

Précis

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IDA's Partnership for Poverty Reduction

The increasing complexity of development challenges over the past decade has been addressed by heightened efforts of governments, voluntary organizations, and external assistance agencies to learn from experience and improve the effectiveness of development assistance. The International Development Association (IDA) has been at the leading edge of this effort, steadily “raising the bar” in what is expected of both IDA and its borrowers, according to a recent evaluation by the Bank’s Operations Evaluation Department (OED). This study examines the last seven years of IDA’s work, assessing its relevance (did it do the right things?) and its efficacy and efficiency (did it do things right?).

IDA is a unique instrument of development cooperation, focused on assisting the world’s poorest countries. Established in 1960 as a separately funded but integral component of the World Bank Group, IDA represented a bold innovation and an unprecedented commitment by the international community to improve global welfare. It has made substantial and distinctive contributions to growth and poverty reduction in low-income countries through a combination of concessional finance, analytical work, and aid coordination services for some 40 years.

During the seven years covered by this review, IDA committed just over \$42 billion to some 77 low-income borrowers to support country efforts to achieve sustainable economic growth and poverty reduction through improved economic policies and investments; expanded access to basic education, health, and other social services; and strengthened public sector management and governance. IDA also assisted with the challenges faced by the

countries in transition and with the special needs of countries emerging from conflict.

Complexity Increases

IDA’s main goals and basic features have not changed. But its agenda has expanded and become increasingly complex, particularly since the publication of the *World Development Report 1990: Poverty*, which advocated a strategy of poverty reduction through economic policy reforms and productive investments. The goal was to improve incomes among the poor through labor-intensive growth and to expand their access to social services and social safety nets.

The IDA10-12 replenishment undertakings (see box 1) adopted the framework of the 1990 strategy, with a call to sharpen IDA’s poverty focus. The agenda was expanded to acknowledge the centrality of governance, as well as to include gender and the environment as part of a broad-based framework for poverty reduction. IDA was also urged to increase effectiveness through



Box 1: IDA10-12 Replenishment Undertakings

In broad terms, the three IDA replenishment agreements—reports that set forth IDA’s goals for each three-year funding cycle—endorse poverty reduction as IDA’s overarching objective and instruct IDA to:

- Sharpen the poverty focus of its support for country development.
- Direct its assistance, in support of that objective, to expanding access to basic social services, fostering broad-based growth, promoting good governance, and integrating gender and environmental considerations into development efforts.
- Increase its development effectiveness through more selective, more participatory, and better-coordinated country assistance programs.

greater country ownership, performance-based allocation of assistance, and improved development partnerships.

IDA’s Performance

IDA’s replenishment undertakings have been highly relevant and timely, but they also have been extraordinarily demanding for both IDA and its borrowers. Overall, OED found IDA’s *implementation* of the replenishment undertakings—more than 150, in all—to be satisfactory, with important qualifications. *Development outcomes* of IDA programs—influenced by exogenous factors and by both borrower and partner performance, as well as IDA’s actions—were judged to be partially satisfactory, with notable improvement over the period.

IDA has repositioned and enhanced the relevance of its country assistance programs, strengthened its field presence, and diversified its lending instruments, while improving its portfolio performance (see figure, box 2). It has recently intensified aid coordination efforts in the context of the Comprehensive Development Framework and the Poverty Reduction Strategy Paper initiative (see box 3).

IDA has done well in helping countries to lay the foundations for economic growth and poverty reduction, but the record of IDA countries in *sustaining* growth at high enough levels, over long enough periods, and through measures that benefit the majority of the poor has been mixed. This reflects a host of non-IDA influences including regional conflicts, weak domestic capacities, mixed policy performance, variable quality of aid, and exogenous shocks. But it also highlights areas where IDA’s own performance, while generally satisfactory and improving, could be enhanced still further to contribute more positively to development outcomes.

Sharpening the Poverty Focus

IDA has progressively strengthened the poverty focus of its analytical work, policy dialogue, and lending. The overarching goal of poverty reduction has been increasingly reflected in IDA Country Assistance Strategies (CASs), particularly since 1997. Broad-based growth, human resource

development, and protection of vulnerable groups have become common CAS objectives, and CASs are increasingly based on comprehensive poverty diagnosis and consultations with stakeholders. IDA has also made a major contribution to poverty analysis and data. Poverty assessments have been completed in 90 percent of eligible IDA borrowers, and public expenditure reviews for almost half.

IDA’s commitment to increase social sector lending has been highly satisfactory. Such lending is up from 20 percent of total IDA investment lending in the late 1980s to a sustained level of 40 percent since 1995. This has made IDA the largest financier in human development and a major source of analysis and advice, particularly in Africa.

