Role of International Financial Institutions
How well are the international financial institutions contributing to the achievement of the MDGs and related development outcomes? This chapter takes a modest first step toward answering that question, focusing on the International Monetary Fund, the World Bank, and the major regional development banks—the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank—and drawing primarily on the self- and independent evaluations carried out by the international financial institutions themselves. Future efforts will extend and deepen the framework developed herein, including by bringing in the findings of external evaluations and surveys more explicitly, and by broadening the framework to include the issue of developing-country voice in institutional governance, where the different ownership structures of the various IFIs can provide a useful platform for comparative analysis.

In this context, the chapter finds evidence that the IFIs are generally becoming more country focused, more collaborative, and more results oriented, while respecting their distinctive mandates and modalities for providing support for country, regional, and global programs. But it is inconclusive on the critical questions of comparative performance and whether the whole of the IFI contribution is larger (or smaller) than the sum of the IFI parts. Going forward, greater availability and comparability of independent and self-evaluation data from all IFIs should help improve comparative monitoring exercises such as this one and, in turn, reporting to the taxpaying public in all countries. The joint work program on results endorsed by the multilateral development banks at the Roundtable on Managing for Development Results held in Marrakech in February 2004 should provide a vehicle for progress on this key issue.

The chapter is structured as follows. It first summarizes the framework used for considering the contribution of the IFIs individually and in the aggregate. It then applies the framework in turn to the IMF, the World Bank, and the major regional development banks. Next it looks at the trends in systemic coherence and whether the contribution of the IFIs is larger or smaller than the sum of the individual contributions. The last section draws out conclusions and implications for action.

Framework for Monitoring IFI Contribution

IFIs do not achieve development outcomes directly through their individual actions, but they can contribute to those outcomes. For IFIs and other agencies, success depends
on effectively deploying assistance in high-quality ways in countries and programs that deliver, and on influencing country policies and programs—often at a distance. This complicates the job of assessing the IFI contribution to the achievement of the MDGs and related outcomes, but no more than it complicates the job of designing IFI programs to maximize that impact. An underlying theme of the chapter is the need for coherence between ex ante program appraisal and ex post evaluation. Assessing an institution’s contribution after the fact is complex, but it is rendered more so if it is not anticipated before the fact, and incorporated into operational design.

What are the channels of influence through which the IFIs affect the attainment of the MDGs and related development goals, and how can they be measured? Simply counting the number of projects or volume of lending for MDGs is clearly not the answer, although numbers on IFI inputs may constitute part of the evidentiary picture. Rather, it is the IFIs’ catalytic role that matters the most in the achievement of development outcomes—both by supporting policy and institutional development and by directing that support to those countries and sectors where the payoff to growth and poverty reduction is likely to be the largest. Significant IFI impact may come just as easily through a partnership on a global program, the policy dialogue on a piece of analytic work, or support to strengthen country capacity to design a fully owned reform program, as through a traditional lending operation. In such a setting, the measurement challenge is to discern the IFI influence on the global and regional context and the country policies and actions in the critical areas identified in the preceding chapters. Meeting this challenge is best pursued through a thoughtful and transparent results-chain analysis that links final outcomes to the specific inputs (including the level and distribution of IFI financing across countries) and outputs needed to produce them, and that can be evaluated upon program completion.

The framework for considering the IFI contribution is structured around four themes: country programs, global programs, partnership, and results. These themes are used to examine the IFIs individually and then collectively (box 13.1). The first two themes reflect the fact that increasingly the IFIs have two major product lines that are relevant to the achievement of the MDGs and related outcomes: their country programs and their global programs. Of course, the balance between the two—as well as the corre-

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<th>BOX 13.1 Framework for assessing IFI contributions</th>
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<td><strong>Country programs</strong></td>
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<td>- Alignment with countries’ priorities for poverty reduction and other MDGs</td>
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<td>- Relevance and selectivity in program design</td>
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<td><strong>Global programs</strong></td>
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<td>- Support for capacity building for regional and global public goods</td>
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<td><strong>Partnership</strong></td>
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<td><strong>Quality and results</strong></td>
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<td>- Results orientation, including monitoring, evaluation, and reporting systems</td>
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sponding instruments of support—varies across the individual IFIs, in line with their distinctive mandates and comparative advantages, as elaborated in the sections below. For example, the IMF’s country program focus is on macroeconomic and fiscal sustainability, which is essential for sustainable growth and poverty reduction. Its global program focus is on international financial stability, in line with its role as the institutional anchor of the international financial system. The World Bank’s country program focus is broader, covering the full range of social and structural issues important for the achievement of poverty reduction and the MDGs. Its global focus is on partnership and capacity-building programs designed to benefit developing countries. Focusing on countries in their respective regions, the regional banks also have broad development mandates. The exception is the European Bank for Reconstruction and Development, whose mandate is more narrowly focused on transition. All the regional banks have substantial programs for regional public goods.

Partnership has been singled out in the analysis for special attention, given its central importance to the IFIs’ joint and individual effectiveness in helping countries achieve their development goals. The lessons of experience (and common sense) suggest that where many donors are involved in a country or global program, it is essential that they harmonize their rules and reporting requirements to avoid overtaxing scarce country capacity. In addition, where there is a Poverty Reduction Strategy Paper, donors should synchronize the timing of their own country business strategies with it, so that the country can know the resources it is likely to have available when it is doing its programming and budgeting. But maximizing the gains from partnership requires going beyond harmonization and synchronization. It also requires strategic alignment, with agencies being coordinated and strategically selective in their support programs in line with country priorities and their distinctive comparative advantage vis-à-vis other agencies. Such action will also help to ensure that the whole of IFI and donor support adds up to more than the sum of the individual parts.

Finally, the critical bottom line is results. Here the chapter zeroes in on two topics: (a) the systems the IFIs have in place for assessing their results, and (b) the emerging picture of what those systems suggest about the IFI contribution. As the main tool for demonstrating results, evaluation is fundamental to this work—both self-evaluation undertaken by the management of programs and independent evaluations undertaken on behalf of governance bodies that oversee management, such as the board of directors.3

Activities of Individual IFIs

This section looks in turn at the activities of the IMF, the World Bank, and the regional development banks, using the organizing structure outlined above.

International Monetary Fund

The IMF contributes to the achievement of the MDGs through several important, if indirect, channels primarily related to the macroeconomic policy environment. These channels include the Fund’s work on the global economic and financial system and industrial country surveillance; its financing to member countries; and its policy advice and technical assistance to developing countries. Given the nature of these contributions and the fact that they draw on many aspects of the IMF’s work, there is no simple yardstick for assessing effectiveness. Information from a variety of sources must thus be brought to bear in making such an assessment.

COUNTRY PROGRAMS

A key responsibility of the IMF is to provide financing to member countries so that they can address external imbalances without resorting to measures destructive of national or international prosperity. This financing is provided on the strength of a program of policies designed to address the underlying
imbalances that necessitated the financing. For low-income countries facing temporary shocks and for middle-income countries facing capital account crises, the IMF’s financing alleviates the burden of immediate adjustment that could otherwise set back those countries’ efforts to achieve the MDGs.

Beyond the direct benefits of its financing, the Fund provides advice to its member countries, in the context of financial arrangements (where its advice is linked to program conditionality) and of its regular surveillance of all member countries. From the perspective of achieving the MDGs and related development objectives, the IMF’s role in providing advice is particularly important. The primary orientation of the IMF’s advice is toward the achievement and maintenance of macroeconomic stability over the medium term, given its importance for growth and poverty reduction. Moreover, country experience is replete with episodes in which macroeconomic disturbances have derailed progress toward growth and prosperity. In emerging-market countries, crisis prevention and management are a central focus of the IMF’s work, which takes stock of lessons from crises in Asia, Latin America, and elsewhere.4

A major challenge for the IMF’s policy advice is to ensure not just that the advice is correct—itself a major area of controversy—but that members are helped to implement appropriate policies. This challenge involves issues of capacity and ownership. Capacity issues should be taken into account in designing programs. Capacity can also be strengthened through technical assistance (TA), which the IMF provides in a range of areas related to its responsibilities, including fiscal issues, the monetary and financial sector, and statistics. The IMF recently stepped up its provision of TA through the establishment of two African technical assistance centers (AFRITACs). There are also plans to establish a center in the Middle East. The most recent review of the IMF’s TA, undertaken in 2004, focused on strengthening effectiveness and management with a view to addressing the institution-building needs of members, particularly low-income countries. It found that, while clear progress has been made, attention still needs to be given to these areas and to developing a clear strategic direction for TA in the future.5

Country ownership is an element that has been examined in connection with the IMF’s conditionality review during 2000–02.6 The focus on ownership reflects concerns that in many cases IMF-supported programs may not be adequately aligned with member countries’ own priorities and that this gap may be reflected in weak implementation. Research suggests that program implementation depends mainly on domestic factors rather than the efforts of IMF staff. The conditionality guidelines approved in September 2002 stress that ownership is an essential foundation of an IMF-supported program. The implementation of these guidelines will be reviewed periodically, beginning in mid-2004.7

In low-income countries, the PRSP is a vital tool for building ownership and orienting policies toward the MDGs. The PRSP provides a framework in which a country can formulate its strategy for poverty reduction on the basis of a domestic consultative process. It also therefore provides a basis for donors and IFIs to align the conditions for their financial support with the country’s own strategy. A review of the PRSP process undertaken jointly by the World Bank and the IMF in 2002 found that the PRSP was widely seen as useful, but that the consultative processes used to prepare the PRSP needed to be strengthened.8 A key issue is the alignment of the PRSP and a program supported by a Poverty Reduction and Growth Facility (PRGF) financial arrangement. The former should provide a road map to the MDGs, while the latter must be based on realistic projections of macroeconomic developments and external financing, even if those projections fall short of what is needed. The main challenge is to use the tension between the country’s needs on the one hand and its available resources and capacity on the other to elicit more action from donors to provide the financing and from the country authorities to
undertake the reforms needed to bring reality into line with aspirations. As a related issue, extensive evidence suggests that the growth projections underlying IMF-supported programs have tended to be biased toward over-optimism. This points to a need to strengthen the analytical framework in which IMF-supported programs are designed.

