quarterly “mini-CGs,” instituted even before the official CDF launch, continue. Both of these meetings are open to a wide range of stakeholders, including civil society, and are well attended by donors.

Donors clearly accept the need for coordination. Donor representatives have monthly meetings, and experienced representatives surveyed for the CDF evaluation reported increased coordination over the past five years. The World Bank representative has played a key leadership role in shifting the image of the Bank to a more open



### Box 4.2. The First Health SWAp

In 1995, Ghana's health sector was in crisis. Many donor-funded programs were addressing the same issues; some areas were overfunded, while others were neglected. Government funding was declining.

In response, the Ministry of Health developed a long-term vision for the sector. With support from six large donors (DFID, Danida, the World Bank, the Netherlands, the Nordic Development Fund, and the European Union), the government led an effort to build consensus on a five-year, medium-term reform strategy. The government convinced a handful of donors to fund the plan through a shared "basket" approach, and to adopt a common management arrangement: while previously Ministry staff had spent much of the entire year responding to accountants and auditors from 30 donors, the SWAp involves only one three-week review mission a year, liberating Ministry staff to do their core work. Donors receive the same financial statement and one annual report, reducing transaction costs.

But according to Ministry of Health senior staff members interviewed for the evaluation, there has been some backtracking. Some donors are poised to reclaim ceded territory, the result of perceived poor government performance in areas formerly managed under donor-driven projects. And while basket funding from large donors has brought efficiencies, a large number of donors remain outside the basket. Finally, despite the SWAp's attention to expenditure and impact monitoring, improvement in health indicators is not well documented; a number of categories lack statistics that cover even four to five years.

and inclusive institution that sees itself as a partner of both government and donors. (For example, the Bank was a strong advocate for donors taking a hands-off approach when the government prepared the GPRS. The Bank also serves as the conduit for shared donor funding in the health SWAp.) Donors in general note that they have stronger relationships with the current government than was the case in the latter years of the previous administration.

The degree of donor flexibility and delegation of authority to local representatives and national staff varies, though these are widely seen as practices or even prerequisites that enable donors to pursue CDF principles. The World Bank, among others, has moved the country director from Washington to Ghana, and has given national staff more control over task management. Such decentralization is much appreciated by Ghanaians.

For the government's part, its commitment to policy dialogue with donors appears strong, as illustrated by a vigorous endorsement of the partnership concept in the CG meeting that took place during the evaluation period. Furthermore, the government has taken several steps to reinvigorate discussion forums in the areas of agriculture, public sector financial management, and decentralization.

### Challenges

While all parties are thus theoretically willing to operate through partnership arrangements, there are not many concrete, on-the-ground successes—the health SWAp being one of the few. In the main, donors continue to operate in ways that have adverse effects on the public sector. These include circumventing the government budget; providing donor-driven assistance directly to districts without coordinating

through the central government; and paying higher salaries, which attract away the most talented government staff for aid project work.

The considerable challenge in working toward the CDF partnership principle in Ghana is therefore to overcome the barriers to joint funding and uniform approaches that now prevent meeting-room agreements among donors from becoming actual, coordinated programs.

As they frequently mentioned in interviews, government employees are acutely aware of donor-supported project management units that operate outside of existing civil service mechanisms. Donors, while less forthcoming on the subject, did acknowledge the mechanism's existence. Most donors seem to consider these arrangements necessary evils, citing weak public sector capacity and the complexity of some projects. The one initiative brought to the study team's attention in this area is aimed not at abandoning the parallel practice, but at standardizing its employment conditions, salary levels, and allowances.

In addition, employing "enclave" approaches has led to duplication of efforts; limited communication of best practices; and—particularly in capacity building—efforts focused on training and workshops rather than on addressing such structural issues as the role of incentives in civil service capability.

Why do donors continue to use methods that prevent central government and district-level capacity building? Part of the answer lies in a combination of demand for quick results; an institutional culture driven by disbursement pressure; and, to some degree, the need to maintain donor visibility. Also a factor is donors' tendency to avoid risk, a quality fostered by concerns about possible funding scandals in a country where corruption is high—which is why

the health SWAp has gone to extraordinary lengths to ensure sound financial management of donor funds.

The government also helps create an environment favoring short-term efficiency over long-term government capacity building and sustainability. Among the most prominent contributors is the four-year election cycle, with its political demands for government accomplishments to cite at election time. In addition, consultants and special advisors connected to donor projects are often more efficient at delivering the policy statements, reform plans, and justifications for continued donor assistance than underpaid civil service employees.

While these factors may explain why a parallel civil service continues to exist in Ghana, it does not explain why the government typically fails to take a firmer stand when donors offer assistance that does not reflect government priorities. Several civil service informants suggested that the government should be firmer in rejecting projects that are not aligned with key priorities.

Here, too, Ghanaian realities provide an explanation. National budget funds are far below the level needed to keep ministry staff busy in meaningful work. Cars, gasoline, photocopiers, computers—even paper—are in short supply. In districts visited by the evaluation team, both health and agricultural workers were staying behind their desks because they have no way of getting to their clients. Under these conditions, even projects that don't support government priorities are likely to be accepted, because they come with computers, transportation, and operational funds that can be quickly released, thereby solving problems unrelated to formal project objectives.

It all adds up to a kind of vicious circle: needed reforms require more capacity for implementation than is available. Also, the capacity development

required for reform presupposes reform. One path out is broad-based civil service reform, which could restore sound incentives for government employees and phase out the distortions brought by parallel systems. Yet donors remain surprisingly passive in this area—an area that appears to be key for continued progress toward CDF principles in general and the partnership principle in particular. Another part of the solution could be increased donor support of the central budget. However, while donors are planning a SWAp in balance of payment support, weak public sector financial management and questionable implementation capacity are again proving to be barriers. In addition, stalled national procurement reform is undermining donors' confidence in the government's commitment to providing improved processes for shared aid approaches.

But donors, too, can drag their feet—for example, hiding behind the CDF's goal of national ownership to avoid pressing the government for greater attention to such critical, but politically sensitive issues as lagging civil service reform. And as long as the complex and sensitive issues of public sector downsizing and pay reform are not addressed (estimated to be a 5-to-10-year process), it is difficult to envision sustainable progress in public sector financial management, or indeed in any other comprehensive public sector reform area. The conditions for creating sufficient commitment—in CDF terms, country ownership—are simply not likely to be there.

## Results Orientation

There has been less progress toward achieving the results orientation principle in Ghana than toward the other three principles (as is the case with all the CDF evaluation countries). This is not surprising, since it is a difficult principle to achieve quickly, particularly given Ghana's weak technical capacity and

insufficient government investment in monitoring and evaluation.

## Achievements

Although the country's basic machinery for measuring results is weak, Ghana's health sector nevertheless pioneered one of the most innovative SWAps in Africa—the SWAp uses performance data to assess progress, define sector policy, and allocate resources. Results so far include improved financial management and reporting; an increased number of district outreach clinics; and improved health outcomes in some areas, notably for infant mortality and immunization coverage.

In addition, the country's poverty reduction strategy contains a number of specific, potentially measurable goals, and sets out fairly specific plans for monitoring progress. Efforts are under way to strengthen the country's National Development Planning Commission in order to build its capacity to measure progress toward poverty reduction. A puzzling factor is that preparation of the poverty reduction strategy did not include the Ghana Statistical Service. Nevertheless, the service has set up a poverty-monitoring desk and developed a large-scale survey to produce district-level indicators—indicators that have not been previously available.

There has also been progress toward integrating medium-term expenditure framework goals into central budget processes, which has the benefit of shifting the traditional emphasis on inputs to a results-oriented focus on outputs. In addition, mechanisms to better track government expenditures, put in place in 2001, have resulted in improved performance.

## Challenges

Although an Economic Policy Coordinating Committee has been established to monitor the

central budget forecasting and monthly expenditures, the committee's technical skills have deficits. The Budget and Public Expenditure Management System could provide additional capacity, but implementation has been delayed and the system is not expected to come on stream until 2003.

The pioneering health SWAp has also had monitoring deficiencies. For example, there have been surprisingly few health indicators that consistently track results; a number of indicator tables contained more "nil returns" than statistical entries. Among the factors undermining the ability of the Ministry of Health to gather data at the local level are a poorly handled reorganization with an associated loss of personnel and weak monitoring and supervision in the wake of decentralization of Ministry functions. The government's overall fiscal constraints are also a factor: the annual public sector expenditure on health in Ghana is \$7.50 per capita.

Progress in public sector financial management in Ghana is hampered by poor data generation and dissemination and general government weakness in monitoring and evaluation skills. These fundamental problems must be addressed before the results orientation principle can be effectively implemented. In agriculture, donors have been strongly supportive of government initiatives to improve monitoring capability—insisting, however, that systems be kept simple to reflect current capacity.

One key to improving results monitoring is the gradual strengthening of the government's political accountability to citizens at all levels. Here the country's civil society organizations can play an important role—for example, by ensuring that accountability mechanisms are developed countrywide, not just among Accra's well-educated elite.

## Conclusions

Implementation of CDF principles in Ghana has been limited; the principles have not yet been institutionalized. Results from initiatives that do reflect the principles have been mixed. The strongest examples of progress under the principles (or of CDF-like principles before the official launch) are the SWAp in health; parts of the country's poverty reduction strategy, in particular, the participatory process on which it is based and the increased focus of the central budget on poverty reduction; and increased dialogue between donors and government and among donors themselves.

Ghana's Poverty Reduction Strategy (GPRS) document has become the roadmap for relations between the government and donors: donors have made commitments to aligning their aid according to its priorities. What has yet to be assimilated, however, is the consultative process on which the GPRS is based: neither Parliament nor District Assemblies are consulted in GPRS implementation. In addition, GPRS initiatives (largely shaped by the previous government) have not been linked to a holistic, long-term vision or an operational MTEF—the current government has preferred to stake out its own approach to poverty reduction, with an emphasis on economic growth spurred by private sector development.

Nevertheless, the current government has shown serious intentions to address the difficult issue of civil service reform and for taking on an entrenched patronage system in the process. This resolve is important, because improving the capabilities of government employees is the bottom-line issue that must be addressed in order to make greater progress toward CDF principles. Building public sector capacity will require a significant long-term effort—a level of

### Box 4.3. A Country with Real Potential

In terms of donor attention, it appears that Ghana's star may be rising. As well deserved as this may be from the geopolitical, democratic, and economic perspectives, it poses the risk of increasing or maintaining the country's already high level of aid dependency. And, rather than promoting the application of CDF principles, there are already indications that high aid levels may instead promote increased donor competition and crowding in favored areas. Yet it will be difficult for the government to refuse donor offers in these areas, given the benefits that any project brings to a resource-starved and underpaid public administration.

A solution could include government and donor cooperation in developing a strategy for external assistance. Elements could be monitored by peers from other aid-recipient countries and from donors and NGOs not active in Ghana. Basic elements could include:

- Government commitment to gradually decreasing overall aid levels
- Clearly stated preferences in aid approaches that balance the government's preference for budget support with donor requirements for accountability, and that balance need for short-term results with long-term capacity development objectives
- Framework for both strategic and operative aid coordination
- Commitment from donors to phase out distorting incentives, and to streamline and harmonize reporting procedures<sup>1</sup>
- Shared donor commitment to avoid inappropriate offers of assistance; based on CDF principles, the agreement would be specific in spelling out desired behavior.

1. Such as the Framework for Multi-donor Budget Support (MDBS).

effort not yet seen in Ghana, despite the government's stated willingness to tackle the job. For their part, donors have largely failed to embrace this challenge. Instead, they have been undermining progress by setting up independent project units that operate outside of the existing civil service.

For government, then, the challenge is to restore an efficient civil service and continue to deepen democratic principles in the country. For donors, the challenge is to work together to align their processes; to continue to move from project to program aid; and to increase agency decentralization, bringing agency staff from headquarters to local offices to improve

dialogue with the government and with the wider Ghanaian society.

Finally, continued progress toward achieving CDF principles is premised on a government willing to articulate a clear program and to assert leadership—and on donors who judge the program to be adequately oriented toward poverty reduction.

While the analysis of CDF implementation in Ghana suggests that progress is likely to be gradual, with both forward and backward steps, the example of the SWAp in health—in many ways a model of CDF planning and implementation—illustrates that the approach can be executed in the country.



Chara Tsitoura

# Romania

## Methodology

The Romania CDF case study team was led by John Eriksson of the World Bank's Operations Evaluation Department. Other team members included B. Lynn Salinger, economist-consultant, Associates for International Resources and Development, Cambridge, Massachusetts; and Professor Dumitru Sandu, Faculty of Sociology, University of Bucharest. A Bucharest consultant, Manuela Sofia Stanculescu, of the Institute for the Study of the Quality of Life, Bucharest, conducted a Government-Donor Relations Survey in support of the case study in June 2002.