The Challenge of Broad-Based Growth

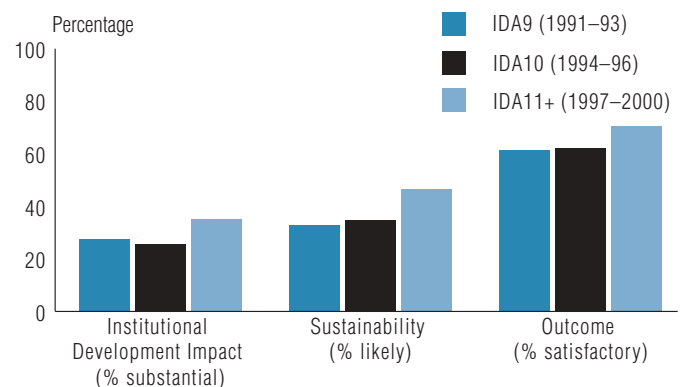
IDA has helped many borrowers move into position to direct greater effort toward poverty reduction goals. In countries committed to reform, IDA’s support has contributed to increased economic stability, fewer distortions, and improved infrastructure development. But acceleration of broad-based, job-creating growth remains a major challenge.

A lag in **private sector development (PSD)** has been a major contributing factor to weak broad-based growth. As efforts to stabilize macroeconomic conditions took hold in the 1990s, IDA increased PSD activities, supporting improved business environments, private provision of infrastructure, and microfinance. But IDA CASs still tend to lack well-articulated PSD strategies, and while many IDA efforts have had successful project outcomes, Country Assistance Evaluations give relatively low ratings to the effectiveness of IDA’s PSD work. A sharper focus on the investment climate and support for small and medium-size enterprises and rural finance are needed.

Broadening the Development Agenda

The Role of Governance. Although good governance is a critical factor that affects all other areas of program emphasis, IDA was initially slow to comply with the IDA10 governance undertakings. Over the past four years it has given increased

Project Outcomes, Institutional Development, and Sustainability Improving



Note: Projects by exit year.

Box 2: Examples of IDA Country Assistance

Mozambique emerged from conflict in 1992 and has since made significant and accelerating advances in implementing market-based economic policies, boasting one of the strongest privatization programs in Africa. Following a period of post-conflict assistance, IDA's current portfolio comprises 16 projects estimated at \$737.3 million in commitments. Poverty reduction is the overall goal for the government and IDA in the country. The 2000 CAS, which supports the government's Five-Year Strategy and the Interim Poverty Reduction Strategy Paper, focuses on three core objectives: (1) increasing economic opportunities, (2) improving governance and empowerment; and (3) improving human capabilities. Donor assistance plays a vital role in supporting the country's economy and accounts for approximately \$600 million per year—more than 15 percent of GDP. A Consultative Group (CG), for which IDA is chair, is the main coordinating mechanism for donor activities. IDA is a partner in sector-wide programs (which involve an agreed sector program and coordinated funding among donors) for health, education, transportation, and agriculture.

Ghana has received IDA funding for some 94 operations, accounting for more than \$3.5 billion in lending. The active lending portfolio of 23 projects is one of the largest in Africa. IDA's current CAS is supportive of Ghana Vision 2020, the national strategy for reducing poverty and achieving broad-based economic development. The CAS has two parts—the first sets out the government's poverty reduction strategy, and the second presents IDA's business strategy. External assistance included some \$1.7 billion in commitments for 2000–01. The government has been strongly involved in aid coordination and Ghana is credited with being one of the two CDF pilot countries that have made the most overall progress in fostering country-led, long-term development partnership. The widely regarded, ongoing sector-wide strategy for health involves 17 donors and is characterized by strong government ownership.

emphasis to public sector reform in country assistance programs. Lending for such reform has risen, and institutional development issues are increasingly addressed in analytical work and lending. But public sector capacity building, public financial accountability, and the rule of law remain major challenges, and greater coordination among external agencies is needed to consistently cover the broad governance agenda.

Integrating Gender and the Environment. IDA has made limited progress in mainstreaming gender and the environment, in large part because of uneven country interest and because IDA has not established clear accountability for gender and environmental mainstreaming. Where IDA assistance has contributed to strong results—notably in girls' education—there has been significant country ownership, effective partnership, and rigorous analytic work underpinning lending. IDA assistance has been weaker in promoting women's participation in the economy and improving borrowers' institutional frameworks for gender. Lending for environment projects remains at about the level reached in IDA9, but IDA has increased the number of environmental components in projects in key sectors. This assistance has helped to increase public and government interest, reversed land degradation, improved incomes from arid lands, and strengthened environmental capacity. Still lacking, however, is the full integration of national environmental assessments into CASs and country dialogue and the establishment of criteria for mainstreaming environmental concerns and clearly linking them to poverty reduction.