The IMF’s financial arrangements have come to play a longer-term role in low-income countries, typically providing financing on concessional terms through successive PRGF arrangements. A long-term engagement with low-income countries helps to ensure that the Fund’s financing and policy advice are appropriately directed at helping these countries achieve their development goals. The nature of the Fund’s engagement, however, may change as the country’s situation changes. Some low-income countries have episodic financing needs associated primarily with temporary macroeconomic imbalances to be addressed through policy corrections; providing such financing is a natural role for the Fund. In contrast, for others, financing is required on a more continuous basis to facilitate the institutional reforms and investments in human capital and infrastructure needed to achieve development goals. In the latter context, the Fund has tended to remain engaged and to continue to provide financing, but typically as a relatively small part of overall financing flows from other international financial institutions and donors. In such cases, a financial arrangement is, to a considerable extent, a vehicle for policy advice and monitoring, and the IMF’s involvement is a signal of the country’s macroeconomic management to other providers of official financing. Associated with this signaling role is the risk that the IMF could be drawn into prolonged program relationships that may not be justified on the basis of financing need and the quality of policies—pointing to the need to consider alternative, nonprogram, modes of IMF engagement. The policy on assessment letters enables the IMF to provide a more authoritative assessment of policies, either in or outside the context of a program relationship.

GLOBAL PROGRAMS

Within the international system, the IMF is tasked with promoting a stable and open global economic and financial environment, which is essential for the achievement of the MDGs and related development outcomes. The Fund contributes to such an environment first of all through the surveillance of systemically important countries. The Fund’s Article IV consultations with industrial countries are a vehicle for promoting appropriate policies, such as curbing domestic imbalances that may pose risks for the global economy. Multilateral surveillance, in the context of the World Economic Outlook and the Global Financial Stability Report, can highlight both global macroeconomic and financial risks and urge changes in policies by the major countries. In these and other contexts, the Fund is an advocate for increased foreign aid to achieve the MDGs and for increased market access for developing countries’ exports. The effectiveness of the IMF’s surveillance will next be reviewed later in 2004.

PARTNERSHIP

In carrying out its mission and mandate in contributing to the achievement of the MDGs, the IMF works with partner agencies, especially the World Bank but also with other multilateral and bilateral providers of aid and financing.

The IMF’s engagement in low-income countries puts it in a position to facilitate and possibly to catalyze other financing. In many cases, the approval or successful review of an IMF arrangement is itself a signal to other international institutions and donors that policies are sufficiently sound that it is prudent to provide their financing. The IMF recently took steps to address concerns that these signals were not as clear as they should be. Notably, it clarified the use of assessment letters to convey the institution’s views for both on- and off-track programs. The IMF also plays a more direct role in facilitating other official financing through its participation in donor meetings.

It is increasingly recognized that macroeconomic stability and growth depend heavily on structural and institutional factors.
Providing advice on many of these issues is primarily the responsibility of the World Bank and other development agencies. Coordination with the World Bank is therefore critical. Due in part to concerns that weaknesses in coordination had contributed to an expansion of IMF policy conditionality, new guidelines for Bank-Fund coordination in program design and conditionality were approved in May 2002. The most recent review of Bank-Fund collaboration in relation to these guidelines indicates that collaboration appears to be improving, but that there is room for further improvement. At the same time, collaboration has some natural limits, due to the different mandates and time frames of the two institutions and their different organizational structures. The review highlights efforts that have been made to strengthen collaboration in particular areas, such as in the work on low-income countries and in public expenditure management issues.

QUALITY AND RESULTS
The IMF has long had internal systems for ensuring the quality of its advice and programs, in the form of management controls and oversight by the Executive Board. Also, periodic reviews by staff have taken stock of emerging results and lessons learned, feeding this information back into the design of new programs and instructions to staff. Notably, the review of conditionality that will be undertaken in 2004 will examine the objectives and outcomes of Fund-supported programs and the design of the policy framework, in addition to reviewing the application of the 2002 conditionality guidelines. These reviews have been supplemented by independent external reviews on key topics, such as the external evaluation of the Enhanced Structural Adjustment Facility (ESAF) in 1998.

The creation in 2002 of the Independent Evaluation Office (IEO)—which reports directly to the IMF’s Executive Board, not through management—complements these efforts. To date, three reports have been prepared, discussed by the Board, and then published. The first report examined the prolonged use of Fund resources, documenting the number of member countries with long periods of program engagement and examining case studies. The report raised concerns that long-term engagement could undermine the revolving nature of the IMF’s financial resources for balance of payments adjustment; that in some cases, prolonged engagement reflects persistent weaknesses in program design and implementation; that the use of an IMF financial arrangement as a signal to donors may distort decisions on IMF financing; and that the presence of the IMF may inhibit the development of domestic decisionmaking processes. In discussing this report, the Executive Board noted that in many instances—particularly in low-income countries—prolonged program engagement may play a constructive role in tackling deep structural problems whose solution requires protracted effort. The Board initiated procedures for ex post assessments of members with longer-term program engagement and for semiannual factual reports on the incidence of such engagements. The report also gave added impetus to work assessing program design and strengthening surveillance in program countries.

The IEO’s second report examined the role of the IMF in three recent capital account crises: Indonesia in 1997–98, Korea in 1997–98, and Brazil in 1998–99. It noted that IMF surveillance was more successful in identifying macroeconomic vulnerabilities than in recognizing and analyzing the risks arising from financial sector and corporate balance-sheet weaknesses. Insufficient candor and transparency also limited the effectiveness of surveillance on policies. With regard to the design and implementation of IMF-supported programs in response to these crises, the report noted that macroeconomic outcomes turned out to be very different from program projections and that in a number of respects the policies incorporated in the programs could, with the benefit of hindsight, have been improved. The report noted that, in response to these crises, reforms have been undertaken to strengthen the IMF’s capacity.
to anticipate and help avert crises as well as to better manage the crises that do occur.

The third IEO report examined the experience with fiscal adjustment in IMF-supported programs. This report found that the Fund does not follow a one-size-fits-all approach in its programs, as claimed by some critics. But it found that Fund staff could improve the presentation in staff reports of the rationale for their fiscal policy advice. The report also made recommendations for anchoring fiscal adjustment and reforms in a medium-term framework, both in the context of IMF-supported programs and surveillance. Steps are now under way to implement a number of these recommendations.

During 2004 the IEO will undertake assessments of the PRSP process and the PRGF (jointly with the World Bank's Operations Evaluation Department), the IMF's technical assistance activities, and the IMF's role in Argentina.

World Bank

The World Bank contributes to the achievement of the MDGs and related development outcomes in a number of ways. Its most tangible contribution is the support it provides to development programs in low- and middle-income countries. Closely related is the support the Bank provides for global and regional programs, where considerable expansion has taken place in recent years. The Bank’s country and global program work is carried out with developing- and developed-country partners—as well as with partners in other international institutions—and is increasingly focused on results.

Against this background, this section looks at the evidence on what the Bank is doing in its country and global programs, how it behaves as a partner, and by what yardsticks it measures its contribution to development results. The analysis draws on the extensive assessment and evaluation material available on World Bank activities, both self-assessments carried out by central units within the Bank and independent evaluations carried out by the Bank’s Operations Evaluation Department (OED). These documents are prepared periodically, providing a series of snapshots on the Bank’s contribution and institutional performance in critical areas. For the most part, they show an institution whose performance has been improving in recent years, but with a number of specific areas still needing further work.

This picture is broadly consistent with recent survey evidence. In the global poll of world opinion leaders in late 2002 to early 2003 that the Bank commissioned, most respondents reported a generally positive view of the Bank, with many saying that the Bank has been doing a better job in the past few years in a number of areas, especially poverty reduction. But a number of criticisms also were expressed, especially with respect to how respondents saw the Bank’s effectiveness in fighting corruption, the social impact of the policy reforms it supports, and the arrogance and bureaucracy with which it is perceived to operate. Similarly, in the survey of country authorities carried out for the recent review of Bank-Fund collaboration, reform programs supported by the Bank were reported to be largely or fully owned by the country in 88 percent of cases, and a similar majority pointed to Bank participation widening ownership of the authorities’ development strategy. But 11 percent of the respondents reported only partial ownership.