The three team members did fieldwork in Romania in two stages, during February 4–12 and March 11–29, 2002. Through more than 90 interview meetings in Romania and Washington, the team gathered the views of roughly 150 central and local government officials and parliamentarians, as well as representatives of civil society, the private sector, and donors and international development agencies.

The semi-structured qualitative survey conducted through these interviews was supplemented by two structured surveys: a questionnaire survey of government and donor representatives that focused on government-donor relations, and a largely quantitative survey employing a standardized questionnaire. The latter was administered to a random sample of more than 700 respondents countrywide.

The Romania case study methodology also included document analysis. Taken together, the methodology and results are believed to be sufficiently representative and robust to permit valid inferences about the strengths and weaknesses of how CDF-related development processes are working in Romania.

Interviewees were selected from 64 institutions.

## Romania: A Long and Rocky Transition

### Unique Country Characteristics

In 1989, with the Romanian economy close to total collapse, more than 50 years of Communist Party rule came to an end with the overthrow of Nicolae Ceausescu. While it was generally understood that the country's transition to a modernized economy would entail social costs—as the state-provided social safety net and command economy were replaced with democracy and a market economy—the transition period was expected to be short-lived.

Successive Romanian governments, however, have made only stop-and-go progress in implementing modernization reforms. Privatization of state-owned enterprises has been slow, and corruption and weak regulatory institutions have hampered private sector business development. Thus, the late 1990s saw three years' of negative

economic growth, with annual consumer price inflation averaging more than 80 percent. Since 2000, however, the situation has improved. Economic growth averaged over 5 percent during 2001–02, and annual inflation was down to 23 percent by 2002.

Despite recent positive economic trends, Romania's long and rocky transition period has had significant social costs. Countrywide closures of factories, farms, and mines have led to increased unemployment. Average unemployment rose from 6 percent in 1997 to 8.1 percent by the end of 2002. Just over half of those without jobs are considered long-term unemployed.

With the deterioration of the country's economy in the last half of the 1990s, Romania's poverty rate increased. (It is too soon to know whether the apparent turnaround of the economy will mitigate this trend.) Romania has used two methods to measure poverty. The more recently developed method shows that poverty increased by about 5 percentage points between 1995 to 2001, from just over 25 percent to nearly 30 percent, with no sustained improvement even in extreme poverty levels. While extreme poverty levels fluctuated during the period, the trend was generally flat. (See box 5.1 for social and economic indicators.)

There are long-standing pockets of poverty in the eastern and southern regions of the country. The most vulnerable groups are the young, single-parent families and families of the unemployed, rural households, and members of the Roma ethnic group. Romania's population also suffers from severe health problems, as reflected in infant mortality and life expectancy rates. As a result of rising poverty during 1995–01, social dysfunction increased. Of particular concern to the government and the international community was the increased number of abandoned children cared

for in institutions—Romania has limited capacity to deal with the psychosocial and educational problems of permanently institutionalized children. The World Bank and other donors have worked with the Romanian government to gradually reduce the number of institutionalized children through placement in foster homes.

Despite social indicators that lag behind other countries in the region, Romania did manage to reduce its infant mortality rate by roughly 30 percent between 1989 and 2000, signaling important progress toward a better quality of life. In addition, there is growth in ownership of durable goods and consumption in the form of private cars and housing.

In 2000, international aid to Romania was equivalent to 1.2 percent of the country's gross national income, with the European Union (EU) as the largest donor. The other three main sources of aid are the World Bank, the International Monetary Fund (IMF), and the European Bank for Reconstruction and Development (EBRD). Pre-accession EU assistance provided an average of \$620 million per year over 1999 and 2000. The averages for the international finance institutions were World Bank, \$415 million; IMF, \$375 million; and the EBRD, \$280 million.

Overall, however, the Romanian people are becoming increasingly frustrated by the slow pace of economic reform and high unemployment, and the resulting impact on many social indicators. There are growing concerns about corruption and poverty; journalists cite the limited effect of media criticism on political decisionmaking and weak utilization of the media by the public to express popular criticism. Voting incumbents out after only one term in office may be the only option for Romanian citizens to express their dissatisfaction.



## Chapter Structure

The following four sections discuss Romania's progress toward each of the CDF principles—Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership; and Results Orientation (see Introduction to this volume for a description of the CDF principles). The discussion of each CDF principle is divided into two segments: *achievements* already in place and remaining *challenges*.

## Long-Term, Holistic Development Framework

### Achievements

Accession to the EU and the North Atlantic Treaty Organization (NATO) is the primary

force behind Romania's long-term vision.<sup>3</sup> For Romanians, entry into the EU symbolizes the opportunity to join a peaceful, politically mature, and economically thriving regional system. It also serves as a kind of shorthand for eventual reduction in poverty and improvement in the quality of life for most Romanians.

The current government, elected in 2000, has developed a Governing Program for 2001–04 and an accompanying Action Plan, prepared by the Ministry of Development and Prognosis. These documents constitute a medium-term strategy, with primary emphasis on economic objectives and constraints that reflect heavily the goals and requirements of EU and NATO accession. The Action Plan is a detailed, multi-chapter framework of specific actions to which the government is committed. It is not an

### Box 5.1. Romania at a Glance

#### POVERTY and SOCIAL

	Romania	Four comparator countries <sup>a</sup>
<b>2001</b>		
Population, mid-year (millions)	22.4	67.3
GNI per capita (Atlas method, US\$)	1,720	4,161
GNI (Atlas method, US\$ billions)	38.6	279.9

#### Data below are for most recent year available, 1995-01

Poverty (% of population below national poverty line)	30	18 <sup>b</sup>
Urban population (% of total population)	55	68
Life expectancy at birth (years)	70	73
Infant mortality (per 1,000 live births)	19	9
Access to an improved water source (% of population)	58	98 <sup>c</sup>
Illiteracy (% of population age 15+)	2	1 <sup>c</sup>

a. Comparator countries: Bulgaria, Czech Republic, Hungary, Poland.

b. Data available only for Poland.

c. Based on data for Bulgaria, Hungary, and Poland.

analytic document, a fact recognized by the Ministry, which is also charged with monitoring its implementation.

There has been a surprising level of agreement in the country that accession is the right path, given Romania's splintered, multiparty approach to democracy. In 2000, eight political parties and alliances were represented in the presidential elections. With so many parties, planning beyond the next election cycle is difficult, let alone committing to a long-term vision for the country.

Romania is slated to become a NATO member in 2004 and a member of the EU in 2007. While the adoption of the EU's *Acquis Communautaire*, with its 31 "chapters" of laws and regulations, is designed to bring newcomer countries' practices into alignment with those of EU members, it does not provide a coherent, long-term strategy for several policy areas. These include most social policy issues (education, health, and poverty reduction), as areas to be shaped by individual countries themselves.

In 2000 the Council of Europe issued a *Memorandum for Social Inclusion* that requires each member state and country in accession to the EU to issue a *Country Joint Inclusion Memorandum*. Although this does not constitute a requirement for an anti-poverty strategy as such, Romanian leaders decided that promulgation of a Romanian anti-poverty and social inclusion plan would both serve an important internal need and meet this requirement for EU accession. The prime minister issued the National Anti-Poverty and Social Inclusion Action Plan in June 2002. The Plan contains recommendations for 2002–04 and for a longer, 10-year period.

## Challenges

While there is widespread support in Romania for joining NATO and the EU, the implica-

tions of doing so do not seem to be well understood by most Romanians. Unanswered questions include: "What do the accession goals imply for Romania's economic and social organization? What do they imply for its relationships with the international community? What are the economic, social, and political costs?" And most fundamental of all, "What kind of society does Romania hope to be in 10 or 20 years?"

At the same time, Romanian development stakeholders are suffering from "strategy fatigue." As discussed in more detail under the country ownership principle below, between 1997 and 2000 Romania went through three broadly based processes designed to create a long-term development vision for the country. Stakeholders are now looking for greater government and donor focus on achieving results, not more long-term policy formation. The new National Anti-Poverty and Promotion of Social Inclusion Action Plan does have the potential to provide the bridge from strategy to action in the poverty reduction arena.

But because the country's Governing Program as well as the Anti-Poverty Action Plan are weakly linked to the central budget process, tightening the relationships between these strategic frameworks is critical. Overall, there is a weak link between what is published in the budget and what is actually spent; budget priorities are not clearly stated. In 2002, the World Bank assisted in the preparation of a Public Expenditure Review to address these issues.

## Country Ownership

When the country ownership principle works well, the recipient country, not development assistance agencies, identifies development

### Box 5.2. Romania's Shared Vision—The 1999 CDF Consultations

As a first step in launching Romania as a pilot country working to build CDF principles, the World Bank planned a broadly based consultative process to create a shared vision for the country: 20 focus groups meeting in different parts of the country, with roughly 500 leaders from government, the private sector, civil society, and the donor community taking part. “It was the first real experience [in the country] of soliciting opinions from all stakeholders,” said a representative from a Romanian-based NGO. “From then on, many other donors and even the government began to open up their doors to NGOs. The CDF gave NGOs a framework for understanding what role was possible for them; how they could actually have influence.”

One result was a plan to institutionalize the process through a CDF Secretariat in the Prime Minister's Office. Although political instability and a change in government brought by the 2000 elections derailed the plan, participants interviewed by the case study team nevertheless cite two legacies of the 1999 effort: the identification of poverty reduction and entrance to the EU as key goals of Romanian stakeholders. Most participants found the consultation experience to have been very worthwhile.

Although there has been progress toward implementation of CDF principles since 2000, neither the government nor the World Bank appears to have given enough attention to communicating that progress to those who participated in the 1999 CDF consultations. The majority of development stakeholders interviewed by the case study team see a need to revitalize the CDF approach as an avenue to increased government accountability.

goals and formulates strategy. The process involves regular and broad-based participation from stakeholders, including sustained public support from top political leadership and intellectual conviction on the part of key policymakers. The process builds consensus for a long-term development vision.

#### Achievements

Between 1997 and 2000 no fewer than three strategic visioning exercises took place in Romania, championed by different development organizations. Each involved broad-based consultation; many of the same stakeholders attended two or even three of the exercises.

The first, the National Strategy for Sustainable Development, was supported by the UNDP. The second, Romania's Shared Vision, was organized by the World Bank in support of Romania's role

as the first CDF pilot country. The third focused on developing a Medium-Term Economic Strategy (MTES) for the country, a pre-accession requirement of the European Union. Many of the MTES results were used by the government elected in 2000 to shape its 2001–04 Action Plan. A certain synergy existed among these exercises. For instance, some political leaders elected in 2000 had participated in the 1999 CDF consultations, with spillover contributions to the MTES.

While EU accession has become Romania's de facto long-range strategy, there are nevertheless several recent examples—“nuclei”—of CDF-like consultative processes in the country. The most significant include a plan for improving Romania's business environment; passage of the Law Regarding the Free Access to the Information of Public Interest, modeled on the

U.S. Freedom of Information Act; and the work of the Anti-Poverty Commission in the Office of the Prime Minister. A direct descendent of the 1999 CDF consultations is the Jiu Valley development strategy (see box 5.3).

*Business Environment Action Plan (BEAP)*. Not surprisingly, Romania began its post-communist-era transition with a relatively small private sector. And compared with most other countries in the region, Romania has had

slower private sector growth and less direct foreign investment. Several analyses in the late 1990s identified concerns with Romania's legal, regulatory, and judicial environments as barriers to increased private sector and foreign investment. In response, the World Bank's 2001 Private Sector Adjustment Loan provided resources for a business environment advisor. The respected Romanian businesswoman named to the position established a public and private sector collaborative effort to draw up an

### Box 5.3. Jiu Valley Development: A Regional CDF Model

The economically distressed Jiu Valley has been the focus of a CDF-inspired collaborative effort to improve the lives of its residents. Primarily a mining region, the Jiu Valley has been hard hit by several rounds of contract buyouts and mass layoffs of miners, which reduced mining-industry employment by more than half—from roughly 42,000 in 1997 to 18,200 in 2002. Because of the absence of jobs elsewhere and lack of retraining opportunities, relatively few families relocated. This among other factors led to social unrest that included violent protest marches.

It was in this environment that a team made up of World Bank and government CDF Provisional Secretariat staff contacted local valley representatives to explore using the CDF's participatory approach to shape a development plan. A broadly based two-day seminar held in the valley laid out the approach: a 29-member steering committee would identify regional problems and potential solutions, and a larger representative body would provide additional insights.

The process resulted in a draft Jiu Valley development strategy that represented local views on needs, priorities, and potential actions: the region's first example of a range of stakeholders coming together to work on a shared future—but would it be implemented?

