

FAST TRACK BRIEF

September 23, 2008

The IEG evaluation “The World Bank’s Economic and Sector Work and Technical Assistance, FY00-06” was discussed by CODE on July 9, 2008

The World Bank’s Economic and Sector Work and Technical Assistance, FY00-06

- ◆ Economic and sector work (ESW) and nonlending technical assistance (TA) are two of the analytical and advisory services (AAA) through which the Bank provides knowledge support to its client countries. The objectives of ESW are to inform lending, inform government policy, build client capacity, stimulate public debate, and influence the development community. The objectives of TA are to assist in policy implementation, strengthen institutions, and facilitate knowledge exchange. ESW and TA are an essential part of the Bank’s engagement with its clients—it spent \$910 million (or 26 percent of its spending on country services) on these products during FY00-06.
- ◆ The majority of ESW and TA met their objectives at least to an average extent during FY00-06, although there were substantial differences across countries and tasks. ESW and TA of higher technical quality were clearly more effective in meeting their objectives. Close collaboration with clients from task initiation through the formulation of recommendations was important for ESW and TA to be effective, whether clients were involved in the production of the task or not. Sustained follow-up after the completion of the tasks was important for effectiveness. Whether clients requested the tasks did not matter for effectiveness, although all tasks needed to be tailored to client needs and interests to be effective. ESW and TA were less effective in countries where government capacity was lower. Clients in middle-income countries prefer nonlending to lending services, and clients in all countries prefer TA over ESW.
- ◆ IEG has five recommendations for Bank action to obtain better results from ESW and TA. First, reinvigorate the mandate (which underpinned the ESW reforms in FY99) to maintain a strong knowledge base on countries and sectors where the Bank is providing or planning to provide funds. Second, ensure ESW in IDA countries are adequately-resourced (even if it means fewer ESW), since cost matters for quality, and quality matters for effectiveness. Third, enhance institutional arrangements for ESW and TA by ensuring substantive task team presence in country offices—particularly in countries with low institutional capacity—to facilitate closer client collaboration. Fourth, recognize, receive, and build on client feedback to counter-balance current Bank incentives for lending over nonlending and ESW over TA. Fifth, take the results tracking framework for ESW and TA more seriously, including systematizing client feedback.

The Extent to Which ESW and TA Met Their Stated Objectives

Most ESW and TA met their stated objectives at least to an average extent, though they were more effective in shaping Bank lending and strategy than in directly providing support to client countries. The indirect effects of ESW and TA on client countries—through Bank lending—were greater than the direct effects. Between 65 and 80 percent of users of Bank ESW and TA in client

countries gave ratings of average and above on the extent to which ESW and TA met their stated objectives, compared to between 74 and 87 percent of such users in the Bank (task team leaders for loans and strategies). ESW had the largest effects on informing Bank strategy, which is not a stated ESW objective.

The presence of relevant ESW was associated with better loan design. The evaluation period was not long enough for ascertaining the effect of ESW on loan outcomes.

ESW in a range of sectors and of different report types, including tasks initiated by the Bank, had positive effects both within the Bank and in client countries.

Country Economic Memoranda (CEMs) and Public Expenditure Reviews (PERs) were especially useful for informing Bank strategies and development policy loans (DPLs). Within client countries, PERs, Financial Sector Assessment Programs (FSAPs), and Investment Climate Assessments (ICAs) were among the more prominently cited ESW products that had, variously, informed government policy, built capacity, stimulated public debate, and influenced the development community. The box on this page provides examples of particularly influential ESW and TA. Examples of less effective ESW and TA are provided in the box on the next page.

ESW and TA had effects beyond the stated objectives in some cases. The more prominent ones included effects on countries other than those for which they were intended, private investment decisions by domestic and international investors, support for local research, and the creation of informal networks between Bank staff and policy makers.

Stakeholders in most but not all of the twelve countries reviewed in-depth indicated that ESW and TA had made a difference to the reforms in their countries. This view was expressed in countries of a wide range of income, government capacity, and policy orientation. In some countries, stakeholders indicated that the reforms in their countries would not have happened at all without Bank ESW and TA. Others indicated that without Bank ESW and TA, the reforms would have, variously, been of lower quality, taken longer, and been more piecemeal and less focused. Some indicated that Bank ESW and TA had helped them avoid or reduce the cost of policy mistakes. Bank ESW and TA also provided a level of comfort or confidence for some countries to undertake reforms. A few pointed to the credibility that Bank ESW and TA provided. Clients valued ESW and TA for their high technical quality, objectivity and neutrality, and provision of international perspectives. In 2 of the 12 countries reviewed, however, a majority of the in-country stakeholders indicated Bank ESW and TA made no difference to the reforms in their countries.