Country Programs

The World Bank’s approach to country programs recognizes that one size does not fit all, and that the Bank’s support must be tailored to country conditions and grounded in national strategies setting out countries’ development vision, objectives, and priorities. As the Bank’s central operational document for each country program, the Country Assistance Strategy (CAS) is a key place to start in assessing the Bank’s contribution. The CAS summarizes the diagnosis of country conditions, the lessons learned from previous external support, and the forward program. It is prepared by the country team...
in cooperation with the authorities and partners, approved by senior management, and discussed by the Executive Board. In presenting the Bank’s prospective program, the CAS is meant to explain what is proposed as well as why, in terms of the particular value added and additionality that the Bank can bring to the table. For most low-income countries, the PRSP is the vehicle setting out the national strategy that the Bank helps countries to formulate and that serves as the foundation for the CAS. For middle-income countries, there is not an agreed format like the PRSP for setting out the national strategy, and the Bank relies on a wide variety of country-specific vehicles as a basis for the CAS.

Alignment with Country Priorities. In practice, how well do Bank CASs align with country priorities? According to a series of retrospectives prepared by Bank management and OED reviews, most CASs do provide fairly full coverage of the country’s development program, describing the government’s development objectives and the key elements of the development strategy—highlighting strengths and weaknesses. The most recent CAS retrospective judged the treatment of the national development program and priorities to be substantial in 86 percent of the 39 CASs and CAS Progress Reports in its review cohort. This represents a significant increase from the levels reported in the previous retrospectives (60 percent in the first and 80 percent in the second). However, it must be noted that the CASs in the review cohort were discussed by the Board before the end of 2000. As the period since then has seen enhanced focus on country ownership and national strategies, through the PRSP in the case of low-income countries and country-specific processes in the case of middle-income countries, these trends are likely to have intensified. Informal reviews of more recent CASs do point to a further step-up in country focus, and the expectation is that this finding will be validated in the next CAS retrospective.

In part, this expectation is based on parallel developments with respect to PRSPs, which had been prepared for 37 countries as of the end of March 2004. Only two CASs in the retrospective review cohort were based on full PRSPs (Burkina Faso and Uganda), and the treatment of the national strategy was strong in both. Also, the CASs for Albania, Guyana, Mauritania, Vietnam, and Yemen, which were prepared on the basis of full PRSPs (albeit after the closure of the cohort for the last retrospective), were similarly strong, with analysis clearly linked to the PRSP, providing a firm basis for consideration of the CAS diagnostic and programming options. CASs also will benefit from ongoing improvements in the PRSPs themselves. A recent Bank-Fund staff review of PRSPs reports evidence of progress as more recent PRSPs build on the experience of earlier ones, and countries more advanced in the process gain implementation experience. But the review also identified a number of challenges that affect the PRSP’s usefulness in underpinning the CAS. These include the importance of (a) bringing in the MDGs and articulating expected outcomes more explicitly; (b) striking the right balance between ambition and realism in setting PRSP targets; (c) identifying reliable indicators of progress and outcomes; and (d) ensuring appropriate prioritization across PRSP targets. Going forward, Bank management has suggested—and clients appear receptive to the proposal—that it is important for countries to strengthen the results focus of PRSPs and highlight the links with the longer-term MDG targets and the associated policy and institutional reforms and domestic and foreign financing requirements.

These findings are broadly in line with OED’s conclusions, which are drawn from its Country Assistance Evaluations (CAEs) and other evaluations, such as the multidonor review of the Comprehensive Development Framework (CDF) and the ongoing PRSP assessment that OED is conducting in partnership with the IMF’s IEO. OED has consistently stressed the importance of more realistic
targets in PRSPs—cautioning that many countries and regions will not achieve the MDGs by 2015—as well as greater attention to monitoring and evaluation, which it noted is particularly important given the different time frames for PRSPs (typically 3 years) and the MDGs (typically 10–15 years). Relatively, OED has urged the Bank to identify the objectives and targets of its CASs with greater specificity and to implement internal changes to foster the design and implementation of the multisectoral strategies and operations that will be essential for achieving the MDGs. Also highly relevant for the PRSP-CAS nexus, OED finds evidence of the PRSP process contributing to the development of country ownership, especially when a highly inclusive participatory process is conducted through the country’s normal political processes and institutions; OED further points to the need to lessen the tension between the PRSP’s role as a process for building domestic consensus and ownership and the role that it plays with regard to debt relief and access to aid resources.

The CAS model applies equally to the middle-income countries (MICs), for which Bank management has just completed a major review of its program and strategy. A key finding of this review is that despite many examples of successful Bank engagement in individual MICs—for example, Brazil, China, Mexico, and Turkey—trends in Bank lending are not in line with the objective of scaling up support to MICs, given the vast numbers of poor people living there. In large part, the disconnect reflects a secular decline in Bank infrastructure lending to MICs, as well as reduced lending to countries that have gained access to financial markets. However, some other multilateral development banks have maintained or even increased their lending over the same time period, suggesting that internal Bank factors related to the cost of doing business may be partly to blame. Going forward, the Bank is adopting a back-to-basics approach, cutting red tape by relying more on MICs’ stronger policy development and systems for fiduciary and environmental safeguards, proactively engaging in value-adding operations in infrastructure and service delivery, and promoting the use of IBRD risk-management instruments—all grounded in high-quality economic and sector work (ESW). The approach is designed to reinvigorate the Bank’s engagement with this critical set of clients and help them promote sustainable, equitable, job-creating growth; raise living standards; and reduce poverty.

Relevance and Strategic Selectivity. Strategic selectivity involves systematically examining the tradeoffs among possible Bank Group activities, assessing their relative impact, and establishing priorities while taking resource constraints into account. It requires looking at the potential magnitude of impact, the likelihood of successful country action—including, importantly, through policy reforms—and the possible availability of alternative sources of support as a way to assess the expected value-added of the Bank’s contribution. Getting this part of the CAS right is essential for maximizing the Bank’s impact. It goes to the heart of ensuring that the Bank is doing the right things—in addition to doing them right. Ensuring the relevance of Bank support is a key objective of the Bank’s agenda on managing for results and is the driving force in the development of the results-based CAS, currently being piloted (box 13.2).

The last CAS retrospective found an improvement in selectivity, with more than 70 percent of CASs rated satisfactory or better, compared with only 50 percent in the previous retrospective. However, when the retrospective raised the bar on selectivity to include discussion of tradeoffs and the rationale for instrument choice, fewer than 60 percent of the cohort CASs were rated satisfactory or better. Clearly, as Bank management has stressed, there is ample scope for improvement in this important area, especially along three dimensions: (a) the specific channels through which the proposed Bank
BOX 13.2 Results-based CAS

The results-based Country Assistance Strategy is designed to improve the strategic relevance and selectivity of Bank country programs and provide greater support for strengthening country capacity to manage for results, thereby increasing the Bank’s contribution to country outcomes. The concept of a results-based CAS was first elaborated in 2002 as a central element of the Bank’s action plan on managing for results.

The results-based methodology involves a change in mindset and approach to formulating the CAS—from starting with programming inputs and then analyzing their likely impacts, to starting with desired outcomes and then identifying what inputs and actions (by the Bank and others) are needed to achieve them. Supporting and complementing this change in mindset, the results-based CAS introduces a framework for articulating expected outcomes and identifying indicators for tracking implementation progress and evaluating outcomes at program completion. Strengthened monitoring and evaluation at the CAS level is critical to success, including introduction of a CAS Completion Report, or self-assessment, of progress under the previous CAS and review of this report by OED.

Interim guidelines on results-based CASs have been issued, and a pilot phase of preparing results-based CASs is under way. Five results-based CASs were presented to the Board in 2003—Brazil, Cameroon, Mozambique, Sri Lanka, and Ukraine. More pilots are being completed in fiscal 2004, and other country teams are beginning to apply the results-based methodology to CAS design. Further work includes implementing regional plans to support country teams in preparing results-based CASs, evaluating the pilot phase for results-based CASs in late fiscal 2004, issuing a revised operational policy and a good-practice note for results-based CASs, and mainstreaming the results-based CAS in fiscal 2005.

a. See (http://opcs/CAS/cs-g.html).


program was expected to work—in other words “the results chain”; (b) the analysis of the Bank’s comparative advantage vis-à-vis its partners to explain the CAS’s strategic selectivity; and (c) the specific implications of the lessons learned from past country and Bank implementation experience for the design of the strategy.

Strategic relevance and selectivity are also central themes of OED’s CAEs and other country program evaluations, which have been carried out in more than 60 countries since the first such evaluations, for the Argentina and Ghana programs, in fiscal 1995. As OED notes: “While each project proposed in the CAS may individually be consistent with CAS objectives, it is not always clear that the summation of Bank lending in the CAS is the best way to achieve CAS objectives.” In several country evaluations, OED has rated overall country program outcomes as unsatisfactory even though the large majority of the individual project outcomes earned a satisfactory rating. In other words, the Bank did things right at the project level but did not necessarily do the right things to achieve stated CAS objectives.