A delay in moving forward did cause concern, but in the summer of 2002 the government announced a plan to invest \$360 million in the Jiu Valley. (Of an initial \$80 million, \$7.6 million would be supplied by the World Bank and the EU.) While there are some significant differences, the government's plan largely incorporates major elements of the locally produced strategy. The following results of utilizing CDF consultative processes for the Jiu Valley can be identified:

Key inputs were mobilized for the Jiu Valley Development Strategy.

- The Jiu Valley Association, a local forum of local and regional stakeholders, was established.
- An Inter-Ministerial Commission for the Jiu Valley was formed.
- Much greater public awareness of regional development needs and strategic possibilities was created.

The results are relevant as a model for the application of the CDF approach at the regional level.

action plan, the Business Environment Action Plan, or BEAP, to reduce administrative barriers to business. The plan is being implemented under a Ministry division created for this purpose. Policy and participation issues in 13 separate areas have been identified and several targeted actions undertaken.

*Freedom of Information Act.* Romania's entry into NATO is, in part, contingent on the country firmly establishing the rule of law, democracy, and human rights—including citizen access to government information. Given the country's communist past, making free access to information the norm has been a complex undertaking. However, by late 2001 a coalition of key lawmakers, the Ministry of Public Information, and Romanian and international democracy and human rights advocacy groups had led an effort that resulted in passage of the Law Regarding the Free Access to Information of Public Interest. Commonly known as the Freedom of Information Act (FOIA), it was passed with both government and opposition party support.

*National Anti-Poverty and Social Inclusion Promotion Plan.* The plan was drafted in 2001 with input from national ministries through their Social Dialogue Commissions (made up of government, business, and labor representatives). In addition, the National Economic and Social Council—with the same three categories of representatives—as well as associations made up of local authorities and parliamentary Social Protection committees provided input. Although the terms of Anti-Poverty Commission members end with the 2004 elections, members have nevertheless crafted a phased action plan: in addition to recommendations for 2002–04, they have identified strategic directions that cover a 10-year period and are in line with the Millennium Development Goals.

## Challenges

While it is understandable that CDF principles have faded as EU and NATO entry have emerged as Romania's development lodestars, many stakeholders who took part in the 1999–00 CDF consultations are disappointed by the CDF's eclipse. One Romanian government official interviewed by the evaluation team noted that his minister had asked, "What happened to the CDF?" In this official's view, "We still need a forum to debate broad national and international issues, [and] for civil society to give the government feedback on how it's doing." Other participants told the evaluation team that they were disappointed when expectations generated by the groundbreaking CDF consultative process were not matched by concrete results.

Although not as broadly based as the 1999 CDF process, the Romanian government does provide opportunities for policy consultation among various stakeholders. These include the social dialogues held by the National Economic and Social Council and the consultations with interest groups organized by the Ministry of Development and Prognosis to monitor the country's economic progress.

The challenge, as a number of respondents to the evaluation's questionnaire survey noted, is to improve the effectiveness of these consultations. Suggested avenues for improvement include:

- Casting a wide net to include a broad cross-section of society
- Seeking input and participation from local experts
- Employing a variety of tools, including media, Internet, and focus groups to communicate conclusions and results.

Also needed is more effective and efficient communication among stakeholders. A signifi-

cant share of the country's development experts and decisionmakers agree that better circulation of information is critical for CDF implementation, especially in the face of such challenges as weak institutional capacity, a plethora of new regulations that still lack implementation guidelines, and centralizing and sectoral tendencies that can run counter to the holistic and inter-sectoral approach of the CDF. Networking the already-existing CDF "nuclei" initiatives (for example, the Business Environment Action Plan and the Freedom of Information activities) through communication and related programs or projects could further promote CDF principles.

## Country-led Partnership

As the only transition economy among the case study countries, Romania does not have a Poverty Reduction Strategy Paper around which donors can organize, as do low-income countries. While some donors do fit their assistance into Romania's Medium-Term Economic Strategy and the Governing Program and Action Plan, most aid projects remain donor driven. Coordination of overall economic assistance is limited and ineffective. One donor representative offered an explanation: "Yes, the government should do it, but the government itself is poorly coordinated." In addition, multi-stakeholder coordination is weak; with few exceptions, it is neither country-led nor donor-led.

## Achievements

Most aid coordination continues to take place at the project level in Romania. Coordination rarely takes place at the sectoral level, and almost never at the national level. There are, however, two exceptions: national efforts in the areas of child protection and HIV/AIDS.

The National Authority for Protection of the Child was formed in 1999 in a response to increasing international concern about the country's growing level of child abandonment and institutionalization.

An aptly named "High Level Group"—made up of ambassadors, senior government officials, and heads of local offices of donor agencies—forged consensus on a policy approach: gradually reduce support for the traditional child care institutions and place abandoned children in foster families. On a parallel track, the approach supports measures to prevent abandonment from occurring in the first place.

The Child Protection Authority's 20-member Executive Group continues to meet. It includes 15 government representatives from central and local government; one from the Federation of NGOs; and 4 from donor organizations—the EU, UNICEF, WHO, and the World Bank. Accomplishments include structural reforms in the child protection system and efficient sharing of program information and policy developments among participants.

The other example of a national-level multi-stakeholder group is Romania's National Intersectoral HIV/AIDS Commission. Established by the government in response to international and domestic concern, the Commission works through a Permanent Secretariat housed in the Ministry of Health and the Family, supported by six subject-area working groups. Among other topics, the groups focus on social protection, treatment, and prevention of transmission from mother to child, and operate at both the central and local government levels. The Commission's president is housed in the Prime Minister's Office, and vice presidents are drawn from relevant ministries as well as from the National Union of HIV Persons. Additional members represent other ministries and agencies, major donors, and NGOs.

## Challenges

There is interest among senior officials of the Ministry of Public Finance in a country-led partnership role, particularly to ensure that proposed projects support the country's Governing Program Action Plan. As a practical matter, however, there are several constraints: lack of data on existing grant assistance, no agreement within the government or among donors on which government ministry should lead aid coordination, and weak government capacity for leading aid partnerships.

Partly owing to the low number of jointly financed projects and agreements, donor procedures vary widely, leading to high transaction costs for the Romanian government. In addition, lack of aid coordination means that some sectors have too many donors to handle comfortably, and other sectors have aid shortfalls.

Unanswered partnership questions include, "What should be the aid coordination role for the EU, Romania's largest donor, as well as for the next three largest, the EBRD, IMF, and the World Bank?" And, "Should more members of the bilateral aid community be encouraged to co-finance programs in collaboration with other donors, or should they move to sector-wide assistance through direct support to the central government budget?"

At the time of the case study, Romania's Ministry of Public Finance, with promised support from the UNDP and the World Bank, was planning a comprehensive aid database. A further positive step could include periodic meetings between government and donors in order to air policy, strategic, and procedural issues. (The last Consultative Group meeting for Romania took place in 1999.) Finally, the government should target both resources and reform efforts on strengthening capacity for aid management, and settle on a lead ministry for aid management—

given its lead role in the budget process, the Ministry of Finance would be a logical choice.

## Results Orientation

While there is progress toward implementing the CDF results orientation principle in Romania, efforts are generally at an early stage. In this fledgling democracy, Romanian citizens need to build their knowledge and skill in demanding results from their government.

## Achievements

Romanians have, however, begun the journey toward demanding greater governmental accountability. With support from local NGOs and at least one bilateral donor, at the end of 2001 the country passed a law guaranteeing freedom of public access to government information. The Ministry of Public Information has published a guide that explains what information is available and how to apply for access, as well as what may still be restricted. In addition, the Sunshine Law is intended to provide citizen access to the legal and regulatory reform process by requiring public hearings on pending initiatives.

The Romanian government's capacity for monitoring and reporting development results generally remains weak. The Ministry of Health and the Family took a step toward results orientation in 1997 when it gave increased emphasis to preventive care, and all ministries are now in the process of adopting results indicators as part of a government-wide program-based budgeting system. But there is a long way to go before the central government's goal of using results information for budget resource allocation can be realized.

Romania's national development framework, outlined in the Governing Program for 2001–04

and Action Plan, contains an extensive list of objectives, sorted into 38 “domains” (examples are financial policy, the labor market, and social welfare). However, while the Action Plan does specify steps to support each domain objective, only a few of these goals are measured through quantifiable results. Two exceptions include limiting the annual budget deficit to a specified percentage of GNP and setting the percentage of state-owned industries to be privatized.

The Ministry of Development and Prognosis has responsibility for preparing a number of reports that track progress toward the implementation of government programs. Beyond the Governing Program Action Plan, these include the EU-related Pre-Accession Economic Plan and the Business Environment Action Plan (PEP and BEAP, respectively).

While the Governing Program Action Plan’s Social Welfare poverty reduction objective is supported by only one input-oriented action step—clearly failing to provide a fully articulated poverty reduction strategy—the country’s National Anti-Poverty and Social Promotion Inclusion Action Plan (prepared as groundwork for EU entry) does present a more comprehensive plan. One of the plan’s priority goals for 2001–04 is to establish a monitoring system for measuring progress toward plan implementation.

## Challenges

The Ministry of Public Finance has the responsibility for analyzing the central budget by sector—with input from relevant ministries and agencies as well as local governments—and then integrating individual ministry budgets into a consolidated budget. The Ministry admits, however, that making such judgments is limited because the sector expertise of its staff is still in its infancy. Therefore, monies still tend to be budgeted based on prior spending levels.

The case study team heard differing assessments of how effectively the Freedom of Information Act and the Sunshine Law can be implemented. A stumbling block for FOIA implementation is the level of government resources available for the effort: a broad public education campaign and additional government staff in all agencies will be necessary to make it effective. In the case of the Sunshine Law, while the government is optimistic about its implementation ability, NGOs wonder if the enormous task of bringing Romania’s laws and regulatory structures into line with EU entry requirements won’t sap its energy for doing so.

International development targets can help stimulate demand for measurable results, and benchmark targets set by the UN Millennium Declaration of 2000 could serve such a role in Romania. However, while the country’s Anti-Poverty Action Plan does echo some of the language used to describe the MDGs, Romania’s plan contains far fewer quantitative targets.

## Steps for Improvement

What would be needed to accelerate Romania’s progress toward measuring development success by results rather than inputs? According to a 2001 World Bank study, integrating results-based management into Romania’s governmental structures will require six significant steps:

- Assign clear primary responsibility at the ministerial level in order to ensure the success of a results orientation approach.
- Strengthen the program budgeting effort already under way, including a Court of Accounts audit to assess implementation efforts for all line ministries.
- Make results-based management a top-level central government priority and build the capacity to carry it out.



- Create a phased strategy to bring performance management to the local level.
- Enhance national statistical capacity.
- Encourage coordinated donor involvement in supporting performance management.

A closely related factor is the need for public service reform, including both salary reform (many government employees are so poorly paid they must take second jobs) and the gradual introduction of a link between pay and performance. The UK's Department for International Development (DFID) has funded an advisor in the Prime Minister's Office to work on public service reform, including moving senior public servants to a performance-based system.

Currently, however, Romania's development approach remains focused on inputs rather than results; programs and projects are rarely linked to quality-of-life goals. While the shaping of laws, regulations, and new strategies does have an important role in Romania's accession-related modernization strategy, putting all this activity in the larger context of the MDGs could link the country's development to the larger quality-of-life improvements that global leaders have committed themselves to. It could also move Romania beyond aid largely delivered through disconnected, consultant-led programs and projects to a more cohesive development framework—one that pays greater attention to measuring results.

## CDF Interrelationships

The countrywide consultative process that launched the CDF in Romania in 1999 both outlined the elements of a comprehensive development vision and sowed the seeds for country ownership of that vision. What could

have evolved into a long-term development framework was, however, overshadowed by EU and NATO accession requirements as organizing structures for the country's development.

Therefore, Romania's EU accession strategy, as expressed through several instruments—the Medium-Term Economic Strategy; the Governing Program and Action Plan, 2001–04; and now the National Anti-Poverty and Promotion of Social Inclusion Plan—can be seen as a long-term, holistic development framework.

The extent of ownership of this de facto strategy by civil society, the private sector, and the population as a whole is an open question, however. In addition, the strategy's linkage to the central budget and expenditure process remains tenuous; without stronger linkage, it cannot be seen as a fully operative strategy. It is easier to see CDF linkages at the sectoral and local levels, at least for three CDF principles: strategy, ownership, and partnership. All three have been applied, for example, in the Business Environment Action Plan, the Freedom of Information Act, and the Jiu Valley Strategy.

