IDA’s Partnership for Poverty Reduction

An Independent Evaluation of Fiscal Years 1994-2000

January 2002
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An Independent Evaluation of Fiscal Years 1994–2000

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2002
The World Bank
Washington, D.C.

Contents

vii Acknowledgments
ix Foreword, Prefacio, Avant-Propos
xiii Executive Summary, Resumen, Résumé Analytique
xxi Abbreviations and Acronyms
xxiii Overview
1 Part I. The IDA Review and Its Context
  3 1. Introduction
  3 IDA10–12 Replenishment Undertakings
  4 IDA's Role in a Changing Development Environment
  10 Reviewing IDA's Performance
13 Part II. The Program Dimension
15 2. Sharpening the Focus on Poverty Reduction
  15 Strengthening the Poverty Focus of Country Assistance Strategies
  16 Building in More Poverty Analysis and Monitoring
  18 Increasing Poverty-Targeted Interventions and Social Sector Lending
23 3. Promoting Broad-Based Growth
  23 IDA's Evolving Adjustment Operations
  26 Lags in Agriculture and Rural Poverty Reduction
  27 Strengthening Private Sector Development
  30 Looking Ahead
31 4. Integrating Gender, Environment, and Governance
  31 Addressing Gender
  35 Enhancing Environmental Sustainability
  40 Improving Governance
  43 Lessons
Part III. The Process Dimension

5. Improving Program and Country Selectivity
   47 Enhancing the Role of the Country Assistance Strategy
   50 Strengthening the System of Performance-Based Allocations

6. Building More Effective Partnerships
   55 Moving Beyond Project Participation
   57 Improving Aid Coordination
   59 Directions for the Future

Part IV. Getting to Results

7. Corporate Issues
   64 Accountability for Policy Compliance
   65 Instrument Choice
   67 Monitoring for Results
   68 Alignment Between Resources and Strategic Program Priorities

8. Implications for the Future
   71 Be More Selective
   72 Focus on Governance and Capacity Building
   72 Commit to Development Partnerships
   73 Clarify Objectives and Strengthen Accountabilities
   73 Better Align Resources with Priorities
   74 Develop a Long-Term Vision, Focused on Results
   74 Engage Developing Countries in Setting and Reviewing Replenishment Commitments
   74 Define Commitments in Terms of Monitorable and Achievable Objectives and Take Account of Their Realistic Costing

Annexes
   75 Annex A1: IDA's Features
   77 Annex A2: Evolution of IDA's Program
   79 Annex B: Poverty and Social Indicators
   80 Annex C1: IDA Commitments and Disbursements by Region
   82 Annex C2: IDA Commitments and Disbursements by Sector
   84 Annex D: IDA Portfolio Performance
   86 Annex E: Lending for Poverty-Targeted Interventions (PTIs)
   87 Annex F: Lending by Instrument
   89 Annex G: Methodological Note: Rating IDA's Development Performance
   94 Annex H: Chairman's Summing Up—Meeting of the Executive Directors (May 29, 2001)
   96 Annex I: Management Response