GLOBAL PROGRAMS

A critical part of the World Bank effort to support country development is the analytic and advocacy work it does in the global arena, especially with respect to the policies and actions of developed countries on trade, aid, and debt relief, given their importance in achieving the MDGs, as discussed in earlier chapters. In addition, as noted there, the Bank is monitoring international scaling-up
efforts in four priority areas for the service delivery MDGs—Education for All, HIV/AIDS, health, and water and sanitation. It is also directly providing support in these and other areas through its country and global programs. One example is its support for the Global Fund to Fight AIDS, Tuberculosis, and Malaria, for which the Bank is trustee.

Bank support for global programs began three decades ago, with the establishment of the Consultative Group on International Agricultural Research (CGIAR), for which the Bank is a convener and donor to the system, as well as a lender to developing countries for complementary activities. New global programs were gradually added over time, with a major step-up in global partnerships and associated program support activities commencing in the late 1990s, reflecting the rapid pace of globalization, the sharply increased attention to global policy issues in the development community, and the Bank’s increased partnership orientation. In September 2000 the Development Committee endorsed the Bank’s priorities in supporting global public goods, focusing on five areas—public health, protection of global commons, financial stability, trade, and knowledge.

Global programs are now reflected in Bank corporate strategy papers and operational activities, with about 50 programs (managed by either the Bank or external recipients) receiving grants from the Development Grant Facility. In these programs, the Bank is working in capacity-building and support programs with countries, to help them meet their requirements under international agreements, and in partnership programs focused on the delivery of global and regional public goods, including by providing seed money for new such programs.

The assessment framework for global programs—both within the Bank and in other agencies—is at a much earlier stage of development than it is for country programs, reflecting the more recent vintage of most global programs. Within the Bank, the self-assessment framework is still being developed—as is the ex ante appraisal framework—while on indepen-dent evaluation, OED has recently completed its Phase I review of the Bank’s global programs and is in the final stages of the analysis of Phase II. As a general matter, OED concluded that the Bank has played a useful role in these programs by providing a platform for learning, advocacy, and collaborative action to address key global challenges. With notable exceptions, including large and high-profile programs such as the Global Environment Facility (GEF) and CGIAR, for the most part OED found the programs to be undermanaged, especially relative to country programs, with too little attention to formal appraisal and evaluation criteria, too little policy content, and unclear accountabilities.

Building on the work of a high-level internal review team, Bank management has generally endorsed OED’s recommendations and is paying increased attention to strategic focus, country alignment (with any implementation at the country level included in the CAS program), developing country voice, business planning and resource management, and risk management and quality assurance in the Bank’s global programs. Its enhanced efforts in these areas aim to build on a series of measures adopted in recent years to improve the governance and oversight of the Bank’s global programs and partnerships through new processes for screening proposed programs and ensuring their strategic focus, better systems for tracking implementation, and enhanced attention to independent and self-evaluation on program completion.

PARTNERSHIP

The World Bank’s policy is to operate jointly with partners when addressing major development issues. This policy applies equally to Bank country and global program activities, broadly as follows. First, the Bank works closely with the IMF, the MDBs, the United Nations and U.N. agencies, OECD-DAC, the European Union and bilateral donors, WTO, and other partners in its country and global work. Second, as a global development institution with broad coverage across countries and issues, the Bank often plays a
strategic role in providing what smaller and more specialized agencies cannot because of their size or narrower mandate—a role that underpins the way strategic selectivity manifests itself in Bank CASs, as discussed earlier, and that shapes the particular Bank contribution to global and regional partnerships and programs. Third, in carrying out its partnership activities, the Bank wears different hats as befits the occasion—leader, follower, adviser, helper, and so on. It need not and does not play the lead role in every instance. This point warrants emphasis both internally in guiding staff behavior and externally, especially in light of the findings of the Bank’s global poll with respect to perceptions of institutional and staff arrogance.36

Underpinning the Bank’s partnership policy is its extensive work on harmonization—designed to better align its processes and procedures with those of clients and with those of other agencies. In turn, such alignment reduces the transaction costs of development assistance. To this end, the Bank is intensifying its collaboration with interested clients and partners to extend and deepen the increasing number of country-level harmonization activities. Many of these were begun before the Rome Harmonization Forum in February 2003 and several have been initiated over the past year.37 The Bank is currently pursuing the harmonization agenda in a number of countries, playing either leadership or supportive roles as the occasion and circumstances warrant. These countries include the seven associated with the Rome Declaration, as well as a growing number of others in which harmonization programs and activities have just started or are being broadened or deepened.38 This work, of course, relates closely to the Bank’s ongoing support for country-led partnerships for the implementation of national development strategies, whether in the context of PRSPs for low-income countries or of country-specific vehicles in the case of middle-income countries. And, for all countries, Bank management is using internal review processes (including the Operations Committee) for CASs and lending operations, to proactively identify opportunities for further country-level harmonization. The World Bank is also playing leadership and supportive roles in the context of the DAC Working Party on Aid Effectiveness, which was established after the Rome forum to support and facilitate harmonization efforts.39

Supporting and complementing these country-level efforts, the Bank has taken several important steps in recent years to modernize the fiduciary framework governing its lending operations. These steps have helped to set the stage for Bank participation in harmonization with country and partner systems. New financial management guidelines allow borrowers to submit project reports based on their own financial reporting systems.40 New fiduciary processes permit the Bank to participate in pooled financing arrangements in sectorwide approaches (commonly known as SWAps) characterized by common arrangements for financial reporting, auditing, procurement, and disbursement. The Bank’s audit policies have been aligned with international auditing standards and good practice, allowing for adaptations of audit scope to assessed project risk.41 A new loan administration platform is being designed to facilitate harmonization of disbursement procedures with country procedures and those of other lenders. Finally, major investments have been made in the Bank’s financial management diagnostic work, especially on the country financial accountability assessment, to upgrade quality, work jointly with MDB and other partners, and inform the country policy dialogue on financial management systems. These investments complement joint work with the IMF, the European Commission, and bilateral donors on the Public Expenditure and Financial Accountability (PEFA) initiative and the OECD-DAC harmonization process to help clients strengthen their public financial management systems.

The Bank has taken complementary steps on procurement procedures to improve the scope for harmonization with country systems and with MDB (and other) partners and to upgrade their capacity building and learn-
ing content. To these ends, the Bank has introduced higher prior-review thresholds when client capacity warrants and clarified when local procurement laws and practices—including for e-procurement—can be used in Bank-financed (and cofinanced) projects. As with financial management, the Bank has also taken steps to transform the country procurement assessment into a diagnostic tool for the policy dialogue, with country procurement assessments now carried out jointly with clients and MDB and other partners. The Bank is also working with the OECD-DAC on an initiative for helping countries strengthen their procurement systems, which also will lead to stronger in-country systems around which donors can harmonize their support. Finally, based on the master documents produced and agreed by the MDB Procurement Harmonization Group, the Bank has issued new documents on the procurement of civil works and goods. In November 2003, the Board approved adjustments to the Bank’s Procurement Guidelines that reflected these and other changes.

QUALITY AND RESULTS

The bottom-line measures of the Bank’s contribution are the quality and results of its operational products and services. This section looks at Bank systems for measuring and monitoring quality and results and then summarizes what those systems suggest about the Bank’s contribution to development outcomes and its institutional performance.

Monitoring Systems. Historically, the Bank measured its operational performance primarily by lending commitments—both dollars lent and projects approved. Building on the findings of and the follow-up to the Wapenhans Task Force Report,\(^42\) the quality dimension was added in 1996 as a second primary indicator of operational performance. Adding the quality of lending and analytic and advisory services as an indicator served to focus Bank management attention on that dimension, and, after the investment of much time, resources, and commitment—including the creation of the Quality Assurance Group (QAG), with a major program and the full support of top management—the Bank’s performance on quality improved substantially. Adding results as a third indicator was a logical next step, taken in 2002 to further improve the Bank’s effectiveness by subjecting this important measure to more systematic management scrutiny. In the context of this decision, the Bank adopted an ambitious plan to better measure, monitor, and manage for results; the Development Committee endorsed this plan in September 2002.\(^43\)

Since then, there has been significant progress in designing and piloting the necessary changes in Bank systems to implement the results agenda. Central to the agenda are effective monitoring and evaluation systems. This is true not only for investment lending, for which there is a long tradition of monitoring and evaluation, although implementation performance needs to be improved, but also for the CAS, adjustment lending, and non-lending services, for which monitoring and evaluation is a more recent development. In all these areas, work is under way to see how best to apply, adapt, and improve existing approaches, building on the lessons learned from recent monitoring and evaluation pilots and OED reviews. As noted earlier (see box 13.2), country teams are piloting results-based CASs that identify country outcomes (from the PRSP or other national strategy) to which the Bank will contribute, along with intermediate indicators linked to the particular products and services that the Bank will provide. With respect to the Bank’s lending and non-lending products and services, operational policies and processes are being reviewed with the aim of expediting implementation and the achievement of results, while documentation requirements are being reviewed with the aim of increased transparency in the reporting of results objectives and achievements.