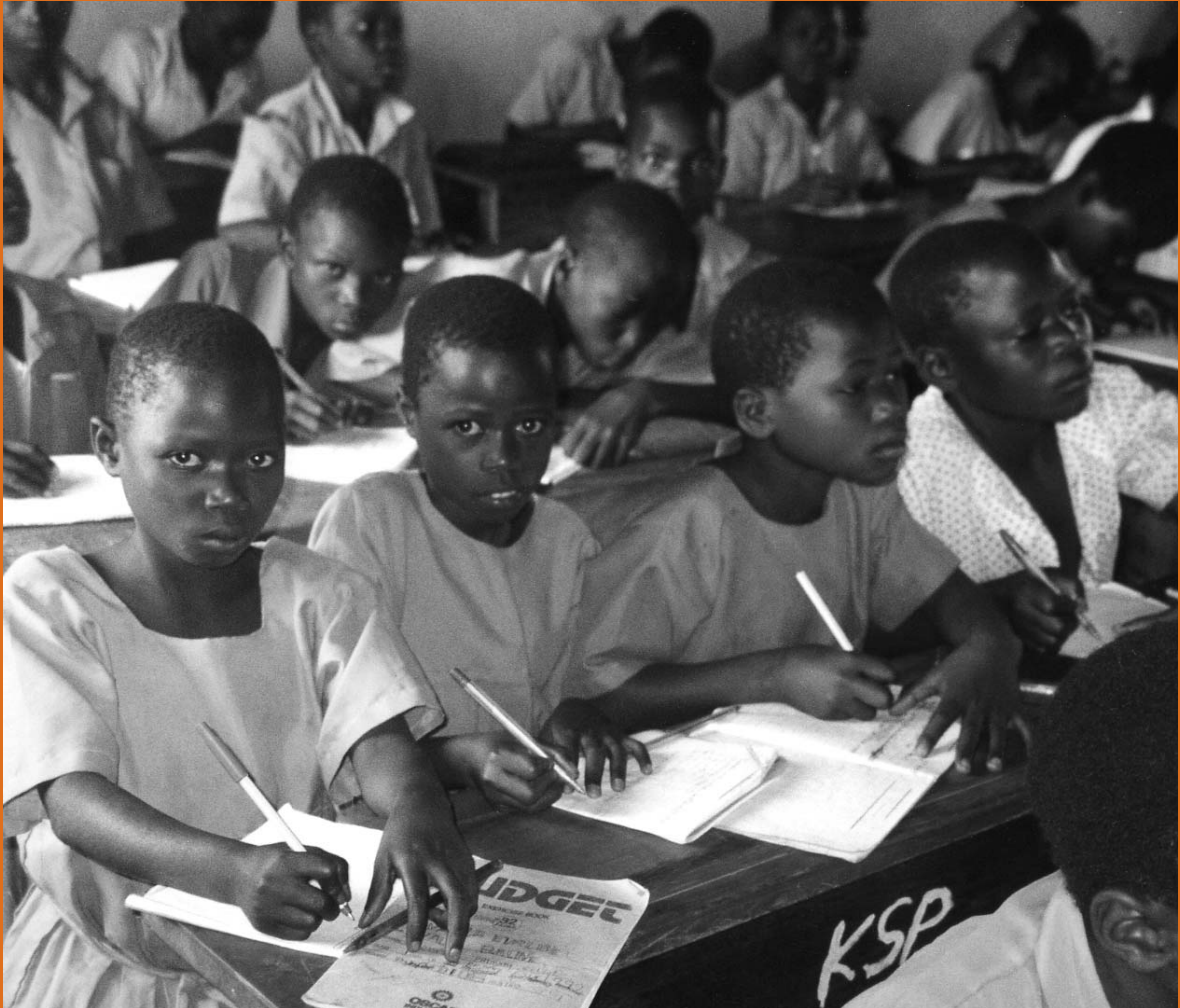
## A Proposal

Despite the eclipse of the CDF framework by Romania's focus on EU and NATO accession, many observers suggested to the case study team that there was still a need for a CDF structure: "There needs to be a forum for civil society to give the government feedback as to how it's doing," is how one Romanian government official put it. And indeed, a number of Romanian leaders interviewed for the case study expressed an interest in revitalizing the CDF initiative.

As a first step, laying out the record on CDF-like accomplishments and comparing them to

initial goals articulated in 1999 could be empowering. Perhaps donors—in particular, the World Bank—could provide significant intellectual and financial support to Romanian institutions and experts to nurture the current CDF “nuclei” (for example, the Business Environment Action Plan and the Freedom of Information activities), with the goal of building networking and convening mechanisms.

Focusing on the resources and mechanisms for the development of such nuclei is of critical importance for the development of a decentralized CDF in Romania. The right mechanisms could help build a broad consensus in support of the country’s development agenda—as well as hold its public officials and the country’s international development partners accountable for results.



Yosef Hadar

# Uganda

## Methodology

The Uganda case study was conducted during a mission undertaken between October 25 and November 23, 2001. The findings are structured around the four CDF principles: Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership; and Results Orientation. The study team employed several methods to gather information and insights:

- Document review.
- Administration of a questionnaire survey to a group of 33 persons from central government, NGO umbrella groups, and several private business firms. (Among groups not represented were churches, trade unions, business associations, and local government.)
- Interviews with key informants and other representatives from central and local government, parliamentarians, civil society and private sector organizations, and local donor representatives—150 individuals in all.

Document review consisted of desk review of economic, social, and political trends. These included development indicators in education, population, and health as well as changes in the poverty profile and the rural-urban divide.

The questionnaire survey was administered to all stakeholders in a group meeting setting. The results were later shared with a group of parliamentarians and other stakeholders who had also completed the survey. Interviews fell into three

categories: those with key informants, identified by knowledge of subject and seniority within key agencies or sectors and by referrals; group interviews with different stakeholders, including selected members of Parliament and government officials; and group meetings with District Councils and local civil society representatives.

- The education, health, and water and sanitation sectors were selected for in-depth reviews on the basis of their apparent progress in applying CDF-like principles. Agriculture was selected because it is the mainstay of the Ugandan economy; 80 percent of the population lives in rural areas.
- Selection of districts was based on diversity of socioeconomic status: Pallisa, as relatively poor; Jinja, as relatively wealthy; and Kamuli, falling in between. The selection of districts does, however, have a regional bias, since all three are in Uganda's eastern region.

A methodological limitation also results from the sampling approach used for selecting representatives of the main stakeholder groups: respondents were mainly based in Kampala; thus, the selection has an urban bias. The situation is mitigated to some extent by the inclusion of civil society organizations that are umbrella organizations representing their grassroots NGOs (for example, the Uganda NGO Forum and DENIVA).

Despite these limitations, the evaluation team, led by John Eriksson, Operations Evaluation

Department, World Bank, believes that the case study findings yield a valid picture of the CDF implementation experience in Uganda. The consulted representatives—150 in all—drawn from civil society, government, donors, parliamentarians, and the private sector, are among those most knowledgeable about development issues in Uganda. In addition, their voices were complemented and corroborated by document reviews.

The study team is confident that, taken together, an informed picture of progress toward implementation of the CDF principles emerges. In addition to John Eriksson, team members included Mirafe Marcos, Operations Evaluation Department; David Pedley, Department for International Development (UK); and Rosern Rwampororo, consultant.

## Uganda: Rising from the Ashes

### Unique Country Characteristics

In all six of the case study countries, some elements of the CDF approach were already in place by the time World Bank President James Wolfensohn officially launched the CDF in 1999. In five of these countries, however, precursor CDF processes were not very effective—the biggest stumbling block being lack of an action plan to translate theoretical principle into budget-based reality.

The exception was Uganda. Not only were development principles that anticipated the CDF in place well before the official CDF launch, but articulation of the principles was accompanied by a comprehensive action plan focused on poverty reduction. Launched in 1997, Uganda's Poverty Eradication Action

Plan, or PEAP, was—and remains—grounded in sectorwide approaches that are linked to the country's medium-term expenditure framework. A further CDF precursor was donor acceptance of Uganda's Poverty Reduction Action Plan as the country's aid framework, as illustrated by increased donor coordination and greater donor support for the Ugandan central budget.

Uganda developed its precursor CDF principles as a way to put a fractured country back together after nearly 15 years of civil war and fiscal mismanagement. Driven by the need to sustain security and stability, the country's post-war leadership reached out to diverse factions in establishing a new government and shaping economic reform policies—for example, by soliciting input not only from relevant government ministries, but also from academics and elected representatives. The result was broad country ownership of both process and results.

Uganda's success in achieving economic stabilization has encouraged international donors to provide significant levels of aid, with the World Bank the leading provider by far. During 1998–00, international aid provided just over two-thirds of Uganda's government expenditures, and accounted for 11 percent of the country's gross national income (GNI) (compared to an average of 3 percent of GNI for low-income countries). The private sector also responded to Uganda's improved economic climate: its share of GDP increased from about 8 percent in 1990–91 to a peak of nearly 12 percent in 1996–97. Over 1999–00, private investment averaged about 11 percent of GDP.

The combination of economic stabilization and allied donor support had impressive results. The country's inflation rate dropped from a high of more than 40 percent in 1992 to single-digit levels from 1994 to 2000. GDP growth

averaged 6.4 percent a year in the 1990s; in 1999–00, it was 5.1 percent, and in 2001–02, 5.6 percent.

*Poverty reduction.* By 1995 economic stabilization allowed the Ugandan government to turn its attention to a countrywide assault on poverty. The impetus was President Yoweri Museveni’s reaction to the World Bank’s draft Country Economic Memorandum (CEM). President Museveni commissioned a National Task Force on Poverty Eradication to take up the CEM’s challenge for the country to do much more to tackle poverty. Eighteen months’ of widespread stakeholder consultation produced the Poverty Eradication Action Plan.

Launched in 1997 and revised in 2000, the PEAP recognizes that while economic growth is necessary for poverty reduction, other factors must also be in place. These include good governance and improved health, education, and

housing, as well as increased citizen access to services and information and to income-earning opportunities. (See box 6.1 for basic social and economic indicators.)

Presaging the overarching goals of the CDF approach, the PEAP provided a comprehensive, long-term development framework focused on poverty reduction. The result: When the CDF concept was officially launched by the World Bank in 1999, the PEAP, with its already established sense of country ownership, became the recognized vehicle for implementing CDF principles—which Uganda’s pioneering comprehensive approach to poverty-reduction had greatly contributed to.

## Remaining Challenges

While Uganda has achieved economic stability and a significant reduction in poverty, there are several challenges to continued progress. These include the drain on the country’s resources

### Box 6.1. Uganda at a Glance

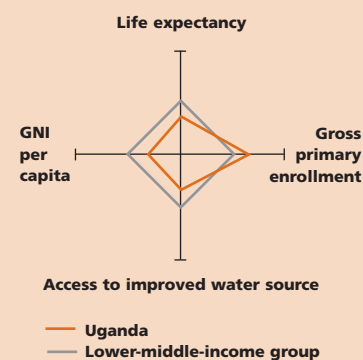
#### POVERTY and SOCIAL

	Uganda	Saharan Africa	Low-income
<b>2001</b>			
Population, mid-year (millions)	22.8	674	2,511
GNI per capita (Atlas method, US\$)	260	470	430
GNI (Atlas method, US\$ billions)	6.0	317	1,069

#### Most recent estimate (latest year available, 1995-01)

Poverty (% of population below national poverty line)	35	..	..
Urban population (% of total population)	13	32	31
Life expectancy at birth (years)	42	47	59
Infant mortality (per 1,000 live births)	88	91	76
Child malnutrition (% of children under 5)	38	..	..
Access to an improved water source (% of population)	52	55	76
Illiteracy (% of population age 15+)	38	37	37
Gross primary enrollment (% of school-age population)	128	78	96
Male	132	85	103
Female	124	72	88

#### Development diamond\*



caused by insurgencies in two border areas and by the cost of battling HIV/AIDS. The conflict-afflicted North is the only region of Uganda where poverty has increased, rather than decreased. In addition, although Uganda has begun to shift the planning, delivery, and management of basic services to local governments, much remains to be done to build local capacity and expertise to make districts and communities truly effective delivery channels.

And while Uganda's high level of international aid in the form of both grants and loans is, of course, a blessing, it also presents challenges: a growing share is structured as support provided directly to the general budget or to specific sectors—aid seen by donors as more vulnerable than project aid to accountability concerns. Furthermore, exchange rate appreciation and debt unsustainability have also emerged as issues.

## Chapter Structure

The following four sections discuss Uganda's progress toward each of the CDF principles—Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership; and Results Orientation (see Introduction to this volume for a description of the CDF principles). The discussion of each CDF principle is divided into two segments: *achievements* already in place and remaining *challenges*.