The effectiveness of ESW and TA ranged from substantially above average to substantially below average across countries and across tasks. The wide range of effectiveness is in part due to country-specific factors, such as government capacity and government receptivity, and in part due to factors that are more amenable to being addressed by the Bank. These factors are discussed next.

Factors in ESW and TA Effectiveness

When government capacity was lower, ESW and TA were less effective. ESW and TA were less effective in post-conflict and otherwise low-capacity countries. Policy makers in such countries had limited capacity to absorb all the ESW produced. High turnover of government officials also negatively affected capacity and, in turn, the effectiveness of ESW and TA in some countries.

Government receptivity also influenced the effectiveness of ESW. There were instances where political constraints influenced government receptivity to

Influential ESW: Examples from Vietnam and Mauritius

The PER is one of the core diagnostic ESW products that was influential both within the Bank (in informing DPLs and Country Assistance Strategies) and directly in client countries (in informing government policy and building capacity). The Vietnam PERs (2000, 2005) are among those that had important direct effects. The two reports helped shape legislation to increase the transparency in the state budget law (2002) and led to the adoption of a medium-term expenditure framework and unification of the public accounts system. In addition to informing government policy in these ways, the PERs also built government capacity through the collaborative way they had been done. This is reflected in the increasing involvement of the government in the production of the PER, from providing data (1996) to writing some sections of the report and providing data (2002) to writing the report on an equal footing with the Bank (2005).

The Mauritius Aid for Trade TA (2006) exemplifies influential TA. The government requested the TA to help define its reform program and to mobilize funds as part of the multidonor Aid for Trade initiative. Within two months of the request, a Bank mission provided analysis of possible reforms, including estimates of adjustment costs of opening up, tax reforms, and strategies to lower the cost of key services. At the end of the two-week mission, the Bank team presented the government with a summary of the main elements of the reform options. Among the important factors underlying the effectiveness of the TA was the timely nature of the support and the leveraging of existing ESW. After extensive internal debate, many of the mission's recommendations were incorporated into the government's reform program, which was supported by a follow-up Bank loan.

certain ESW products, either rendering such ESW less effective or delaying its effectiveness until the political situation changed.

ESW products of lower technical quality were less effective. In some instances the Bank did not have staff and consultants with the requisite skills for particular ESW and TA tasks, which undermined the Bank's credibility.

ESW tasks of higher technical quality cost more.

Furthermore, the average cost of ESW tasks was lower in IDA than in IBRD countries. The Bank budget but not the trust fund component of cost was associated with the quality of ESW.

Close collaboration with clients, from the initiation of the task through the formulation of recommendations, was important for ESW and TA to be influential. This may or may not have entailed client involvement in the production of the task, such as writing sections of a report.

Where partnership with clients made a difference, a variety of approaches was equally effective depending on country conditions. In countries with more limited government capacity, partnering in the production of narrowly focused tasks was more effective than partnering in broadly scoped tasks.

Whether the client specifically requested the ESW and TA did not matter for effectiveness, although client buy-in was still important. In-country stakeholders in both low- and middle-income countries indicated that the Bank has a useful role in proposing topics for ESW and TA, drawing on Bank knowledge and international experience.

Nevertheless, the Bank needs to ensure there is genuine client interest or to engender such interest. Tailoring tasks such as core diagnostics to clients' needs and making efforts to collaborate from the conception stage were both effective in engendering client interest.

Sustained follow-up beyond one-off dissemination was important for ESW and TA effectiveness. The ESW and TA with the greatest effects were those for which there was sustained follow-up upon completion. The follow-up could be in the form of lending or nonlending activities, with the latter encompassing formal or informal TA.

Whether dissemination was broad or narrowly targeted did not matter for effectiveness. In some cases, targeted dissemination to the relevant counterparts resulted in important changes, while in other cases wide dissemination stimulated the public debate that spurred changes. How wide dissemination needed to be for ESW and TA to be effective also varied within the same country for different topics.

Translation is important to client countries. Stakeholders in a majority of the countries reviewed for this evaluation indicated that better and more rapid translation is

needed. Having Bank staff or consultants that speak the local language clearly enhanced the effectiveness of these tasks.

ESW and TA were not effective when some of these factors were not in place (see the following box).

What Clients Want from the Bank

Stakeholders in IBRD countries indicated a strong preference for the Bank's nonlending services over its lending services. The preference is less strong in IDA countries. TA is preferred to ESW in both groups of countries. Middle-income countries (MICs) value the Bank's advice, and some of them borrow from the Bank in order to obtain that advice. Stakeholders in some MICs expressed a strong view that Bank ESW should be de-linked from its lending operations. IDA countries need the Bank's funds but also value the Bank's advice. TA is preferred to ESW in countries with high government capacity as well as in those with lower capacity.