Consistent with the above, OED’s most recent assessment of Bank systems concluded that the framework for self-evaluation by Bank management, and independent evaluation by OED, is strongest at the project...
At the country level, OED found that the framework for independent evaluation, comprising OED CAEs, was well established, and it welcomed the recent introduction of CAS Completion Reports, which it saw as responding to its long-standing recommendation and closing an important gap in self-evaluation at the country level. But OED also stressed the importance of the remaining weaknesses in independent evaluation of sector strategies and global programs and of gaps in self-evaluation of sector strategies, nonlending operations, trust funds, and knowledge initiatives, while also acknowledging that new initiatives are under way on self-evaluation of global programs. On the latter, the first annual Sector Strategy Implementation Update will provide a basis for improved monitoring and self-assessment of sector strategy implementation, including through the development of strengthened monitoring indicators.

Meanwhile, in response to a request from the IDA Deputies, a two-tiered Results Measurement System has been developed to measure progress on selected country outcomes across IDA countries and to measure IDA’s performance at the institutional level in contributing to development outcomes (box 13.3). The results-based CAS framework is expected to provide the necessary inputs in the medium term, but in the meantime, Bank management expects to use IDA portfolio indicators derived from OED ratings for project outcomes and QAG quality assessments, which are leading indicators of success in achieving CAS outcomes. Although OED does not routinely conduct impact evaluations, some increase in such activities may be warranted, in view of their relevance to the results agenda, and to the overall framework for assessing the Bank’s contribution. For example, a recent impact evaluation of the Bank’s support to education in Ghana found—on the basis of a careful analysis of the results chain and examination of data collected specifically for the study—a very substantial positive impact on education outcomes.

Looking beyond the systems to the actual outcomes of the Bank’s assistance, what does the evidence show? Here the real issue is how to demonstrate Bank impact. OED considers that the Bank’s country strategies have been on the whole fairly successful, based on what it sees as relatively high CAE outcome ratings—with 65 percent of all years assessed and 75 percent of the post-1998 years rated moderately satisfactory or better. Once the results-based CAS has been mainstreamed, the self-assessment framework for such judgments also would be available. CASs would be capable of being evaluated to start with, providing a basis for judging and comparing scores in achieving CAS outcomes. But in view of the considerable lead time required to have a large enough cohort for meaningful assessment, the leading indicators of CAS impact will need to be relied on until fiscal 2006 or fiscal 2007.

Overall, these indicators—OED and QAG scores—point to consistently improving portfolio quality from fiscal 1997 up to fiscal 2002, as the major steps that management was taking were being reflected in a step-up in quality. OED evaluations of projects exiting the portfolio each year confirm the positive trend. Fiscal 2002 marks the third consecutive year of project performance exceeding the Bank’s Strategic Compact target of 75 percent satisfactory or better outcomes. By number of projects, the score was 79 percent; weighted by value, it was 85 percent. More dramatic is the continued upward climb in sustainability ratings to similarly high levels from much lower starting points. However, for fiscal 2003 exits, early OED ratings point to a decline in outcome scores. Pending the completion of OED’s analysis of the full cohort of projects completed in fiscal 2003, QAG has launched a special analysis of possible issues that may need to be addressed by management in ensuring the continued improvement in portfolio management and quality.

Both QAG and OED have emphasized the role of economic and sector work in the Bank’s
effectiveness. QAG findings point to the importance of ESW, and its increasing quality, as leading indicators of positive outcomes in Bank operations and country programs. Assessments by QAG confirm the continuing improvement in the quality of the Bank’s country analytic work, reflecting the increased attention to it by senior Bank management in recent years. OED’s findings are that in countries where recent outcomes of Bank assistance were evaluated as satisfactory, high quality, relevant, and timely, ESW generally made a substantial contribution. Where outcomes were not satisfactory, deficiencies of ESW in one or more of these dimensions were a contributing factor. CAEs report favorable outcomes when high-quality ESW was timed to precede Bank operations and country programs, and unfavorable outcomes when ESW was not timed in this way. Even when ESW was timely and of high quality, the relevance of Bank strategies was reduced when its findings were not used or used only selectively in programs and lending operations. ESW was found to be particularly important for first-time or renewed borrowers and for stop-go reformers.

Regional Development Banks

This section looks at the role and contribution of the four major regional development banks—African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank—also using the organizational structure of box 13.1.48

Country Programs

Notwithstanding differences in mandates and instruments, each of the regional banks is focused on country issues. All have country strategy papers and are increasingly involved in the PRSP process, in line with the agreed MDB/IMF Protocol on Collaboration on the PRSP. The regional banks are increasingly focused on the MDGs, with the EBRD focused on transition impact. Their strategies in turn drive their country lending and non-lending programs. Their independent evaluation departments assess their strategies on program completion, thus affording opportunities to test and validate results and take stock of the lessons learned.

Work is under way in each of the four regional banks to adapt and improve existing approaches to country strategies, in line with the results agenda. The AfDB has aligned its country strategy papers more closely with PRSPs, deepening the analysis, based on poverty diagnostics, sectoral priorities, and outcome indicators articulated in country-owned PRSPs, and spelling out in the country strategy paper how the proposed AfDB lending and nonlending activities will contribute to poverty reduction. In the AsDB, there also has been progress in linking country strategy papers to PRSPs, and work is under way to design a results-based country strategy paper. In the EBRD, individual country strategies are results based as they are evaluated against the performance of the country portfolio of projects and against the sector reform and transition challenges tracked by the Transition Report and sector strategies. The IDB introduced new guidelines for its country strategies last year, requiring, inter alia: an explicit focus on results, with a “strategy matrix” articulating the link between the country’s own development objectives and strategy and the development objectives and strategies of all donors, including the IDB; identification of the proposed IDB-assisted interventions together with performance indicators and targets of expected results; and reflection of the findings of the country program evaluations prepared by the IDB’s independent evaluation office.

Global Programs

The regional banks are involved in global and regional programs covering financial stability, trade, environment, post-conflict assistance, and knowledge, with all but EBRD also involved in the control of infectious diseases. In many cases the banks are focused on regional public goods (RPGs), or on regional
aspects of global public goods, looking to the World Bank on the global aspects. They also are involved in helping their regional clients build country capacity to meet requirements under global agreements. For the AfDB, critical issues are post-conflict assistance and health, especially in the face of the HIV/AIDS epidemic. For the AsDB, key issues are the environment, health, and knowledge, with a particular focus on those issues where there are spillover effects within the region, or within the AsDB's subregional coverage. For the EBRD, nuclear safety is an area of special focus, where the Bank has the international lead in supporting transition countries in the decommissioning of capacity, along with the resolution of other environmental liabilities of the earlier era. Another is financial stability,

BOX 13.3 Proposed IDA14 results-measurement system

The proposed IDA14 results-measurement system is designed to reflect the priorities and processes of national poverty reduction strategies, be linked to the MDG framework, show aggregated results across IDA countries, and assess IDA's contribution to development results. It measures results on two levels:

**Aggregate country outcomes.** The first tier includes 17 possible indicators to measure the progress of IDA-eligible countries on core development outcomes (see table). The majority of these indicators were chosen to be consistent with country priorities articulated in national poverty reduction strategies, aligned with MDG indicators, and relevant to IDA's mandate and activities in borrowing countries. Indeed, most of the indicators are considered in PRSPs, either as specific targets or as subjects for discussion in the text. Ten are MDG indicators. The others are complementary, relating to growth for poverty reduction, and reflecting IDA's support for the economic growth, private sector development, and public sector management that are necessary to reduce poverty.

**IDA's contribution to country outcomes.** The second tier involves introducing a stronger focus on results and a self-assessment system in World Bank Country Assistance Strategies in IDA-eligible countries, and assessing the quality and outcomes of projects in the IDA portfolio, drawing on data from the Operations Evaluation Department and the Quality Assurance Group. The following indicators have been put forward to monitor progress in this tier: the number of countries that use a results-based CAS; CAS final outcome ratings as validated by OED through the CAS Completion Report review; project outcome ratings as validated by OED through the Implementation Completion Report review; and quality-at-entry indicators for IDA projects as assessed by QAG.