## Long-Term, Holistic Development Framework

### Achievements

*The overarching role of the Poverty Eradication Action Plan.* The PEAP is now well-established as the strategic framework for Ugandan development. It is known throughout central government, at district levels, and in Parliament, as well

as by major civil society organizations and private-sector representatives. Serving as Uganda's Comprehensive Development Framework, the PEAP has several key characteristics:

- *Comprehensive articulation of goals* aimed not just at poverty reduction, but at poverty eradication. Many of the PEAP's sub-goals are reflected in the more recent Millennium Development Goals (MDGs), also shared by the international aid community. Several of the PEAP's key targets are more ambitious than MDG targets.
- *Practical relevance*, since the PEAP has spawned Sector Action Plans that cover 5–10 years. That stakeholders from government, civil society, and donors have worked together in a sector over a number of years has resulted in realistic strategies that link plans to available resources.
- *Hard budget constraint*, due to the PEAP's linkage to the medium-term expenditure framework. Strong leadership, supported by a stable economic environment, encourages budget compliance.
- *A living framework*, because the PEAP is revised periodically to take account of changes in the needs of the poor as identified by reliable data arising from the monitoring of poverty trends.

Given its widely recognized status as an authoritative and operationally relevant guide to poverty reduction in Uganda, the PEAP fills another aid-related role. A summary of the PEAP serves as the country's Poverty Reduction Strategy Paper (PRSP), a requirement for countries seeking enhanced debt relief under the joint World Bank–International Monetary Fund HIPC initiative. The Ugandan government successfully argued that since the PEAP already

constitutes a poverty-reduction strategy document, it would not be a good use of limited human resources to create a separate, very similar, document. The World Bank is supporting the implementation and monitoring of Uganda's PEAP/PRSP through Poverty Reduction Support Credits—credits that previously went to specific government sectors.

Savings from debt relief (as of 2000–01, US\$98 million) have created space in the central budget to finance poverty reduction activities and for monitoring results. While this is, of course, highly beneficial, the release of HIPC money also raises expectations for results—expectations that must be carefully managed. Uganda has set up a Poverty Action Fund (PAF) to identify these monies within the budget, allowing easy accountability for how they are spent.

## Challenges

*Financing the PEAP and managing expectations.* Since not all PEAP programs can be financed in the medium term, difficult decisions must be made in order to reprioritize existing spending, mobilize additional resources, cut costs, and/or scale down and stretch out selected PEAP targets—all of which will require firm budget discipline. Government is committed to preparing a long-term expenditure framework that will fully elaborate the financing needs of the PEAP and ensure that expenditure allocations are in line with PEAP costs.

## Country Ownership

### Achievements

*Top leadership with a strong commitment to reform.* Since inflation was brought under control in 1992–93, senior government officials have shown a firm commitment to major economic

reforms and strategic development focused on reducing poverty. Senior-level officials have also empowered lower-level leaders to design and carry out strategies for poverty eradication.

*A lead institution dedicated to building on previous reforms.* Guided by a visionary permanent secretary and supported by a highly capable economic team, the Ministry of Finance, Planning and Economic Development (MFPED) built on its successful implementation of macroeconomic reforms to become the lead architect for the PEAP. MFPED has encouraged line ministries to focus on poverty reduction and has also encouraged other stakeholders—civil society, donors, and NGOs—to become more involved in formulating poverty-reduction policies and in monitoring results. The MFPED has been instrumental in the move toward sectorwide planning, linking budgeting with the strategic investment plans of sector ministries; both line ministries and sector working groups now have significant input into the budget process.

*Movement toward donor integration in the budget process.* The increasing openness of the budget process has encouraged some donors to integrate their funding with the government's budget system, and to make commitments earlier in the budget cycle. The result has been increased government control over the budget process, enhancing the efficiency and effectiveness of expenditure allocation. And, since more financial resources are directly available to sector ministries, it has encouraged them to develop sectorwide plans.

*MFPED as the main coordinator of donor activity and sector working groups.* The Ministry of Finance, Planning and Economic Development has forged agreements between donor partners and line ministries to work within government systems and frameworks. Contributing to the success of this shift is the willingness of some



donors—in particular, the World Bank and DFID—to make the change from program *implementer* to program *financier*. In addition, the government has consolidated aid coordination units that were previously scattered over several ministries into one Aid Liaison Department under MFPED's wing. The move keeps donor-funded projects within the limits of sector investment plans, and has largely prevented donors from tempting line ministries into undertaking projects centered on donor, rather than country-defined, priorities. All donor-funded project proposals must be cleared by the Aid Liaison Department and the government's Development Committee, which is chaired by MFPED.

*Innovative use of increased fiscal space from debt relief and donor support to target poverty.* In addition to fiscal discipline, MFPED took the lead in establishing borrowing discipline and prudent debt management. The Ministry negotiated substantial debt reductions and rescheduling from most bilateral creditors, and developed strategies that wiped out virtually all commercial loans and cleared the bulk of arrears and penalties. In addition, it established a “grants before loans” policy. In cases where loan financing is the only option, borrowing can only be done on concessional terms that are comparable to those of IDA.

*Power and decisionmaking is shifting from central government to local governments.* The sweeping decentralization mandated by the Local Governments Act of 1997 is reinforcing country ownership by giving local governments, and the citizens who elect them, control over a wider range of policies and decisions. A number of donors are providing support to districts to strengthen local capacity. These include the World Bank's Local Government Development Program and USAID's project to strengthen decentralization. While the

decentralization process has had mixed results across districts, in general it has brought citizens at the grassroots level much closer to policy planning and decisionmaking.

*Broadened ownership through civil society participation.* Stakeholder interviews, questionnaire survey results, and pertinent documents all show that the government has broadened country ownership of the PEAP by involving civil society in:

- Shaping PEAP revisions
- Monitoring PAF performance
- Contributing to the annual budget process through their participation in the Sector Working Groups that produce the Budget Framework Papers.

However, civil society and private sector organizations and local governments in outlying areas tend to be excluded from the process.

*Active government and CSO involvement in Consultative Group meetings.* For the last three years, CG meetings, designed to review government-donor relations, have been held in-country and co-chaired by the World Bank and the Ugandan government. The meetings reflect broad participation by diverse parties.

## Challenges

*Strengthening local government capacity in order to further advance “letting go” by the center.* The central government provides financing to districts in the form of both conditional and unconditional grants. While conditional grants allow the central government to ensure that expenditures are consistent with the PEAP, the strings attached to such grants also reduce local government's ability to respond to changed circumstances.

Giving local governments greater freedom in resource allocation will, however, first require:

- Strengthening local government capacity in ways that are community-led and gender responsive
- Achieving more timely disbursement of funds to local governments and facilities such as schools
- Improving flow-of-funds accounting and tracking
- Achieving better employment conditions for local staff, especially in remote hardship areas.

*Increasing domestic revenue to reduce aid dependency.* Country ownership will be further enhanced when the budget becomes less dependent on external financing. (Fifty-seven percent of the FY2000–01 budget was financed by donors through grants and loans.) Shifting the balance will require sustained economic growth and/or increasing the current low share of domestic revenues in GDP. More efficient tax collection would be one avenue toward increasing the domestic revenue share.

*Creating a positive environment for the private sector.* Uganda’s economic policies call for growth led by the private sector. All parties agree that the emphasis on removing remaining obstacles to private investment and exports under the Medium-Term Competitive Strategy makes good sense. Beyond that, though, the Government will have to be careful to ensure that the private sector’s desire for more proactive support does not lead the government to implement measures that would risk costly misallocation of resources into investments that do not produce positive economic benefits.

*Reaffirming the role of civil society.* While a new NGO Registration Bill was tabled in Parliament in 2001, the responsible committee referred it back to the Minister of Internal Affairs; the bill

has not yet returned to the Committee. Depending on final language, if enacted the legislation could either reaffirm the participation of NGOs in the development process or curtail their role—many NGOs see the bill as an attempt to limit the role of civil society. For their part, some members of Parliament interviewed for the case study were quite explicit in their criticism of what they regard as the excessive role of the many development NGOs. MPs saw these organizations as insufficiently representative, lacking accountability and adequate capacity. They felt that these organizations are deflecting both government and donors from more direct engagement with Parliament—an engagement the MPs would welcome.

*Evolving role of Parliament.* The role of Parliament in the budget process was expanded by the Budget Act of 2001. Stakeholders consulted for the CDF evaluation view the act as having both pros and cons. On the positive side, the creation of a new standing Budget Committee and supporting Budget Office has the potential for contributing to constructive engagement with the Ministry of Finance, Planning and Economic Development—thereby broadening country ownership without weakening the long-term, comprehensive development framework. On the downside, the insertion of Parliament into the resource allocation process at an earlier stage has generated concern that hard budget constraints may be more difficult to maintain.

## Country-led Partnership

### Achievements

*Donor assistance aligned with the Poverty Eradication Action Plan.* Several factors have resulted in better alignment of external aid with the PEAP:

- Rigor of the budget process linking the PEAP to the medium-term expenditure framework
- Increased effectiveness of the Aid Liaison Department and the Development Committee in screening and reviewing projects
- Increased budget support by donors
- Efforts by those donors still providing project support to ensure alignment with the PEAP. (The World Bank is among donors in the forefront of aligning assistance strategies with government development strategy; others include DFID; the EU; Irish Aid; the Netherlands; the Norwegian Agency for Development Cooperation, or Norad; and the Swedish International Development Authority, or Sida.)

*Progress of SWAps and the PRSC.* By requiring all partners to think and act in sectorwide terms, SWAps promote alignment with the PEAP. A SWAp typically includes a sector policy; a mutually agreed long-term Strategic Investment Plan; and an established joint sector review

mechanism. SWAps have led to a relatively high degree of budget support and procedural standardization, or “harmonization,” on the part of donors in Uganda. For example, in the education and health sector SWAps, 50 percent of aid is now in the form of budget support. For the most part, donors accept the report of the Joint Sector Review as fulfilling their reporting requirements (see box 6.2).

In a further advance, while the Uganda PRSC provides budget support under a policy that had an initial focus on three SWAp sectors (education, health, and water), it now also includes cross-cutting public sector reforms.

*Broader mandate for budget sector working groups (SWGs).* The government has asked the budget SWGs, which have traditionally met only during the budget process in order to formulate sector Budget Framework Papers, to expand their role and develop output and outcome indicators for their respective sectors. The government has also asked the groups to consider assuming an ongoing monitoring and evaluation role.

### Box 6.2. An Essential Element: The Joint Sector Review

The purpose of the Joint Sector Review (JSR) is to allow government, donors, and other stakeholders such as NGO umbrella groups to review strategy and performance, and to propose changes in sector policy and resource allocation for the coming year. Participants therefore see the JSR as an essential element of an effective sectorwide approach.

Benefits include greater strategic alignment; a higher degree of standardization in procurement, budgeting, and disbursement; and improved donor specialization in areas of expertise. (The World Bank, for example, is reducing the spread of its involvement across sectors, with its future portfolio split between support for four sectors through the PRSC—education, health, rural development, and water—and for major infrastructure projects such as power.)

An example of the benefits that can result from the JSR is the experience of the Ugandan education and health sectors, where the number of mutually negotiated undertakings by donors declined sharply over the last two years: from 59 to 7 in education, and from 32 to 10 in health. Transaction costs also dropped significantly.

## Challenges

*Vulnerability of budget support.* Budget support aid that is not earmarked for specific purposes can be used to cover expenditures for any government purpose. Some donors providing unrestricted budget support expressed concern in case study interviews that their governments would react unfavorably to an escalation in Ugandan defense spending, border conflicts, or increased evidence of corruption, since donor budget support could then be viewed as contributing to such undesirable expenditures as increased military costs. (That in Uganda the dialogue with donors and other stakeholders covers the entire donor/government expenditure program, including ceilings on defense expenditures, reduces the sting of this argument.)

The Ugandan government has included two assurances in the PEAP to meet such concerns. The first is a continuing commitment to holding defense spending at 2 percent of GDP; the second is to increase the share of public expenditures allocated to the PAF.

*Expanding the SWAp frontier.* The PEAP states that over time the plan should be implemented through sectorwide approaches in all major sectors. However, developing a coherent sectoral approach will be particularly challenging in sectors that include many different ministries with differing interests and competing budgetary claims—Public Administration is one example.

Devising a shared approach is also difficult for sectors such as Social Development that achieve their most effective results through close collaboration with several ministries. In addition, stakeholder differences over strategic priorities may be greater in some sectors (for example, agriculture) than in others. The second PRSC provides a framework and processes designed to strengthen coordination and meet these collaborative challenges.

*Further harmonization of procedures and practices.* While sectorwide approaches—especially in education and health—have resulted in progress toward standardizing donor procedures for budgeting, disbursement, procurement, reporting, and evaluation, line ministries still complain that more progress needs to be made, especially for project aid. (Ministries cite World Bank project procurement regulations as being particularly complex.) Dealing with many different donor procedures is an administrative burden for government and drives up transaction costs.