Building More Effective Partnerships. Few of IDA's objectives can be satisfactorily achieved without more effective partnerships based on enhanced aid coordination and increased participation by governments, civil society, and the private sector in IDA program design, implementation, and monitoring. Progress in this area was moderate during IDA10-11, but the CDF and PRSP initiatives introduced after the IDA12 negotiations have given significant impetus to aid reform. In-country coordination has been

reinforced by the increased placement of IDA country directors in the field, and IDA has given greater emphasis to harmonizing procedures and processes among multilateral development banks, among other steps. The percentage of IDA projects with some stakeholder participation nearly doubled from 1994 to 2000, reaching 83 percent of projects. Overall, the shift to country ownership and partnership is clear, but consolidation and institutionalization of this shift call for the move from ad hoc to structured arrangements at the country level and a greater commitment to harmonization at the corporate level by IDA and the other multilateral and bilateral agencies.

Next Steps

The period under review has been one of considerable change—in borrower countries, in IDA, and in the develop-

Box 3: Two Key Initiatives

Comprehensive Development Framework (CDF), a holistic approach to development, is anchored in four interrelated principles: a long-term holistic vision and strategy; enhanced country ownership of development goals and action; more strategic partnership among stakeholders; and accountability for development results. The CDF approach relies on country leadership, with development partners working selectively according to comparative advantage. The Bank's current Strategic Framework puts the CDF at the center of the institution's strategic orientation.

Poverty Reduction Strategy Papers (PRSPs) have become the basis for concessional lending from the World Bank and the IMF and for debt relief under the enhanced Highly Indebted Poor Country initiative. They are a key mechanism for improving the policy performance of the poorest countries through an emphasis on clearly defined, monitorable objectives. Built on the four CDF principles, PRSPs are to be country-owned, grounded in participatory processes, and should serve as the framework for other donor assistance.

Box 4: Response of the Board and IDA Deputies

The Board of Executive Directors welcomed OED's IDA review, noting that it was both timely and important. The directors were in general agreement with the OED findings, and viewed them as a useful input to the IDA13 replenishment. The directors congratulated management for its performance as documented by OED, noting that it was particularly noteworthy because of the breadth and complexity of these undertakings. Looking ahead, the directors welcomed the broad agreement between management and OED on priorities, especially the focus on implementation, consolidation, alignment of resources to strategic priorities, and the related costing of IDA mandates. They stressed the importance of building on the CDF/PRSP process, particularly with regard to ownership, participation, partnership, and harmonization of operational policies and procedures.

The IDA Deputies noted that the OED review provided an excellent overview and analysis of IDA's performance and a strong platform for IDA13. They agreed with the conclusion that IDA's performance had improved markedly over the period and welcomed management's positive response. They broadly endorsed OED's recommendations as important to strengthening IDA's development effectiveness, particularly by focusing on implementation, aligning resources to strategic priorities, and consolidating IDA mandates, and they looked forward to a time-bound action plan for implementation. They encouraged IDA to adopt a longer-term approach focused on outcomes, including monitoring and evaluation of results and means of reporting on them.

ment system. The IDA10-12 policy framework has encouraged IDA to move in directions relevant to the needs of its borrowers and it remains broadly relevant for the future. But IDA and its partners are still in the process of putting core elements of the framework into practice, reinforced by new initiatives adopted during IDA12. What is needed now is to deepen and broaden the gains from the existing policy framework by focusing on implementation, adequately aligning resources to strategic priorities, and consolidating the IDA mandates.

For this, IDA will need to further adjust its role at both the country and global levels. In its primary role of supporting country-based development efforts, IDA should concentrate more on its areas of comparative advantage—which, for the most part, lie at the strategic level in supporting economy-wide, sector-wide, and government-wide reforms—and on capacity building. IDA should also play a more proactive role at the global level to foster the harmonization and coordination of external assistance needed for greater progress toward the overarching goal of poverty reduction. There are several steps that IDA could take to build on the improvements of the past seven years:

- **Increase country, program, and corporate selectivity.** This calls for further improvements in IDA's performance-based allocation system and ensuring

consistency among the PRSP, the CAS, and the allocation system.

- **Focus on governance and capacity building.** Every area of this review highlights the centrality of governance and public sector capacity building, with a view to encouraging borrower governments to be more efficient in providing public goods and services and more transparent and accountable to their publics.
- **Commit to effective development partnerships.** IDA should work at the country and global levels to move to a new development architecture, including a shift from ad hoc to structured arrangements of aid harmonization and coordination.
- **Clarify policies and strengthen accountabilities.** IDA should articulate what is meant by its “focus on poverty reduction” and clarify its program objectives and policies in relation to that goal.
- **Better align resources with program priorities.** Improved deployment of resources relative to IDA commitments is essential for applying the lessons of the past seven years. IDA would also benefit from adjusting the replenishment process by developing a longer-term vision, focused on results; engaging developing countries in setting priorities and monitoring IDA performance; and defining commitments in terms of monitorable and achievable objectives, with realistic costing, focused on agreed indicators of development progress.



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► This *Précis* is based on IDA's *Partnership for Poverty Reduction: An Independent Evaluation of Fiscal Years 1994–2000*, by Catherine Gwin, Lead Evaluation Officer, Corporate Evaluation and Methods Group, OED.

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