In April 2003 IDA Deputies reviewed this architecture and found it to be a sound basis for moving forward. At their first meeting of the IDA14 replenishment in February 2004, Deputies reemphasized the importance of measuring development effectiveness and results at the country level and identified this area as a key theme for further discussion and work during the replenishment. Over the coming months, IDA Deputies will face important decisions about the monitoring of aggregate country outcomes within the results-measurement system. They will need to reach consensus on a set of country outcome indicators, each with different merits. The 17 indicators proposed for consideration are those that—at this time—best meet the three criteria of relevance to key development outcomes, sensitivity to policy actions, and measurability in a sufficient number of IDA countries. However, to varying degrees, the ability to monitor these indicators on a regular basis—and the quality of the resulting information—are dependent on expanded coverage, increased periodicity, and standardization of questions within household surveys and other data-gathering mechanisms. The existence of reliable and relevant indicators to measure development progress will also depend on the inclusion of the issue of statistics and evidence-based policymaking in the policy dialogue with countries. The implications for the international community are twofold. First, a greater financial and technical commitment will be needed to strengthen statistical capacity and monitoring and evaluation systems in low-income countries and to reinforce international reporting systems. Second, expectations must remain realistic for improvements across a
especially the adoption of the standards and codes underpinning market economies. The IDB has five priority areas in the provision of regional and global public goods—financial sector assessments, regional integration, curbing of infectious diseases, promotion of environmental services, and support for research in agriculture and regional policy dialogue. It has prepared a new policy framework for its support for RPGs, including a financing facility geared to providing grant financing for what it calls “early stage RPGs,” where dialogue among countries is needed; “later stage RPGs,” where larger institutional resources to manage the emerging program are needed; and the initial stages of “club RPGs,” which will likely be financially self-sustaining once they are up and running.\(^\text{50}\)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>PRSPs that include indicator %</th>
<th>PRSPs covering subject %</th>
<th>Availability in WDI database %</th>
<th>Typical frequency of reporting</th>
<th>Agency responsible for data compilation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proportion of population below $1/day poverty line</td>
<td>13</td>
<td>100</td>
<td>72</td>
<td>Every 3–5 years</td>
<td>World Bank</td>
</tr>
<tr>
<td>2. Prevalence of underweight children under five years of age</td>
<td>44</td>
<td>63</td>
<td>97</td>
<td>3 years</td>
<td>UNICEF, WHO</td>
</tr>
<tr>
<td>3. Under-five mortality</td>
<td>72</td>
<td>97</td>
<td>100</td>
<td>3 years</td>
<td>UNICEF, WHO</td>
</tr>
<tr>
<td>4. Proportion of year-old children immunized against measles</td>
<td>8</td>
<td>72</td>
<td>100</td>
<td>Annual</td>
<td>UNICEF, WHO</td>
</tr>
<tr>
<td>5. HIV prevalence rate of pregnant women 15–24</td>
<td>3</td>
<td>69</td>
<td>91</td>
<td>Only 1999</td>
<td>UNAIDS, UNICEF</td>
</tr>
<tr>
<td>6. Proportion of births attended by skilled health personnel</td>
<td>59</td>
<td>72</td>
<td>84</td>
<td>3–5 years</td>
<td>UNICEF, WHO</td>
</tr>
<tr>
<td>7. Ratio of girls to boys in primary, secondary, and tertiary education</td>
<td>69</td>
<td>78</td>
<td>94</td>
<td>Annual</td>
<td>UNESCO</td>
</tr>
<tr>
<td>8. Primary school completion rate</td>
<td>31</td>
<td>100</td>
<td>100</td>
<td>Annual</td>
<td>UNESCO</td>
</tr>
<tr>
<td>9. Proportion of population with sustainable access to an improved water source</td>
<td>94</td>
<td>94</td>
<td>84</td>
<td>3 years</td>
<td>UNICEF, WHO</td>
</tr>
<tr>
<td>10. Fixed lines and mobile telephones per 1,000 inhabitants</td>
<td>25</td>
<td>34</td>
<td>97</td>
<td>Annual</td>
<td>ITU, World Bank</td>
</tr>
<tr>
<td>11. Formal cost of business registration</td>
<td>3</td>
<td>13</td>
<td>72</td>
<td>Annual</td>
<td>World Bank</td>
</tr>
<tr>
<td>12. Time for business registration</td>
<td>6</td>
<td>13</td>
<td>75</td>
<td>Annual</td>
<td>World Bank</td>
</tr>
<tr>
<td>13. Public expenditure management</td>
<td>0</td>
<td>100</td>
<td>—</td>
<td>TBD</td>
<td>World Bank</td>
</tr>
<tr>
<td>14. Agricultural value added</td>
<td>22</td>
<td>66</td>
<td>94</td>
<td>Annual</td>
<td>UNSD, World Bank</td>
</tr>
<tr>
<td>15. GDP per capita</td>
<td>41</td>
<td>100</td>
<td>94</td>
<td>Annual</td>
<td>UNSD, World Bank</td>
</tr>
<tr>
<td>16. Access of rural population to an all-season road</td>
<td>16</td>
<td>44</td>
<td>—</td>
<td>TBD</td>
<td>World Bank</td>
</tr>
<tr>
<td>17. Household electrification rate</td>
<td>34</td>
<td>59</td>
<td>—</td>
<td>3 years</td>
<td>World Bank</td>
</tr>
</tbody>
</table>

Note: TBD = to be determined.

Range of indicators in countries with limited capacity. Thus, it is especially important to reach consensus on a small number of indicators that countries identify as highly relevant for managing their development processes.

PARTNERSHIP

For the regional banks, the partnership topic has two interrelated aspects. One, at the institutional level, is their role and participation in the harmonization effort; the other, at the country level, is their performance as partners. Reflecting their growing interest in both, the regional development banks are active participants in the DAC Working Party on Aid Effectiveness.

Working in partnership with the World Bank and others, the regional development banks are continuing their work on the unfinished institutional harmonization agenda and thematic areas of common concern. Central to the agenda is the focus on the harmonization of results reporting emerging from the Marrakech Roundtable. As noted there, developing countries have made significant progress on country ownership, strategic vision, and donor alignment through the poverty reduction strategy process, but many countries continue to struggle with the diversity of donor reporting requirements, especially with respect to project monitoring and evaluation—hence the urgency of action. Legal documentation and disbursement procedures are examples of issues that have recently become subjects of discussion and will be taken forward. Meanwhile, existing working groups have continued their work on institutional harmonization in tandem with their country-level work. The Financial Management Group, for example, has completed good-practice papers and continues to work with relevant professional bodies on an international accounting standard for development operations. In addition to its work on country-level capacity building, the Procurement Group has completed harmonized bidding documents for prequalification for civil works and civil works contracts and for selection of consultants. The Environmental Group has completed a common framework for environmental impact assessments, while focusing most of their efforts on country-level work. And the Evaluation Group has followed up on good-practice papers on public and private sector evaluations, through a benchmarking exercise, and put joint country evaluations on its agenda. The MDB Gender Group, operating in cooperation with U.N. and OECD-DAC gender groups, has recently co-sponsored a workshop on Gender and the MDGs.

For country-level activities, the partnership issue is typically less about partnerships between individual regional banks, because there is little overlap among them. Rather the issue is more often about partnerships with the World Bank, IMF, U.N. agencies, and bilateral agencies, with which the regional banks are linking up, together with governments interested in harmonization efforts at the country level. To a large extent, the issue here is one of country strategy and the selection of operational support vehicles taking into account what other partners are providing. But it may also involve harmonization in a specific lending context, especially where new sectorwide approaches are challenging previous methods of support for country development and co-financing arrangements.

Concrete cases, such as the Bangladesh example (box 13.4), put the focus on where the really tough work on harmonization lies—reconciling differences in institutional guidelines for procurement and financial management within a particular country context in a real-time situation.

QUALITY AND RESULTS

The recent Marrakech Roundtable, sponsored by the MDBs in collaboration with the OECD-DAC, provided an important opportunity for the banks to take stock of where they are in their application of results-based approaches and the progress made since the first Roundtable in June 2002.\textsuperscript{51}

Systems and Processes. The regional development banks have all been actively pursuing the results agenda in the context of their country assistance strategies, as discussed above, and in their business processes for assuring the quality and development effectiveness of their operations. To this end, all the banks are giving greater attention to the
quality and impact of their operations through enhanced monitoring and evaluation and portfolio management. In previous years, the AfDB had taken a number of measures to improve project quality at entry, supervision, monitoring and evaluation, and portfolio management. These measures are now being extended and deepened in line with the results agenda, where the focus is on “higher level” interventions and evaluations at the country, sectoral, and regional levels. AsDB has significantly improved its portfolio management and monitoring of project implementation to make it more results focused. Project documentation throughout the project cycle has been refocused on development objectives, with lessons learned highlighted in project completion and audit reports. Special attention is also being paid to the quality and analytical content of AsDB’s economic, technical, and sector work, as a basis for the policy dialogue with clients. Last year, the EBRD introduced a new Transition Impact Monitoring System, with periodic monitoring and reporting on project performance. The new system is designed to facilitate a portfolio approach to project monitoring. Progress reporting is done both on a project and on a portfolio basis to allow a comparison of the transition impact potential of the portfolio against other sources of project risks and returns, and other sector and country dimensions. The IDB has taken a number of important steps to upgrade project quality and management. Building on a pilot quality-at-entry assessment, improvements are being made to project design and evaluation, including the introduction of a structured self-evaluation system for use
during project supervision, where reporting is being strengthened, and also on project completion, where the coverage by the independent evaluation unit is being expanded.