*Partnership in capacity building for improved service delivery.* The challenge for government and its development partners is to find more effective ways of supporting capacity building at both the central and local levels, so that aid can address needs identified by the country itself and its district subdivisions. A corollary challenge is to let go of practices associated with supply-driven technical assistance—aid that meets donor needs—which tends to undermine country and local capacity building. For example, the persistence of Project Implementation Units (PIUs) is a continuing irritant for government, which sees their technical assistance choices as reflecting donor rather than government preferences. Another perceived drawback is PIU pay scales: typically higher than government scales, they are seen as causing resentment and as distorting incentives.

*Managing the transaction costs of partnership.* While the benefits of aid coordination across sectors in Uganda continue to exceed costs, the communication costs of implementing these donor-government partnerships are not trivial. In preparation for PRSC 2, the government reviewed cross-sectoral coordination mechanisms with a view to streamlining them and further reducing both government and donor costs.

*Mutual performance assessment.* Mutual assessment by government and development partners of each other's performance currently takes place in varying degrees through sectoral and cross-cutting coordination mechanisms. A Workshop on Partnership Principles, held in September 2001, constituted a cross-sectoral review of the performance of all partners in development cooperation. Holding such a review periodically would provide a means for continued refinement of objectives, establishment of baselines, and mutual assessment of progress toward country-led partnership.

*Surmounting the macro challenge.* The combined effect of implementing the PEAP and shifting responsibility for service delivery to local government has been to greatly expand the demand for public services at the local level. However, if a donor desires to provide additional budget support to meet this growing demand during the budget year, the offer will be turned down by the MFPED if it would break the annual medium-term expenditure framework ceiling. Determining the actual macro-effects of growing aid flows requires a better understanding of the relationships among aid inflows, the real exchange rate, and productivity growth. The government and the World Bank, along with one or two other donors, are undertaking an empirical study to shed more light on these relationships.

## Results Orientation

### Achievements

*Monitoring and analysis of results on the ground are a key PEAP feature.* Soon after the 1995 start of the broad-based process used to formulate the PEAP, demand to *analyze* and *use* results information emerged as a desirable PEAP element. Additional demand has been stimulated by the PAF, by decentralization, and by the increased

involvement of civil society in monitoring performance and results. The information requirements of donors have also stimulated capacity for the collection, but not necessarily the in-country analysis and use, of results information.

*A milestone poverty monitoring and evaluation strategy.* The strategy, announced by the minister of finance in June 2002, has both a medium-term and a long-term focus, and is comprehensive in its coverage of government systems. Major elements include a systematic assessment of the national budget process and strengthened tracking of funds to priority areas, as identified in the PAF. The strategy is being built into the budget process in stages: data are collected from line ministries on inputs and outputs, and information on impact on development programs will be obtained from periodic surveys and studies (including the Demographic and Health Survey, conducted every five years, and the annual National Service Delivery Survey).

*The role of civil society in monitoring results information.* The involvement of both government and CSOs in monitoring the use of PAF funds has become a significant force for increased transparency in how funds are used. Representatives of civil society view monitoring of public expenditure by communities as one of the most important initiatives for improving the quality of services to the poor.

*Poverty eradication goals echo—and sometimes exceed—Millennium Development Goals.* Uganda's MDGs are set within the framework and time horizon of the PEAP and related documents, such as the Education Strategic Investment Plan. In several cases—poverty, education, HIV/AIDS, and safe water—Uganda's targets are *more* ambitious than MDG targets. Furthermore, progress so far suggests that they are achievable, as long as the necessary financ-

### Box 6.3. Grassroots Monitoring of Poverty-Reduction Progress

The Uganda Debt Network, a CSO that has assumed a proactive role in monitoring progress in poverty reduction, carries out its mission through work with grassroots organizations. For example, the network has helped the Kamuli District's Poverty Monitoring Committee track the effectiveness of local PAF disbursements through:

- Organized dialogue with elected representatives
- Collection of grassroots information through primary schools, health centers, and local administrative units.

Findings were presented at a workshop to provide feedback to all stakeholder groups. While local elected representatives chose to view the results as personal criticism, district technical staff has used the findings to shape a comprehensive plan to remedy identified shortcomings. The Kamuli District Poverty Monitoring Committee has followed up with relevant government departments: one result is that timeliness of drug deliveries to local health units has improved.

ing is forthcoming and quality issues are addressed (a concern, for example, in the areas of education and water and sanitation).

### Challenges

*Achieving fiduciary assurance.* Widespread corruption at a significant level, reported in surveys and anecdotal accounts, is a major concern for the government and among development partners. It constitutes an impediment to greater foreign investment and to increased aid in the form of budget support. While pending pay reform will reduce one incentive for corruption, a continuing challenge will be the vigorous pursuit of complementary measures. These include the existing anti-corruption campaign as well as efforts to reform the procurement system, strengthen financial tracking, and increase transparency of accounts at all levels. In addition, PRSC 2 contains further support for anti-corruption efforts.

*Effective service delivery monitoring yet to be institutionalized.* Key government informants reported the need for conducting more “value for money”

audits in order to improve delivery of services to the poor. Weak culture and incentives to generate and use results information at the operational level were also cited as barriers to monitoring and evaluation. If CSOs are to play a larger role in monitoring service delivery, they will need support for strengthening their capacity to do so.

*Using results information: Outcome-Oriented Budgeting and Results-Oriented Management.* Although Uganda is a pioneer among low-income countries in introducing two major instruments for using results information to improve performance, neither is fully operational. The two systems are Outcome-Oriented Budgeting (under MFPED), which feeds results information into the budget process; and Results-Oriented Management (under the Ministry of Public Service), which feeds results information into institutional and individual performance appraisal processes. The two systems developed independently in different ministries; to maximize their impact, they should either be integrated or aligned. PRSC 2 contains steps designed to bring about better alignment of the two initiatives.

## Sequences and Reinforcing Relationships among CDF Principles

The importance of sequencing and reinforcing relationships among CDF principles emerges from a review of Uganda's experience. First came ownership, exemplified by a country decision that basic macroeconomic and market liberalization reforms were essential. This was followed by a holistic development strategy, the Poverty Eradication Action Plan. Implemented through the medium-term expenditure framework, the PEAP reflects tough budget choices that in turn reflect the strategic priorities of sectorwide approaches. These achievements encouraged development partners to align their approaches with those of the government, strengthening country-led partnership. Donor movement toward budget support and sectorwide approaches reinforced country ownership. Finally, the combined impact of applying the first three CDF principles has required that more attention be paid to the fourth principle, results orientation.

## Budget Support, Aid Quality, and Fiduciary Assurance

From the perspective of the Ugandan government, budget support is higher quality aid than project aid. Benefits include flexibility in allocating aid between recurrent and development costs, as well as lower management and reporting transaction costs.

Donors, however, have greater fiduciary concerns about providing aid in the form of budget support. While recognizing the risks, several donors have nevertheless concluded that enough progress on fiduciary assurance has been made (including account transparency and financial tracking) to justify providing general budget support aid. Furthermore, PRSC 2 provides a framework for monitoring continued progress in the transition to budget support aid. The challenge for donors still providing project support is whether they are prepared to follow the budget support approach. The challenge for the Ugandan government is to continue to allay donors' fiduciary concerns attached to budget support aid.



Francis Dobbs



# Vietnam

## Methodology

The Vietnam CDF evaluation was carried out by a multidisciplinary team of national and international experts drawn from the development community. Led by Alf Morten Jerve, assistant director, Chr. Michelsen Institute, Bergen, Norway, team members included Ray Mallon, economic advisor and private consultant, Hanoi; Keiko Nishino, executive director, Global Link Management, Tokyo; Han Manh Tien, director, Concetti, Hanoi; and Laura Kullenberg, Operations Evaluation Department, World Bank. The services of Mr. Mallon and Ms. Nishino were funded by the Asian Development Bank (ADB) and Japan's Ministry of Foreign Affairs, respectively, as in-kind contributions to the evaluation. Mr. Hajime Takeuchi of the Japan Bank for International Cooperation (JBIC) and Mr. Graham Walter of ADB participated in the planning mission for the evaluation.

The team also benefited from the contributions of a local advisory group consisting of senior advisors of key research institutions and donor agencies, including the Central Institute for Economic Management; the Development Strategy Institute; the Vietnam Union of Science & Technology Association's Institute of Management; DFID; the Asian Development Bank (Hanoi); the Ministry of Foreign Affairs of Japan, Tokyo; and the Japan Bank for International Cooperation, Tokyo.

The Vietnam country case study was launched in September 2001 with a preparatory mission to Vietnam. A subsequent mission from November 20 to December 12, 2001, collected the majority of the evaluation data.

The study's conclusions rest on a number of information sources: interviews with leaders and selected staff of 70 agencies and organizations; relevant reports and other documents; and survey results from slightly more than 100 respondents engaged in development work in the country (three-quarters of whom were Vietnamese serving in government agencies or NGOs, and one-quarter expatriate representatives of aid organizations). In addition, team members attended two Consultative Group meetings, several key workshops, and made field trips to Ho Chi Minh City and Da Nang Province.

## Vietnam and the CDF: Progress, Yes, but Challenges Remain

### Unique Country Characteristics

Over the past decade, the socialist government of Vietnam has launched a remarkable series of market-based economic reforms focused on private sector development and the global integration of Vietnam's economy. The success of these initiatives transformed the country's formerly closed economy into one with a high ratio of both foreign investment and exports to GDP.

Vietnam's policies to combat poverty have also been markedly successful. The country's poverty rate dropped from 58 percent in 1993 to 32 percent in 2001—a reduction of nearly half, virtually unparalleled among low-income countries. (See box 7.1 for regional and low-income country comparisons of Vietnam's poverty level and other social indicators.)

The international aid community has provided significant support for these reform efforts, particularly poverty reduction. Today Vietnam is the second-largest current IDA borrower, with Japan as its largest single donor. Without a doubt, Vietnam is a development success story.

### A Solid CDF Foundation

Compared with many developing countries, Vietnam's economic and social reforms and its commitment to poverty reduction provide a particularly solid foundation on which to build

CDF principles—especially when combined with other strengths.

Even though many Western donors and multilateral institutions only resumed aid programs in the early 1990s, Vietnam has established a good track record of aid management, with a successful liberalization program and no donor conditionality. The country's long tradition of central planning has built a strong sense of government ownership over policies. And the country's series of 10-year socioeconomic plans—dating back to 1945—gives Vietnam experience in setting development targets and monitoring progress toward achieving them.

All these factors, as well as the country's long and unique experience as an aid recipient (first, with most assistance from Russia and other communist countries; more recently, from the West), contributed to Vietnam becoming a CDF pilot country in 1999. Early in 1998, Vietnam's then

### Box 7.1. Vietnam at a Glance

#### POVERTY and SOCIAL

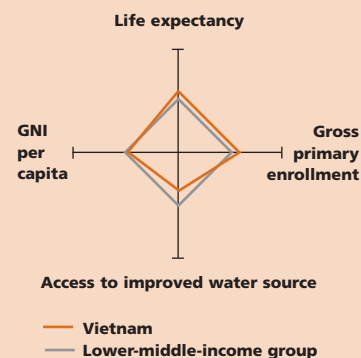
##### 2001

	Vietnam	East Asia & Pacific	Low-income
Population, mid-year (millions)	78.7	1,826	2,511
GNI per capita (Atlas method, US\$)	420	900	430
GNI (Atlas method, US\$ billions)	33.4	1,649	1,069

##### Most recent estimate (latest year available, 1995-01)

	Vietnam	East Asia & Pacific	Low-income
Poverty (% of population below national poverty line)	32	–	–
Urban population (% of total population)	25	37	31
Life expectancy at birth (years)	69	69	59
Infant mortality (per 1,000 live births)	37	36	76
Child malnutrition (% of children under 5)	34	12	–
Access to an improved water source (% of population)	56	74	76
Illiteracy (% of population age 15+)	6	14	37
Gross primary enrollment (% of school-age population)	110	107	96
Male	113	106	103
Female	107	108	88

#### Development diamond\*



Prime Minister, Nguyen Manh Cam, had anticipated the focus of the CDF by urging donors to cooperate with each other and with his government—citing the number of single-donor aid projects that were overtaxing the country’s aid-management capabilities. Upon the 1999 launch of CDF principles by World Bank President James Wolfensohn, the Bank’s country director strongly supported Vietnam as a CDF pilot, also citing the need for a new type of collaboration among donors that would allow more focused, sectorwide approaches.

The Bank’s country office was strengthened with staff seconded from other agencies—some working exclusively on promoting partnership. This proved to be an excellent way to establish trust and exchange skills and perspectives, and secondees interviewed felt they had an influence on Bank thinking as well. The World Bank also provided technical expertise to other aid agencies and to Vietnam’s government to help shape sectoral approaches—that is, approaches that attack issues from several related fronts (for example, by recognizing the impact of environmental issues on health indicators).

