Background
In the mid-1990s, the aid community began a candid self-assessment, prompted by growing concerns about how aid was used and managed. After some 15 years of structural adjustment, there seemed to be too few positive and sustainable results, particularly in Sub-Saharan Africa. Criticism was mounting, most notably among nongovernmental organizations, that aid-supported adjustment programs were at best ignoring the poor, and at worst further impoverishing them. Others noted the strain on developing countries as they tried to meet the separate requirements of the many aid organizations working within their borders. The clear conclusion was that the full potential of international aid was not being realized, and remedial action was needed.

As donors and recipients began exploring paths to improvement, President James Wolfensohn of the World Bank proposed the CDF in January 1999 as a new way for the Bank to do business. The framework was based on the assumption that all development actors (government, multilaterals, bilaterals, civil society, and the private sector) play a part in poverty reduction and in equitable, sustainable development. None of the four individual elements of the CDF was new. The CDF innovation was to weave them together in a common, balanced framework for poverty reduction, and to vigorously promote that framework as an organizing principle to inform World Bank work and to coordinate with other aid agencies and developing country governments (box 1).

The CDF was initially somewhat controversial, but its core principles ultimately
Box 1. The CDF Principles: What Do They Mean?

Long-term, holistic development: Development strategies should be comprehensive and holistic, and shaped by a long-term vision. Past emphasis on short-term macroeconomic stabilization and balance of payment pressures overwhelmed longer-term structural and social considerations (such as expanding and improving education and health facilities, maintaining infrastructure, and training a new generation of public officials). Development frameworks should no longer focus only on short-term macroeconomic issues, but should also embrace social and structural issues in a long-term vision for society.

Results Orientation: Development performance should not be measured by inputs and outputs, but assessed by outcomes and impacts, by results on the ground. The traditional emphasis on disbursement levels and project inputs has measured resource allocation and consumption. What really matters is impact on people and their needs.

Country Ownership: Development goals and strategies should be “owned” by the country, based on broad citizen participation in shaping them. While donor-driven aid delivered under structural adjustment was sometimes effective, in many cases painful and lengthy adjustment measures were eventually undone. When countries have greater say in shaping reforms, governments and their citizens will be more committed to seeing them through.

Country-Led Partnership: Recipient countries should lead aid management and coordination through stakeholder partnerships. Donor-recipient relationships should be actively managed by the recipient country as a partnership and not dominated by donor preferences. Partnerships built on mutual trust and consultation can improve aid coordination and reduce the inefficiencies, asymmetrical power relationships, and tensions of donor-led aid initiatives.

Main Findings and Recommendations

The evaluation’s main findings and recommendations are listed below, grouped by principle.

Long-Term Holistic Development Framework

A long-term development framework has operational meaning only when it is translated into affordable priorities through a disciplined budget process.

- **Recipient countries:** Strengthen the link between medium-term frameworks (such as the PRSP) and budgets.
- **Donors:** Support such linkages and make sure assistance is aligned with national development strategies. Provide long-term assistance for capacity strengthening, including sustained support for public sector reforms and institutional development.

If recipient countries are expected to adopt a long-term results focus in development planning, so should donors.

- **Donors:** Provide reliable, predictable financing with transparent, multiyear indicators, based on clear country performance criteria.

Results Orientation

Results orientation is important for improved effectiveness and for public accountability. The weak capacity of central and regional public agencies, combined with competing budget priorities, inadequate incentives, and fragile accountability structures, makes it difficult to implement a government-wide results orientation, and indeed it was found that implementation of this principle was the most challenging of the four for all the case study countries (box 2). While sectorwide approaches and medium-term expenditure frameworks have introduced a results orientation in
the budget process, many recipient countries appear to have adopted the results approach primarily to satisfy donors and have yet to embed results-based systems into the core operations of government.

**Recipient countries**: Strengthen results orientation by increasing citizens’ right to demand results and government’s ability to respond. Train public servants to open up information channels and educate the public, strengthen systems for internal and external accountability, and present development strategies through the media and in languages and forms that the general public will understand.

**Donors**: No longer look to funds disbursed or inputs delivered as the only measure of success. Development programs should have measurable objectives linked to concrete outcomes, to which all stakeholders hold themselves accountable.

Monitoring and evaluation activities are still mainly donor-driven and funded, and are not well integrated into normal government operations. There has also been little progress in harmonizing the donor reporting and results monitoring requirements that overburden recipient governments.

**Donors**: Strengthen and use country-led monitoring and evaluation systems and avoid setting up separate structures to service projects and special needs of individual donors.