Endnotes

References
Boxes

4 Box 1.1. The IDA10–12 Replenishment Undertakings
5 Box 1.2. Poverty, Growth, and Conflict
6 Box 1.3. Trends in Official Development Assistance
7 Box 1.4. Country Examples of IDA's Assistance
8 Box 1.5. Three Key Initiatives of the Late 1990s
16 Box 2.1. IDA10–12 Commitments on Poverty
17 Box 2.2. Stakeholders' Views
17 Box 2.3. IDA's Contribution to Poverty Data Collection, Analysis, and Dissemination
18 Box 2.4. Where Did Increased Investments in the Social Sectors Go?
19 Box 2.5. Examples of IDA Support for Increased Social Service Expenditures
21 Box 2.6. Pooling Donor Funds in Support of Health Sector Reform in Ghana
24 Box 3.1. IDA10–12 Commitments on Improving the Poverty Impact of Adjustment Lending
24 Box 3.2. Poverty Impacts of Adjustment Lending in Uganda
25 Box 3.3. Weak Broad-Based Growth, Despite Improved Macroeconomic Stability, in Bolivia and Tanzania
26 Box 3.4. Programmatic Adjustment Lending to IDA Countries
27 Box 3.5. Pro-Poor Rural Development Projects in Bangladesh and India
28 Box 3.6. IDA10–12 Undertakings on Private Sector Development
29 Box 3.7. Bangladesh: Poverty Alleviation through Microfinance
32 Box 4.1. IDA10–12 Commitments on Gender
33 Box 4.2. Increasing Assistance for Girls' Education
34 Box 4.3. Maternal Health in Bangladesh
35 Box 4.4. Characteristics of Good Practices in Integrating Gender
35 Box 4.5. IDA10–12 Commitments on Environmental Sustainability
36 Box 4.6. Using the NEAP to Develop Strong Project Works
38 Box 4.7. Eritrean Environmental Guidelines: Doing the Right Thing Right
40 Box 4.8. IDA10–12 Replenishment Commitments on Governance
42 Box 4.9. Kenya: A Case Study of Withholding Lending to Foster Governance Reforms
48 Box 5.1. IDA10–12 Replenishment Commitments on Improving Development Effectiveness through Selectivity
49 Box 5.2. Joint IDA-IFC Country Assistance Strategies Highlight Private Sector Development
51 Box 5.3. The Performance-Based Allocation System
51 Box 5.4. A New Approach to IDA Allocations to Post-Conflict Borrowers
52 Box 5.5. Suggested Changes for the Performance Rating Systems
56 Box 6.1. IDA10–12 Replenishment Commitments on Improving Development Effectiveness through Partnerships
67 Box 7.1. Features of Alternative Lending Instruments
Tables
37  Table 4.1. Direct IDA Lending for the Environment and Environmental Components, FY91–00
66  Table 7.1. Breakdown of Operational Country Service Costs by Activity (Direct Costs Only, in US$ millions)
66  Table 7.2. Due Diligence Economic and Sector Work in IDA Countries by Region (FY98–00)

Figure
9  Figure 1.1. Improvements in Project Outcomes, Institutional Development, and Sustainability in IDA/Blend Countries
Acknowledgments

This report was prepared by an independent team, situated in the Corporate Evaluation and Methods Group of the Operations Evaluation Department (OED) under the overall oversight of, initially, Wendy Jarvie and, later, Nils Postvedt. The team was led by Catherine Gwin (task manager and author of the report) and included Stephen Eccles (background study on IDA's performance-based allocation system), John Eriksson (background study on aid coordination), Alison Evans (background study on poverty reduction), Pierre Landell-Mills (background study on governance), Malcolm Rowat (background study on private sector development), John Shilling (background study on environment), Olga Vybornaia (project administration and research assistance), and Georgia Wallen (country consultation report and research assistance).

Additional substantive input was provided by Charlotte Jones-Carroll (budget), Alice Galenson and John Nellis (private sector development), Gita Gopal (gender), Daniel Morrow (Country Assistance Strategies), Sverrir Sigurdsson (social sector development), and Warren van Wicklin (participation). Sohail Malik and Can Adamoglu contributed further statistical advice and research support. Ted Rice, Sylvia Saborio, and Rita Trier-Somazzi assisted with in-country consultations. Annisa Cline-Thomas and Julia Ooro provided invaluable administrative support. The team also acknowledges the help of Caroline McEuen in the drafting of the overview, and Meta de Coquereau-mont and William Hurlbut in the editing of background papers and this report.

The report benefited throughout from advice and intellectual guidance offered by an advisory group of eminent experts: Nancy Birdsall, Inga Bjork-Klevby, Kwesi Botchwey, Jalal Abdul Latif, Mohammed Syeduzzaman, and Bernard Wood. It also benefited from the advice, comments, and provision of information from many Bank colleagues, who are too numerous to acknowledge by name, but whose inputs were essential to the background studies and overall review.

Country consultations were held in Bangladesh, Bolivia, Cambodia, Ghana, the Kyrgyz Republic, Mozambique, and Vietnam. In addition, input was drawn from OED consultations carried out in India and Uganda as part of ongoing Country Assistance Evaluations. These consultations involved the participation of shareholder groups including government officials, nongovernmental organizations (NGOs), and private sector representatives, academics, and donor agency representatives. The team is grateful to the IDA country directors and other colleagues in the country offices, who helped make the in-country consultations a success.