Vietnam’s impressive reforms are still in a transition stage. For several years the World Bank and other aid agencies have cited the need for a second wave of reforms to sustain the country’s economic and social progress. Donors also have significant concerns about the efficiency and effectiveness of aid in Vietnam, noting in particular the need for stronger government involvement in project management and greater efforts to reduce corruption and waste.

## Chapter Structure

The following four sections discuss Vietnam’s progress toward each of the CDF principles—Long-Term, Holistic Development Framework; Country Ownership; Country-led Partnership;

and Results Orientation (see Introduction to this volume for a description of the CDF principles). The discussion of each CDF principle is divided into two segments: *achievements* already in place and remaining *challenges*.

## Long-Term, Holistic Development Framework

### Achievements

The CDF’s long-term approach to development is, for the most part, a logical fit with Vietnam’s historical commitment to centralized planning, which has long included 10-year national strategies and 5-year economic development plans. One sticking point, though, has been that shaping long-term national strategy (including development strategy) was, until recently, strictly a party-led activity.

Vietnam has, however, made major changes in how it sets long-term strategies, for the first time inviting broad nongovernmental and donor participation in reviewing drafts of the most recent 10-year plan. According to evaluation survey responses, there is strong agreement, among both Vietnamese and expatriate respondents, that the planning process has undergone significant change, becoming much more open and consultative. Furthermore, respondents agree that strategies are now more focused on poverty reduction. (It is true, however, that Vietnamese respondents have a considerably rosier perspective when it comes to the question of whether long-term objectives have become more realistic: 86 percent of local representatives say yes, while only 16 percent of expatriate respondents agree.)

### Challenges

The process of reconciling a commitment to socialism with market-oriented management has

not been entirely smooth, however. The pace of reform has been slow, as officials with differing views wrestle with consensus. And the same need to compromise among divergent views too often results in only a hazy statement of the country's long-term vision. In other words, the mere existence of long-range strategies does not automatically translate into a fully defined long-term and comprehensive development framework; the quality of the plan also counts.

The quality of Vietnam's long-range planning could be improved by:

- Expressing political choices and policy in unambiguous ways
- Setting targets that are realistic and formulated to give clear policy direction
- Explicitly linking sector reforms to the country's overall development objectives
- Defining the relationship between long-term strategies, medium-term planning, and annual budget allocations.

The most critical gap in the long-range planning process is that plans are not yet linked to a medium-term expenditure framework, which results in a disconnect between the expressed long-term vision and strategies, and how the annual budget is actually spent. This gap is illustrated by the government's reports to the Consultative Group (CG) meetings, which are designed to explore donor-government issues: funding requests remain in the "wish list" category, rather than reflecting clear choices among investment sectors.

The development community holds out hope that the country's Comprehensive Poverty Reduction and Growth Strategy (CPRGS)—Vietnam's version of a Poverty Reduction Strategy Paper, or PRSP—may provide the

mechanism to bridge the theory-to-practice gap. While the PRSP process was launched globally in late 1999 to ensure that countries granted debt relief by the World Bank and the IMF used budget savings to reduce poverty, these plans have also provided the action steps for implementing the CDF's aid-effectiveness principles. For example, Vietnam's CPRGS also plays an important role in supporting the results-orientation principle.

## Country Ownership

### Achievements

Strong government ownership of policymaking has been a hallmark of the Vietnamese political process since independence, and the tradition has been extended to ownership of the overall development process. Strengthening the government's policy commitment has been the success of Vietnam's economic reform process, which was well under way (yielding increased economic output, employment, trade, and investment) when the multilateral financial institutions resumed work in the country in 1993. Even if foreign aid had little direct impact on successful economic reform (although aid-related training and advice were factors in developing reform policies), the country had nevertheless come to appreciate the value of learning from international experience.

As previously noted, Vietnam's national planning process was traditionally restricted to the party structure. During the preparation of the last two 10-year strategies, however, domestic and foreign experts were asked to comment on drafts (with more consultation and debate during preparation of the most recent strategy). Drafts of the most recent five-year plan were also more widely circulated, to all provinces as well as to NGOs for the first time. In addition,

nonstate organizations and private sector representatives say they now have better access to government information, which includes participation in state-led meetings and workshops (NGOs and private sector representatives are now, for example, invited to CG meetings). And donors applauded the government's 1998 Grassroots Democracy Decree, which established a legal framework for citizen participation at the local government level, thus increasing local agency accountability.

Overall, the government's strategic relationship with donors has been handled well; aid has served practical needs and has opened the country to new international alliances. And while Vietnam has encouraged better aid coordination at the operational level, it has not done so by reducing the competition of ideas or the diversity of its bilateral relations, as might have been the case when donors collaborated on larger projects.

## Challenges

Even though government ownership of policy-making and the overall development process is widely recognized, both donors and government representatives note that ownership doesn't necessarily extend to individual projects. They cite in particular weak national involvement in

technical assistance projects, which remain largely donor-driven.

This is related to a major complaint from most Vietnamese interviewed—the donors' nearly exclusive use of foreign consultants for international development projects, when, they argue, using more national experts would both strengthen local project ownership and improve project design (which has often been flawed because most international consultants have little knowledge of the Vietnamese context or language).

Change is also needed on the government side. Ministries need to improve inter-ministry communication and reduce the level of so-called "silo thinking," which undermines opportunities for donor cooperation and a more holistic approach to development problems. As in most countries, individual ministries often prefer to deal bilaterally with a trusted, flexible, long-time donor rather than be part of a broader sectoral or national program, where they fear losing control over funds, program content, and bureaucratic power.

And some ministry officials are concerned that multi-donor sectorwide approaches, or SWAps, could increase rather than decrease their administrative burden if a number of donors descend

### Box 7.2. The MDGs: Proof of Ownership

The capacity of Vietnam's central government to engage in fruitful dialogue with donor agencies has improved significantly in recent years. An example is the shared effort to "localize" the MDGs to reflect local conditions and the country's long-range plans.

After committing to the MDG goals, the government—supported by the government-donor-NGO Task Force on Poverty—modified these international human development targets to reflect the government's own strategic goals. In addition, Vietnam moved up the target date for achieving the goals—from 2015 to 2010—in order to bring them into alignment with the country's strategic planning timeframe. The localized targets have been incorporated in the country's CPRGS. The CPRGS provides the country's action plan for poverty reduction and economic growth, approved as such by the prime minister.

on a sector without standardizing (“harmonizing”) their procedures.

In addition, Vietnam needs to reform and strengthen public administration, including the development of more professional project managers: strong country ownership depends on civil servants that have the time, resources, and skills to do their jobs well.

Finally, respondents note that government could improve both its perception of and management of prospective development aid. To some government officials, aid is still seen as a “free good” that augments underfunded budgets, rather than funds for specific development outcomes that will have to be accounted for and repaid. In the few cases in which the government has declined a project (an important indicator of government ownership), political sensitivities were the cause, rather than development considerations.

## Country-led Partnership

### Achievements

There is tangible progress toward government and donor cooperation in Vietnam. For example, there are now more than 20 active partnership groups. Covering most broad development themes, some groups include only donors; others also include government representatives. In 2000, the World Bank, ADB, and UNDP jointly compiled a report on the partnership groups, summarizing their policy focus, activities, and progress. This is updated every six months and the effort underscores the nearly universal acknowledgment encountered by the evaluation team that Bank leadership has had a significant impact on creating both the environment and the mechanisms for partnership in Vietnam.

While it is too early to assess the long-term impact of the working groups on aid effectiveness, a number of changes are already evident. These include donor input into government sector strategies, which increases coherence; increased likelihood that donors consult with each other before planning projects; and government recognition of the benefits of informal contact with donors. Taken together, these changes can be seen as a “new way of thinking and doing business” in the planning and management of international aid in the country.

Donors have increased joint analytic work as well as the number of jointly funded aid projects. While parallel funding is the most common approach, examples of the newer pooled, or “basket funding,” concept are emerging. In addition, several bilateral donors (Denmark, Germany, Sweden, and the United Kingdom) have increased their involvement in projects that are jointly funded with the World Bank and the ADB.

It has become clear that in order for partnership efforts to work, countries and aid agencies need to grant greater autonomy to their field offices—the Netherlands, Sweden, and the World Bank are leading examples of this approach in Vietnam. Without the authority to make decisions on the spot and negotiate partnerships with some flexibility, movement toward greater collaboration is painfully slow. Also helpful, note observers, is careful selection of key agency personnel: in particular, they note the importance of selecting senior staff with the leadership and interpersonal skills suited to the relationship-building process—which implies an ongoing need for staff with negotiation and communication skills as well as specific technical expertise. The evaluation team noted that with the World Bank’s new focus on partnership, as well as increased staff resources in the country, the Bank

### Box 7.3. Lessons from the Poverty Working Group

Founded in 1999, the Poverty Working Group (PWG) has met every month to facilitate dialogue between government ministries whose work has a bearing on poverty reduction (for example, health and education) and aid agencies with similar concerns. In doing so, the PWG:

- Promotes greater understanding of donors' priorities among Vietnamese counterparts
- Supports ministry-donor dialogue with analytic work
- Reduces the language barrier by highlighting the need for simultaneous translation in government-aid agency meetings
- Through analytic input, provides the framework for the PRSP process (called the Comprehensive Poverty Reduction and Growth Strategy, or CPRGS, in Vietnam).

The PWG also helped reduce skepticism about the benefits of partner efforts by publishing a well-received joint report, *Vietnam: Attacking Poverty*. DFID and the World Bank coordinate the informally structured group.

has assumed the important role of convener in recent years—making the continuity of staff with communication and partnership-building skills even more important.

On the government's side, Decree 17-CP, issued in May 2001, outlined the basic legal framework for aid management; donors are now working to align their procedures within this framework. In addition, several ministries have signaled their intent to establish procedures for donor relationships. And ministries are slowly embracing multi-donor sector programs—SWAs—which bring greater resources and a clearer strategic focus to development projects.

As noted earlier, both the government and donors are working to reduce aid administration and management burdens by “harmonizing” procedures; that is, working toward standard practices that can reduce the higher transaction costs associated with fragmented aid efforts. Six like-minded bilateral donors (the “Like-Minded” group) funded an assessment of this

issue and agreed in 2001 to take concrete steps to harmonize their aid procedures. This group has now grown to nine donors and has expanded its mandate.

In addition, the government has taken an important step by promulgating a new law on competitive bidding, which opens up the possibility of private companies competing for public contracts. The CDF survey suggested, however, that the government could do more to enhance the environment for partnerships by clearly communicating its strategic direction to donors as a group.

### Challenges

While the Vietnamese government's aid management abilities show improvement, management capacity at the provincial level and below remains a weak link. One observer from the donor community estimated that only about one-sixth of provinces now have the ability to operate as full partners with donors.

### Box 7.4. Consultative Group Meetings: The CDF in Microcosm

Country Consultative Group (CG) meetings are held annually—and more informal sessions, semi-annually—to explore donor-government issues, particularly projected donor financing. In Vietnam, the tenor of these meetings has changed dramatically; they have become a microcosm of CDF principles:

- Formerly held outside the country, meetings are now held in Vietnam and co-chaired by a government representative.
- The government acceded to donor requests to include representatives from the private sector and NGOs.
- Donors were invited to comment on the government's most recent 10-year strategy plan.
- There is general consensus among government and aid agencies that the partnership approach is the best way to do business in Vietnam.

The Grassroots Democracy Decree, approved in 1998, was designed to foster local community participation in development initiatives by providing for information sharing, consultation, and local involvement in decisionmaking and project monitoring. Direct involvement of local government in shaping aid programs and projects remains limited, however, the result of several factors—including weak capacity and little leeway for spending local revenues on development activities. Planning capacity is particularly weak in many of the rural provinces that have the highest proportions of people living in poverty. For their part, many donors have a poor understanding of local language, circumstances, and institutions, which also hinders effective planning at the provincial and local levels.

Nevertheless, a number of donors are working to increase project disbursements at the provincial level, and some provincial authorities have been involved in partnership groups—for example, in the areas of forestry and disaster mitigation. The central government has decided to adjust its approach to land clearance for infrastructure projects, recognizing the need for a participatory process in order to solve resettlement problems without major popular discontent. Aid-financed projects helped trigger the shift.

### Implications for Donors

Building partner relationships can overtax the abilities of some donors, particularly small donors that have limited staff and administrative resources. A possible solution is for smaller donors to build focused expertise that would allow them to make significant contributions in specific (but fewer) sectors. Some strategic selectivity is beginning to emerge: The Netherlands, for example, has focused on developing expertise in the governance area; its technical input is recognized for its high quality. Sweden focuses on the health sector; the Asian Development Bank on forestry; and Denmark on fisheries.