**Country Ownership**
The relevance and sustainability of political and institutional reforms require breadth of ownership among a wide range of stakeholders. The evaluation found evidence of progress; governments and donors increasingly consult with selected stakeholder groups about development strategies. But ownership is not necessarily broad—in many countries it remains confined to the executive branch of the government, and consultation with sectoral and regional authorities, elected officials and legislators, and marginalized groups is selective, sporadic, or not timely.

**Recipient countries**: Consult with a wider range of interest groups, the private sector, and those who lack an organized voice, including women and the poorest and most marginalized citizens.

**Donors**: Work with the governments to devise an approach for consulting with elected officials, local governments, and nongovernment representatives. In order to enhance country ownership, the World Bank should clarify its role in reviewing PRSPs, as some countries believe Board review constitutes approval, and therefore inhibits country ownership.

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**Box 2. Results Orientation: Achievements and Innovations**

Uganda’s education expenditure tracking study was an extremely effective tool for building government accountability and it is now being replicated widely. (A 1996 tracking study in Uganda found that only 38 percent of non-wage recurrent primary education spending actually reached the schools. Today more than 80 percent does.) The government also publicized results of its comprehensive household survey that quantified improvements in poverty outcomes; public access to these data deepened support for the government’s initially controversial pro-poor policies of the early 1990s. The Uganda Participatory Poverty Assessment Program sits within the Ministry of Finance, Planning and Economic Development and provides feedback on absolute and extreme poverty into the budgeting process on a timely basis. Results-oriented disbursements—based on targets—are increasingly applied at the central and local levels. But these systems still need to be aligned and made fully operational.

Vietnam created its own timetable and indicators for reaching Millennium Development Goals. These fit better with Vietnam’s development strategy and in some areas are more ambitious than the generic MDGs.

Civil society and the Catholic Church will take an active role in monitoring Bolivia’s Poverty Reduction Strategy (which is replete with specific monitorable targets). Indicators will be developed and monitored at the municipal level. Bolivia’s Institutional Reform Program requires ministries to sign results agreements (with specific outcomes such as staff reductions) and meet these goals before they can enter the larger reform program.

**Country-Led Partnership**
The PRSP is helping to improve the alignment between donors and recipient countries, but the transaction costs of delivering aid remain high and donors continue to engage in unproductive competition (box 3). Reform will require both recipients and donors to change their behaviors and processes, giving up some individual interests to achieve better development outcomes through joint action.

**Recipient countries**: Place responsibility for aid coordination at a high level of government, and give this function sufficient resources, authority, and political support to manage the aid process.

Many donors face domestic political resistance to harmonizing procedures, providing budget support, or reducing the use of international consultants, and won’t move to greater country leadership in the presence of corruption or economic mismanagement.

**Recipient countries**: Implement and enforce procurement and other accountability rules that will engender donor confidence.
**Donors:** Avoid micromanaging the country aid process, and provide the capacity building and resources countries need to assume aid management—for example, by supporting the creation of independent country-level aid review panels.

**Next Steps**
Further research and exchange of experience among recipient countries are needed on how to build up country-owned monitoring and evaluation systems and expand involvement of civil society and the private sector in the CDF process. Some promising opportunities have recently emerged for donors and recipients to move ahead, including the New Partnership for Africa’s Development and the Monterrey Consensus. The World Bank can and should play a lead role in integrating the CDF principles into these global initiatives, and in identifying additional avenues for progress.

The positive changes fostered by the CDF are fragile. Implementing the principles requires changes in entrenched behaviors and institutional practices—never a quick or easy process. Dedicated and consistent attention is needed by top leadership in both donor institutions and recipient countries to ensure that momentum is sustained.

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**Box 3. Three Donors, Three Sets of Procedures—No Building**
A building project in Bolivia shows the high cost of current donor practices. Three major donors in the health sector agreed to cofinance construction of a building. The ministry put up the land, but each donor had its own procedures, which made it difficult to find a common approach to construction. The three donors could not pool their contribution in a common fund, because the rules of the agencies prohibited channeling money to another agency. One donor did not require competitive bidding, but the other two did. None of the agencies could accept the procedures of any of the others, and two of the agencies were unwilling to adopt Bolivian rules.

A “thematic” approach was considered. One donor would finance the design, another the construction works, and the third could contribute the equipment. As an alternative, to avoid one agency blaming another if something went wrong, it was proposed that each donor would finance particular floors, procuring the materials and hiring builders according to its own standards and procedures. This would have greatly prolonged the construction period.

After long debates, one of the donors withdrew from the project, and the other two signed an agreement for their intentions of constructing the building. Thanks to revisions of the regulations and numerous coordination meetings, the donor contributing the smaller amount has accepted the rules of the other donor.

After two years, the foundation stone has yet to be laid.

*Source: Bolivia Country Case Study.*