Stakeholders found the Bank's reports and TA more useful than those provided by other institutions. This

When ESW and TA Were Not Effective: Examples from the Country Reviews

Limited government capacity and insufficient collaboration/partnership to garner government buy-in were the main reasons behind the lack of success for several ESW in the Democratic Republic of Congo (DRC). In contrast, a few ESW in DRC had very positive effects because of substantial partnering and collaboration.

Even in countries with high levels of capacity, purely supply-driven tasks without government buy-in were not effective. An example is economic monitoring ESW in middle-income countries that had access to such analysis from the private sector or international investors. The Bank's economic monitoring ESW had very little value-added in such circumstances.

Lack of government receptivity due to political constraints could also affect or delay the usefulness of ESW. In Peru, the Sierra Rural Development Strategy became influential only four years after its completion, after a change in government.

Poor quality and slow translation were other reasons behind the poor effects of some ESW in some francophone West African and Latin American countries. In one of the countries, the translation took so long that when the documents finally became available in the local language, they had lost much of their importance for policy making.

finding was stronger for TA than for ESW.

The Bank's clients have a strong desire for greater Bank presence in country. Having ESW and TA undertaken out of country offices facilitates the close collaboration on these tasks that is important for them to be effective. Follow-up is also best sustained out of country offices given the long-term close interactions that are typically entailed. Related to this is the need to further devolve decision-making powers to the country offices, as they are front-line recipients of government requests, especially for rapid-response TA.

The Bank's Results Tracking Framework for ESW and TA

The Bank needs to take the results tracking framework for ESW and TA much more seriously.

Although such a framework exists, its implementation is not enforced. This can be seen in the poor quality of information on ESW and TA in the Bank's administrative database, as well as in the incomplete information in the results tracking framework themselves. This in turn reflects the lack of serious monitoring or reporting of these tasks. Finally, there is no systematic follow-up with clients to evaluate the effects of these products.

Recommendations

During FY00-06, the Bank spent nearly \$1 billion on ESW and TA, slightly more than one-quarter of its spending on country services. While it is not possible to quantify the impact of this spending, this evaluation found that in the aggregate, Bank ESW and TA met their objectives to at least an average extent. Furthermore, Bank clients find these products useful, with clients in MICs finding them more useful than lending. In light of these findings, IEG has several recommendations to help the Bank obtain better results for ESW and TA. These recommendations will also help support the Bank's six strategic directions, as knowledge is important for all of them.

First, reinvigorate the mandate—which under-pinned the FY99 ESW reforms—for country teams to maintain a strong knowledge base on countries and sectors where the Bank is providing or planning to provide funds. Bank country strategies and lending activities need to continue to be supported by requisite analysis, although a return to strictly defined "core diagnostic" ESW is unnecessary.

Second, ensure ESW in IDA countries are adequately resourced, even if it means fewer ESW in some countries. This will help to address the lower level of resources for individual ESW tasks in IDA countries compared to those in IBRD countries, and is supported by the findings that cost matters for quality and quality matters for effectiveness. Greater selectivity will also help to reduce the burden on limited government capacity in some IDA countries, and will free up resources for more collaboration and follow-up needed to enhance the effectiveness of ESW. Selectivity could be enhanced by giving priority to ESW that informs Bank lending and strategy or is clearly desired and needed by the client.

Third, enhance the institutional arrangements for undertaking ESW and TA. To the extent allowed by budget, ensure substantive task team presence in country

offices particularly in countries with low institutional capacity. This will facilitate closer collaboration with clients from task initiation through follow-up. In addition, formulate a dissemination and implementation strategy for ESW and TA at the concept paper stage. Such a strategy should identify the target audience, the mode of dissemination, and the follow-up arrangements after dissemination, all of which should be explicitly budgeted for as integral parts of the task.

Fourth, recognize and build on client preferences, whether for nonlending over lending services or for TA over ESW. Institute a mechanism to obtain client feedback on a periodic basis on delivered ESW products. Such feedback should include clients' views on collaboration, follow-up, and usefulness of the tasks (including specifics of how the tasks were used). The client feedback should be requested at a set period (around one year) after the delivery of the task to the client to allow time for follow-up, and it should be the last milestone for ESW and TA. Obtaining client feedback would encourage a stronger results focus for ESW and TA and help to counterbalance current Bank incentives for lending over nonlending and for ESW over TA.

Fifth, take the results tracking framework seriously, including by incorporating systematic client feedback as noted in the above recommendation.

The views expressed here are those of IEG and should not be attributed to the World Bank Group. The findings do not support any general inferences beyond the scope of the evaluation, including any references about the World Bank Group's past, current or prospective overall performance.

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