The regional banks also are using corporate reporting for informing shareholders and stakeholders about progress on the results and quality agenda, recognizing the critical role such reporting plays in sustaining management attention to the agenda and in turn institutional follow-through. The AfDB reports on results through three main channels. First, much operational reporting on quality, results, and evaluation takes place through the Board Committee on Development Effectiveness. Second, AfDB is piloting the Results Measurement Framework, which it provides to the African Development Fund Deputies, as part of the latter’s oversight function. Finally, AfDB is beginning to implement a Corporate Balanced Scorecard in reporting to its Executive Board on strategic planning and budgeting.

The AsDB is reporting through the dialogue on results with the recently created Board Committee on Development Effectiveness and with the Asian Development Fund Deputies, including in the context of the design and implementation of the Asian Development Fund Results Measurement System. In addition to project-based results management, the EBRD uses results-based management for its own institutional performance and budgeting, with a focus on transition impact and financial indicators in its institutional scorecard, which it shares with its Executive Board. Both the transition impact and financial performance objectives are reviewed annually by the Board in the context of EBRD’s Medium-Term Strategy Update and Strategic Portfolio Review; these reviews inform the EBRD’s annual dialogue with its Board on the budgeting process. The IDB is also strengthening its corporate reporting, including to its Board Committee on Policy and Evaluation. At the 2004 Annual Meetings in Lima, Peru, the Committee of the Board of Governors discussed progress on IDB’s development effectiveness reform efforts to date, and a Medium-Term Action Plan for enhancing IDB’s development effectiveness and results orientation is currently under preparation.

**Effectiveness and Results.** The independent evaluation departments of the four regional banks fill broadly similar roles within their organizations, contributing to institutional learning and accountability. To some extent they also provide a basis for comparing performance across the institutions—although there are limits to comparability, as the measures used in the different banks are not exactly the same. Going forward, harmonization of evaluation criteria, both for individual operations and for aggregate institutional scores, would be worthwhile, building on the earlier effort by the Evaluation Cooperation Group to assess the differences across the MDBs and to produce a good-practice standard.52

In the meantime, the following profiles are illustrative of the situation across the regional development banks, based on publicly available material. The AfDB reports in its annual report that in general the latest annual evaluation review found that the overall performance rating for outcomes was satisfactory or better for more than two-thirds of projects; the percentage scores for institutional development and sustainability were appreciably lower.53 According to AsDB’s annual evaluation reports, 40 percent of completed projects and 100 percent of programs are selected for evaluation each year. In 2001, of the 17 projects and 3 programs evaluated, none were found to be unsuccessful, with 14 percent highly successful, 41 percent successful, and 45 percent partly successful. In 2002, of the 27 projects and 6 programs, none were unsuccessful, while 12 percent were highly successful and 45 percent partly successful. In 2002, of the 27 projects and 6 programs, none were unsuccessful, while 12 percent were highly successful and 45 percent partly successful.

In the EBRD, which provides extensive and transparent information on its evaluation activities and findings, the focus is on transition impact, covering privatization, competition, and corporate governance, and on overall performance, which includes financial and environmental performance in
addition to transition impact. On overall performance, 52 percent of operations evaluated during 1996–2002 were given successful or highly successful ratings, while 74 percent were rated successful or highly successful on transition impact (the differences were largely attributable to low scores on financial performance). For IDB, 67 percent of operations reviewed in 2001 were found to have adequately defined output indicators, according to a report of the independent evaluation office, a finding that contributed to the adoption of some of the reforms mentioned earlier.

**Systemic Issues**

There is evidence that the Bank, the Fund, and the MDBs are working better together, as well as with other partners, including the U.N. agencies, WTO, OECD-DAC, and EU and bilateral donors. This brings benefits to clients and partners alike, through the improved efficiency and effectiveness of the IFI system. But further progress is possible, which calls for continued attention to the issue.

**Bank-Fund Collaboration**

There has been progress on Bank-Fund collaboration in operational work in recent years, reflecting major investments by both institutions toward that end, involving staff, management, and the Executive Boards of the two institutions.

The PRSP process provides a basis for coherent and consistent work of the Bank and the Fund, fully aligned with the country’s development strategy. The Joint Staff Assessments (JSAs), which evaluate the soundness of the PRSPs, have proved instrumental in enabling staffs to develop common views. Reinforcing upstream engagement and coordination of the two institutions, using in particular the opportunity offered by the JSA process, would further efforts to promote synergies, better delineate responsibilities in support of the PRSPs, and reduce gaps and overlaps.

In middle-income countries, there is no explicit framework for country-led coordination as in the case of countries with PRSPs. The wide variety of development needs among MICs and difficult-to-predict shifts in country needs for balance-of-payments support lead to differences in the timing and nature of Bank and Fund support and in the content and scope of conditionality, making the implementation of collaboration more challenging. Nevertheless, the principles for effective collaboration are similar, including early consultation on program design and conditionality, and division of responsibilities based on respective mandates and comparative advantage. Meanwhile, a key priority for many MICs, especially those with access to financial markets, relates to joint Bank-Fund work on the prevention and resolution of crises and the strengthening of member countries’ financial and fiduciary systems.

Staff coordination is supported by two institutional coordination mechanisms: the Joint Implementation Committee (JIC) for cooperation on HIPC/PRSP countries, and the Financial Sector Liaison Committee (FSLC) for cooperation in financial sector work. The JIC, established in 2000, has provided a useful framework for institutional coordination on the work on low-income countries. Going forward, the JIC’s role is being expanded to anchor monitoring of progress on overall Bank-Fund collaboration in an institutional framework. The mandate of the JIC is to address cross-cutting issues on Bank-Fund collaboration; monitor progress on implementation of the framework of collaboration on country programs and conditionality; and, when needed, provide an additional instrument to help country teams in the two institutions to reach agreement on priorities, thus ensuring coherence of policy advice and program design. This covers issues that arise in both the low- and middle-income country contexts. As such, the JIC will provide the institutional framework for monitoring progress on overall Bank-Fund collaboration.

The FSLC, established in 1998 for cooperation on financial sector work, continues to
be useful as a forum through which staff exchange information, coordinate work programs, undertake joint missions, and provide consistent policy advice to country authorities, including for financial sector conditions in lending operations. These staff interactions are supported and complemented by broad-based and well-developed mechanisms of institutional coordination. Regular meetings between the Managing Director of the Fund and the President of the Bank, as well as between the Managing Directors of the Bank and the Deputy Managing Directors of the Fund, provide the foundations for a regular dialogue at the most senior level of both institutions. Area Department management in the Fund and Regional Vice-Presidencies in the Bank are also in close and regular contact; and so are respective central units on key policy issues of mutual interest, with a growing number of joint activities.

Finally, the Executive Boards of both institutions are engaged in monitoring Bank-Fund collaboration, with periodic reports on progress in key areas. Meanwhile, regular and transparent reporting in board documents of the views of each institution on reform priorities, program conditionality, and progress in implementation of the agreed program constitutes a crucial element for ensuring consistency of views, transparency, and staff accountability. One mechanism, introduced in 2002, for improved collaboration and communication with the respective Executive Boards, is the enhanced annexes on IMF and World Bank relations in program documents. Aside from keeping the Boards abreast of developments, these annexes are intended to help ensure upstream engagement between the staff of the two institutions, delineate the division of responsibilities, and provide an assessment of the country’s reform efforts.

Multilateral Development Banks

Among the MDBs, cooperation also has continued to grow. As with the evolution of Bank-Fund collaboration, the progress reflects the response to the signals emanating from top management and from shareholders. The presidents of the MDBs meet at least twice a year to review substantive and strategic issues, including collaboration among their respective agencies. They also have issued joint statements on a number of common themes, and cosponsored important international events, the Marrakech Roundtable on Managing for Development Results being only the most recent. At their last meeting, the presidents also agreed to strengthen MDB cooperation on capacity building and infrastructure.

Operational vice presidents and their management teams from the World Bank and the respective regional development banks also meet regularly. These meetings include periodic consultations on Memoranda of Understanding (MoU), which have become strategic tools for setting out the division of labor in specific countries and sectors. These MoUs are now reviewed and updated regularly. A review of the MoU between the AfDB and the World Bank was completed in July 2002. In December 2003 a meeting was held in which an agreement was reached on a corresponding action plan for country, sector, and regional thematic cooperation under the MoU. A review of the MoU between the AsDB and the World Bank is scheduled for later this calendar year. The EBRD and the World Bank are cosignatories to three country- and issues-specific MoUs, each of which is reviewed on its own time line. The MoU between the IDB and the World Bank is currently under review.