Workshops were held at the beginning and the end of the review. The first, held in Bonn in December 1999 to discuss the evaluation design for the review, was hosted by the Center for Development Research and chaired by its director, Joachim von Braun. The second was held in November 2000 at World Bank headquarters to discuss emerging findings. The team wishes to thank the many Bank and external experts who participated in these meetings, in
IDA's Partnership for Poverty Reduction

particular C. Sanjivi Rajasingham, who represented IDA management. Financial assistance for the workshops and country consultations was provided by the Royal Ministry of Foreign Affairs, Department of Evaluation, Government of Norway.

The study was published in the Partnerships and Knowledge Group (OEDPK) by the Outreach and Dissemination Unit. The task team includes Elizabeth Campbell-Pagé (task team leader), Caroline McEuen (editor), and Juicy Qureishi-Huq (administrative assistant).

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FOREWORD

In the face of increasingly complex development challenges, the past decade has witnessed a broadening of the international development agenda and remarkable efforts by governments, voluntary organizations, and external assistance agencies to learn from experience and improve the effectiveness of development assistance. Against this background, the IDA Deputies commissioned this independent review of the International Development Association (IDA)'s performance in implementing the undertakings of the last three replenishment agreements.

The seven-year period covered by the review has been one of considerable change—both in borrower countries and in the development system. IDA's undertakings, while timely and relevant, have continuously "raised the bar" on what was expected of both IDA and its borrowers. It is therefore commendable that the review rates IDA's compliance with more than 150 replenishment undertakings as satisfactory, with qualifications.

The review establishes that IDA has significantly improved its portfolio performance, become more selective in its lending allocations, recast its mission to address poverty reduction, strengthened the Country Assistance Strategy (CAS) cycle, enhanced its responsiveness to

PREFACIO

En una coyuntura en que los desafíos para el desarrollo resultan cada vez más complejos, el pasado decenio se ha caracterizado por la ampliación del programa internacional de desarrollo y la realización de esfuerzos significativos por parte de los gobiernos, las organizaciones voluntarias y los organismos de asistencia externa por aprender de la experiencia anterior y mejorar la eficacia de la asistencia para el desarrollo. En esas circunstancias, los Suplentes de la AIF encargaron este examen independiente del desempeño de la Asociación Internacional de Fomento (AIF) en el cumplimiento de los compromisos de los acuerdos correspondientes a las tres últimas reposiciones.

En el periodo de siete años a que se refiere el estudio se han producido cambios considerables, tanto en los países prestatarios como en el sistema de desarrollo. Los compromisos de la AIF, si bien oportunos y pertinentes, han continuado "levantando el listón" de lo que se espera tanto de la AIF como de sus prestatarios. Por ello, es encomiable que en el estudio se califique la observancia de la AIF con respecto a más de 150 compromisos de reposición como satisfactoria, con algunas reservas.

En dicho examen se establece que la AIF ha mejorado significativamente el desempeño de su cartera, se ha mostrado más selectiva en las asignaciones crediticias, ha remodelado su

AVANT-PROPOS

Pendant la dernière décennie, marquée par des défis de plus en plus difficiles à relever, le programme de travail de la communauté du développement n’a cessé de s’allonger et les gouvernements, les organisations bénévoles et les bailleurs de fonds ont déployé des efforts remarquables pour tirer les leçons de l’expérience et améliorer l’efficacité de l’aide au développement. C’est dans ce contexte que les délégués à l’IDA ont demandé que soit réalisée la présente évaluation indépendante pour examiner les résultats obtenus par l’Association internationale de développement sur la base des engagements pris dans le cadre des accords au titre des trois dernières reconstructions des ressources.

La période de sept ans couverte par cet examen a été une période de mutations profondes — dans les pays emprunteurs et dans le système mis en place pour le développement. Les programmes entrepris par l’IDA, pour aussi pertinents et opportuns qu’ils soient, n’ont cessé d’accroître les pressions exercées sur l’IDA et sur ses bailleurs de fonds. Il faut donc se féliciter que le respect de plus de 150 des engagements lui incombant au titre des reconstructions de ses ressources ait été jugé satisfaisant, malgré un certain nombre de réserves.

L’examen indique que l’IDA a considérablement amélioré la performance de son portefeuille,
borrowers and partners’ needs, augmented its field presence, and diversified its lending instruments.

With IDA’s help, a number of IDA borrowers are in a better position now than at the beginning of the IDA10 period to achieve broad-based growth and poverty reduction.