While at face value harmonizing aid procedures would seem to be a logical and straightforward way to increase aid efficiency, in practice it is extremely difficult and time-consuming. At the very least, changing procedures requires difficult decisions at the headquarters level. It often requires internal restructuring and significant expense as well, and, in some countries, new national legislation. The interim solution has been to seek a middle ground where like-minded donors can harmonize as far as possible, or harmonize in clusters, with lenders and grantors working separately. For example, the multilat-



eral banks (World Bank, Asian Development Bank, and Japan Bank for International Cooperation) are now conducting joint program reviews and have started a joint harmonization initiative with government.

While most donors endorse the CDF principles, that does not necessarily mean they practice what they preach. CDF-like steps for donors would include developing longer operational and financial horizons; working to reduce staff turnover; and maintaining policy continuity—observers note that donors change policies and shift their focus to new aid approaches (or even to development “fads”) more quickly than governments.

## Results Orientation

### Achievements

Even though the results-measurement principle has proven to be the most elusive to implement, initial steps have been taken. Among the most significant is the fact that the country’s CPRGS requires measuring performance by results.

The most basic need for improving results measurement is, of course, gathering the data that allows analysis. In supporting the CPRGS, the government has committed to improving its statistical basis for measuring income-level changes through a multi-purpose survey of Vietnamese households; the survey is now being developed by the General Statistics Office.

In addition, the country’s liberalized stance that now allows NGOs and private sector representatives to have input into strategic planning has enhanced national budget and aid accountability. And the general availability of public information is improving, as illustrated by government publication of the 1999 National Budget, the first time a budget has been published. At the same

time, the National Assembly is taking more interest in aid issues; it has commissioned its own assessments of aid efficiency and effectiveness. The general tenor is illustrated by the results of the survey taken for this evaluation. The great majority of respondents believe that aid effectiveness has improved at least “somewhat”; one out of 10 respondents cited “major improvements.”

### Challenges

Some CPRGS targets appear to be too ambitious: they are based on a 7.5 percent annual growth rate in GDP, which may not be realistic, given the slowdown in global and Regional economies. In addition, there is a sharp division in survey respondents over the basic question of whether Vietnam’s development targets are measurable. While 86 percent of local respondents said they are, more than two-thirds of expatriate respondents said they are not.

Other barriers to results-oriented measurement include the continuing reluctance of some government agencies to share planning and project documents; weak institutional capacity; and the need for more energetic reform of the civil service.

While the Vietnamese government did launch a Public Administration Reform (PAR) program in 1995, initial progress was slow. In an effort to improve the process, a working group on public administrative reform (led by the UNDP) was formed in 1998, with the goal of adding donor support to the government’s efforts.

The group met frequently, with substantial government participation, and by 2000 had completed a public administration review, which in turn provided major input into a government Master Plan for PAR. The plan sets out action steps for achieving a number of reforms, including improving personnel development and management and modernizing the administrative

system. While the Master Plan significantly increases the focus on intended outcomes, it is too early to judge results.

Donors need to give more thought to their own procedures in relation to the results-orientation principle; in particular, to the reward mechanisms at work when development indicators are aggregated and viewed through a long-term perspective. Targets need to be linked to geographical areas, not simply to national averages. Targets also need to be linked to concrete reform outputs (for example, covering pre-payment schemes in the health sector, not just measuring improvement against human development indicators).

Finally, while there is increased access to government information, including the national budget, there could be wider sharing of development information—by having it translated into Vietnamese, for example, in order to make it available to affected constituencies. And the media could be more involved in monitoring aid effectiveness. To date, they have mainly focused on aid flows, not results. One solution proposed by Vietnamese academics is to create a third-party independent technical body that would review major aid projects, focusing in particular on quality control and the bidding process.

Finally, nongovernment stakeholders warn of the risk to project quality control if donors step too far back in the name of partnership, citing weak monitoring capacity at the provincial level.

## Tensions

### Ownership–Partnership Tradeoff

There are important synergies among all the CDF elements: the principles are mutually

reinforcing and intended to be implemented together. Not as well recognized, however, are the tensions among the elements. An example occurs when a donor’s *partnership* agenda and the government’s *ownership* interests do not coincide.

Just such a conflict developed in Vietnam over health sector reform. The health system had a serious quality problem, and private health care is now a preferred alternative for those who can afford it. The result is that even though the country has an impressive record in preventive care, its extensive network of health centers is grossly underutilized.

Choosing the future direction of the Vietnamese health care system is, however, as much an ideological as a technical decision. At issue is how much of the system should be privatized and market-based versus the size of the segment financed by public revenues. The case illustrates the dilemmas in the aid partnership when recipient institutions (in this case, the Ministry of Health, which had proposed publicly funded pre-payment plans) and a donor (here the World Bank) disagree on project direction.

And, while the government clearly recognizes the need for health care reform, the pace has been slow. A positive interpretation is that the government is “making haste slowly”; a less positive one, that vested interests in the system oppose reform.

When the Bank suggested that the Ministry of Health was sometimes more of a bottleneck than a clearinghouse for consensus and decisionmaking, the Ministry noted that “a main prerequisite for good collaboration is that the donors share the basic value premise of the health sector, as expressed in plans and decisions by the party and the government.”

Clearly, the donors' partnership agenda and government's ownership concern do not always coincide. Nevertheless, the sectorwide approach allows such disagreements to be transparent and publicly debated—which in itself is an improvement over past practices.

Other tensions at work in Vietnam as well as in other CDF case study countries include the asymmetry of power between donors and recipients. The key to any aid management paradigm is how much, and under what conditions, donors cede decisionmaking to recipients—keeping in mind their accountability to either their legislatures or their boards.

Another fundamental conflict can be found between the CDF's long-term and results-oriented focuses. Long term in the development

world means at least several decades, while political pressures in aid-giving countries often demand results indicators within two years. A final tension involves applying CDF principles to countries emerging from conflict, or countries under severe political stress. In these situations, the government is often focused on day-to-day survival or reconstruction; CDF principles may be out of their reach.

In all cases, the responsibility of both donors and recipient countries is to find a workable balance, often between two worthwhile goals. When that balance is found, CDF principles add significant value to the aid relationship. In Vietnam, the evaluation team found wide recognition of the relevance of CDF principles to the aid process, with particularly impressive performance in the area of partnership.



# Annex: Evaluation Methodology

## Selection of Countries for Case Studies

The following six countries were selected for in-depth case studies: Bolivia, Burkina Faso, Ghana, Romania, Uganda, and Vietnam. Selection was determined in the first instance by a country's desire to participate in the evaluation. Priority was given to former CDF pilot countries with the most implementation experience and the highest performance rankings (according to the CDF Secretariat) on grounds that these cases would offer the greatest potential for learning. One non-CDF pilot country (Burkina Faso) was chosen as a control. Because the PRSP is defined as an instrument for implementing the CDF principles, all countries selected (except Romania) were also PRSP countries. Consideration was also given to Regional balance and avoiding overlap with similar evaluative efforts.

The budget for the case studies was predetermined, so the inclusion of more than six cases, while desirable, would have been at the expense of depth. Other configurations were considered, such as three CDF pilot and three non-CDF pilot, or three PRSP and three non-PRSP countries. However, the first alternative would have reduced the weight given to learning from the CDF pilot experiences, and the second would have shifted the balance toward countries where aid plays a smaller role relative to other sources of development finance. In the end, given that

the primary purpose of the evaluation was to look at implementation issues, the Management Group and Steering Committee decided that selecting the longest-running and best-performing CDF pilots, together with one non-CDF pilot, was the optimal approach for generating the type and quantity of data required. (A discussion of sampling strategy that guided this choice is found in the *GAO Guidelines for Case Study Evaluations*.)<sup>4</sup>

## How Country Studies Were Conducted

Country studies were carried out in two phases: a preparatory mission followed by intensive field work. During the preparatory mission the evaluation was planned and designed in consultation with country authorities and donor representatives in order to reflect individual country interests and circumstances. Small focus group meetings were convened to propose and test key evaluation questions, taking as a point of departure the questions in the Design Paper.<sup>5</sup> In each country, priority themes as well as sectors were identified (for example, public sector reform, health, decentralization). Interviews were conducted in country capitals and selected districts, municipalities, and project sites. The evaluation teams typically included a representative from OED, and a combination of national and international consultants. In some cases, such as Vietnam, additional consultants and agency staff

were provided by interested donors (for example, Japan MOFA/JBIC, ADB). DFID provided an agency staff member for the Uganda team.

In sum, the evaluation was carried out in “CDF fashion” and involved a wide a range of stakeholders engaged in development work (from the policy level down to implementation of projects). These included representatives from national and local governments, donor agencies, mass organizations, the private sector, national NGOs, legislatures, academics, civil society organizations, and international NGOs. The evaluation teams were to have met periodically with the country reference group and share preliminary observations with donors and national stakeholders in a closing workshop.

## Types of Activities

A variety of activities and evaluation tools, listed below, were employed during the course of the evaluation.

**Literature reviews.** Teams assembled and analyzed pertinent literature, documents, and data sources, and key country reports were posted on the CDF evaluation Web site.

**Questionnaire Surveys** of key stakeholders. When possible these were designed in-country and administered by local institutions. In Vietnam, a local consulting firm distributed surveys to 290 Vietnamese and expatriate development practitioners about how they perceived changes in ODA management with reference to the CDF principles. One-hundred-and-seven people responded (of whom three-quarters were Vietnamese from government and nonstate agencies, and one-quarter were expatriates from donor agencies and international NGOs). In Burkina Faso, a survey was administered to a

sample of local government officials, civil society representatives, and the private sector in four districts of varying socioeconomic levels, and got a response rate of roughly 75 percent. In Romania the response rate was nearly 100 percent for a survey administered to 722 experts and decisionmakers throughout the country who deal with development issues. In Bolivia detailed questions were sent to international agencies before the start of the evaluation. In Uganda, a survey was administered in a group meeting of stakeholders from government, civil society, and the private sector. An analysis of the 33 completed questionnaires formed the basis for subsequent workshops with parliamentarians and questionnaire respondents.

**Structured Interviews** were conducted with representatives from national and local governments, donor agencies, mass organizations, private sector leaders, national NGOs, legislatures, academia, civil society organizations, and international NGOs. Between 70 and 84 interviews (group and individual) were conducted for each country, resulting in an average of roughly 145 people interviewed per country. Lists of people interviewed are included as annexes in each case study.

**Focus Groups** were organized based on sectors, themes (e.g., health, institutional reform), and professional affiliation (e.g., ministry staff, private sector, church).

**Field Trips** to selected districts, municipalities, and project sites were made in all countries and included interviews with local government officials and politicians, project managers, operational NGOs and donor agencies, and municipal or district council members.

**Closing Workshops** were held with key stakeholders and decisionmakers to discuss the

team's preliminary findings. These workshops also served to draw out the policy and programmatic implications of the findings.

**A Study of Transaction Costs** was carried out in Bolivia, Ghana, Romania, Uganda, and Vietnam as a specific parallel exercise to track changes and trends in government-donor partnerships. The final report identifies, and to the extent possible quantifies, the impact of donor practices and procedural requirements on governments and the transaction costs they imply. A Transaction Costs Survey was administered

between May and September 2002, and a total of 26 donors (17 bilateral and 9 multilateral) across the 5 country cases responded. This survey consisted of a total of 29 questions that sought information on composition of donor portfolio, donor coordination, donor administrative and procedural requirements, and donor implementation practices. Local consultants administered the surveys in Bolivia, Romania, Uganda, and Vietnam. In Ghana and Romania, the surveys were followed up by targeted interviews with donors and key government officials.

## Introduction

1. CDF Evaluation Secretariat, OED. 2001. "Design Paper for a Multi-Partner Evaluation of the Comprehensive Development Framework," pp. 10-11. <<http://www.worldbank.org/evaluation/cdf>>

## Chapter 2

2. There are several reasons Bolivia subsequently became a case study country contributing to the current CDF evaluation. These include the interest of Bolivian authorities, the country's development of a Poverty Reduction Strategy Paper under the Heavily Indebted Poor Countries (HIPC) initiative, and the significant role international aid plays in the country.

## Chapter 5

3. Romania was formally invited at the NATO Prague Summit in November 2002 to participate in accession talks, expected to result in Romania joining NATO in 2004.

## Annex

4. GAO, Program Evaluation and Methodology Division. 1990. *Case Study Evaluation*, Chapter 3, "Design Decisions in Case Study Methods." Transfer Paper 10.1.9. Washington, D.C.: GPO.

5. CDF Secretariat, OED. 2001. "Design Paper for a Multi Partner Evaluation of the Comprehensive Development Framework." < [www.worldbank.org/evaluation/cdf](http://www.worldbank.org/evaluation/cdf)>