The quality of MDB cooperation in their country work is the critical test for determining the benefits this partnership can bring to the clients. Notwithstanding occasional staff tensions on individual operational issues, there is evidence of an improved relationship in operations, and better strategic and thematic coherence is gradually showing up in specific operations. All MDBs are committed to supporting countries in preparing PRSPs, basing their assistance strategy on the PRSPs or other such country-owned strategies, and coordinating the strategy with the other
MDB(s) also involved with the country. Cooperation in support of the PRSP process is progressing, but there is recurring friction over the different roles of the World Bank (and IMF) and the regional banks, not least in relation to the preparation of the Joint Staff Assessments. After an uncertain start, coordination of World Bank and regional development bank country strategies is now becoming more accepted, with recent good examples from Honduras and Nicaragua. Discussions have taken place on closer coordination or even joint country strategies in Cambodia, Papua New Guinea, Mongolia, Sri Lanka, the Pacific Islands, and Uganda. The viability and relevance of such coordination, particularly in larger middle-income countries, are not uniformly accepted and will continue to be discussed. That said, government leadership is accepted as the norm to aim for in MDB support for country development in both low- and middle-income countries. Meanwhile, MDBs have continued to strengthen cooperation (with each other and other partners) on individual operational products, at times doing such work jointly and in other cases dividing the work between them. Joint portfolio reviews, public expenditure reviews, fiduciary assessments, and procurement assessments are examples of this type of cooperation, as are activities in support of PRSP preparation. Similarly, there is a growing number of examples of joint or coordinated lending or grant operations, in education, health, infrastructure, environment, and other areas.

**IFIs and Beyond**

Until now, this chapter has focused on IFI activities, both individually and collectively. But also of interest to the Development Committee and others is the question of how these activities fit into the evolving landscape for country and global development, including the activities of other multilateral agencies. A companion paper has been prepared on that topic, building on the analysis developed in collaboration with staff in partner agencies last year and discussed with World Bank Executive Directors. That paper sets out a three-tiered architecture, governing the coherence, coordination, and cooperation among the various agencies, around which the detailing and assessment of specific actions will be structured.

- The first tier—where development actually takes place, and the MDGs will be met, or not—is at the country level. Here the consensus both in rhetoric and increasingly in reality is the centrality of national ownership, national policies, national systems, and national leadership for successful development. This principle is at the core of the CDF, the PRSP process, the World Bank’s strategy for assisting middle-income countries, the United Nations Development Assistance Framework, the MDBs’ country strategies and country strategy papers, and the various strategy documents of bilateral and other donor agencies. It was central to the discussions at Monterrey, Rome, and Marrakech, and as indicated in the paper, there has been much progress across agencies—the IFIs, U.N. agencies, the EU, and multilaterals—taking it forward.

- In the second tier are all the multilateral and bilateral support agencies, charged with helping countries achieve their development outcomes. Clearly these agencies must coordinate with each other in their country work. Increasingly they are doing so, under the leadership of the country itself, with each agency supporting country priorities according to their respective mandates and comparative advantage. But agency headquarters also need to coordinate to establish the scope (and policies) for their country representatives to support national activities; shape the strategic directions and future staffing profiles and skills mix of their respective agencies to ensure that, taken as a whole, the international capacity needed to support country development is in place; and share information and data for monitoring, to inform developing countries of how they are
doing vis-à-vis comparators and to tell global taxpayers how the development system is performing. An example of such cooperation is the inputs to the current Global Monitoring Report provided by OECD-DAC, U.N., and WTO staff and the inputs provided by Bank and Fund staff to the annual reports of the Secretary General to the General Assembly on the implementation of the Millennium Declaration.

- The third tier is in the realm of ideas and objectives, with the convergence of international thinking of recent years on the ends and means of development—capped by the MDGs and the Monterrey Consensus. As discussed in earlier chapters, there is broad agreement on the MDGs and related outcomes as the goals of development and on the responsibilities of developing and developed countries in terms of policies and actions for achieving them, with the focus increasingly on the implementation of those policies and actions and on specific measures for monitoring progress. In turn, this growing consensus and coherence on objectives have opened the way for greater specialization in agencies, grounded in their respective mandates, and complemented by increased cooperation with partner agencies to fill gaps in international support for country development.

**Conclusions**

Where does this leave us? First, the evidence presented above points to progress in individual IFIs on transparency, country focus, and results orientation. However, there clearly is no room for complacency; a key challenge will be to extend and deepen the progress that has been made so far. Important areas for further improvement include:

- For the IMF, the priority is to continue to refine its role in assisting low-income countries to confront the macroeconomic challenges of achieving sustained high levels of growth and poverty reduction. To that end the Fund is adapting its instruments of financial and technical support to the needs of its low-income members, with particular attention to how such support can be used to catalyze other donor assistance, deal with post-conflict situations, assist members in responding to exogenous shocks, and establish institutions that will enable low-income countries to gain increasing access to private sector financing. The Fund’s work agenda also aims at strengthening the design of Fund-supported economic programs in low-income countries, while enhancing alignment with the PRSP. A third element of the Fund’s ongoing work, together with the World Bank, is to develop an effective and flexible framework for assessing debt sustainability in low-income countries.

- The World Bank’s country support priorities are to continue to work with partner agencies to support country efforts to deepen the PRSP process as a basis for the design of its assistance strategies in low-income countries; to adapt its approaches, instruments, and institutional processes to the evolving needs of middle-income countries; and to complete the major agenda the Bank has set out on managing for results, harmonization, and simplification. Supporting and complementing the deepening of country-led approaches in the Bank’s assistance strategies is the strengthening of its analytic, knowledge, and advocacy work. A key priority for Bank-supported global and sectoral programs is the implementation of an effective framework for appraisal, monitoring, and evaluation that is every bit as strong as the framework for country programs.

- The regional development banks also have large agendas before them—in their country programs and their support for regional public goods. All need to complete their ongoing reforms associated with the results agenda, as they set out at the Marrakech Roundtable. In addition, like the World Bank, greater efforts are needed on the overall governance and accountability
framework for their regional and sectoral programs.

Second, looking across the IFIs, there also has been progress—both institutionally and in day-to-day work at the country level. Bank-Fund collaboration and coordination among the MDBs are smoother and more productive than they were as recently as five years ago. In tandem with the increase in partnership and coordination, there is a healthy trend toward greater specialization in line with institutional comparative advantage. This reverses the trend of the early 1990s when overlaps in agencies’ capacities increased, as the consensus on the comprehensiveness of the development paradigm was beginning to grow. But the “gains from trade” between and among IFIs have not all been harvested yet. Opportunities include increased selectivity of agency programs in line with comparative advantage, harmonization of agency practices around national poverty reduction strategies and systems, and joint evaluations of their support.

Finally, it is none too early to begin thinking beyond the above agenda to the next phase of IFI reform, focused on dynamic comparative advantage. Small steps in that direction include proactive encouragement of cross-IFI secondments, the broadening of the professional networks from individual institutional networks into IFI networks, and the explicit consideration of the IFI dimension in sector strategy papers. Beyond these measures, it will be necessary for the IFIs to tackle strategic issues more directly and to take advantage of the enhanced partnerships across IFIs, so that they can organize and staff themselves effectively to support country, regional, and global development.

Notes

1. See, for example, Scott 2004 and World Bank 2003d.
3. OED 2003b.
5. IMF 2004b.
7. IMF 2002b.
10. IMF 2003c.
11. For the most recent review, see IMF 2003b.
12. IMF 2003f, chapter III.
16. For external assessments, see IMF 2004a, pp. 41-51.
17. IMF 2002a.
18. IMF 2003c.
19. IMF 2003d.
20. World Bank 2003d.
22. Development Committee 2000b.
23. The latest retrospective report, issued in March 2003, examined the 28 CASs and 11 CAS Progress Reports discussed by the Executive Board in fiscal 2000 and the first half of fiscal 2001. It assessed the progress made in improving the quality of the different dimensions of the CAS since the previous retrospective, issued in May 2000. See World Bank 2000, 2003b.
25. OED 2003e.
27. OED 2004a.
29. OED 2003c.
31. OED 2003d.
32. Development Committee 2000a.
33. World Bank 2003c.
34. OED 2002.
35. World Bank 2003f.
36. World Bank 2003d.
37. World Bank 2003e.
38. Including Bangladesh, Bolivia, Brazil, Cambodia, Colombia, Dominican Republic, Egypt, Ethiopia, Fiji, Ghana, Honduras, India, Jamaica, Kenya, Kyrgyz Republic, Mexico, Mongolia, Morocco, Mozambique, Nicaragua, Niger, Pacific Islands, Rwanda, Senegal, Serbia, Sri Lanka, Tajikistan, Tanzania, Uganda, Vietnam, and Zambia.
39. See chapter 11.
40. This flexibility is being implemented in all new Bank-financed projects; Bank staff are working
with country authorities and other donors to agree on reporting formats.

41. The associated guidelines for staff and annual financial reporting and auditing for Bank-financed activities were issued in June 2003. The new policy applies to all projects appraised from July 1, 2003.

43. Development Committee 2002.
44. OED 2003b.
45. IDA 2003.
46. OED 2004b.
47. OED 2003a.

48. This section is based on the progress reports the regional development banks prepared for Marrakech, as well as other sources as specifically noted. See www.managingfordevelopmentresults.org.
49. MDB Joint Liaison Group 2002.
51. World Bank 2004c.

52. MDB Evaluation Cooperation Group 2002.
54. EBRD 2003.
55. IDB 2003.
56. This section is based on IMF–World Bank 2004.
58. As indicated earlier in the chapter, in addition to reporting on country matters, Bank and Fund staff have been reporting jointly to their Executive Boards on a wide range of thematic and policy issues of joint relevance to the two institutions, such as public expenditure management, trade, FSAPs, and ROSCs.
60. World Bank 2004a.