Yet poverty trends in most IDA countries have been disappointing. This confirms that there is still some way to go for IDA to fulfill the ambitions of its owners and borrowers. In particular, the linkages between country programs and poverty outcomes need to be better articulated. Private sector development, gender, environmental, social, and rural development strategies need to be clarified and mainstreamed into country and sector assistance strategies. More needs to be done to enhance the quality of governance and to build institutional capacity in specific country contexts.

Of course, IDA’s performance is only one of the factors that affects the results observed on the ground. Exogenous factors, the pace of borrowers’ reforms, and the quality of non-IDA assistance also intervene. On the whole, in relation to the ambitious objectives of IDA country and sector programs, the review rates the development outcome of IDA’s programs as partially satisfactory, with a trend toward improvement. While the glass is more than half full and recent performance trends augur positively for the future, there is no room for complacency.

In looking forward to IDA’s next replenishment, what is needed para centrarse más en la reducción de la pobreza, ha reforzado el ciclo de estrategias de asistencia a los países, ha mostrado más flexibilidad ante las necesidades de los prestatarios y asociados, ha aumentado su presencia sobre el terreno y ha diversificado sus instrumentos de financiamiento. Con ayuda de la AIF, varios prestatarios de la Asociación están ahora en mejores condiciones que al comienzo de la décima reposición para conseguir un crecimiento de amplia base y la reducción de la pobreza.

No obstante, las tendencias de la pobreza en la mayor parte de los países de la AIF han sido decepcionantes. Ello confirma que es todavía mucho lo que queda por recorrer para que la AIF responda plenamente a las ambiciones de sus titulares y prestatarios. En particular, los vínculos entre los programas de los países y los resultados en la lucha contra la pobreza deberían estar mejor articulados. El desarrollo del sector privado, las cuestiones de género y las estrategias ambientales, sociales y de desarrollo rural deben clarificarse e incorporarse a las estrategias de asistencia a los países y los sectores. Es preciso hacer todavía más por mejorar la calidad de la gestión pública y desarrollar la capacidad institucional en el contexto de los países concretos.

Naturally, the desempeño de la AIF es sólo uno de los factores que influyen en los resultados observados en la práctica. Intervienen también factores exógenos, el ritmo de la a fait preuve de plus de sélectivité dans le choix de l’appui aux pays, recentré son action sur la lutte contre la pauvreté, renforcé le cycle de la Stratégie d’aide-pays, accru sa capacité d’adaptation aux besoins de ses emprunteurs et de ses partenaires, renforcé sa présence sur le terrain et diversifié ses instruments de prêt.

Pour tout le dévouement de l’IDA, plusieurs emprunteurs de l’Association sont aujourd’hui mieux à même qu’au début de la période d’IDA 10 de mettre l’accent sur la promotion d’une croissance largement répartie et d’une réduction de l’incidence de la pauvreté.

En particulier, des liens mieux définis doivent être établis entre les programmes destinés aux pays et les résultats à obtenir sur le front de la pauvreté. Un plan plus clair de promotion du développement du secteur privé, de la parité des sexes, de l'action sur le plan environnemental et social et du développement rural doit faire partie intégrante des stratégies d’aide aux pays et aux secteurs.

Par ailleurs, les efforts doivent se poursuivre pour améliorer la qualité de la gouvernance et renforcer les capacités institutionnelles en fonction de la situation propre aux différents pays.

De toute évidence, la performance de l’IDA n’est que l’un des facteurs qui déterminent
The most needed is to consolidate the IDA mandates and to focus on further improvements in the effective implementation of CASs and programs in the context of Poverty Reduction Strategy Papers prepared by IDA borrowers. This will call for even greater country and program selectivity, far more effective donor coordination and harmonization, as well as systematic monitoring and evaluation, focusing on results and the Millennium Development Goals.

In tandem with the ambitious programs par les emprunteurs and to the quality of those-ci tenant aussi à des facteurs exogènes ainsi qu’au rythme des réformes menées par les partenaires de l’association. De manière générale, l’impact des programmes de l’IDA au plan du développement est jugé partiellement satisfaisant, et en progrès par rapport aux résultats antérieurs. Bien que le verre soit plus qu’à moitié rempli et que l’évolution récente de la situation laisse bien augurer de l’avenir, il ne faudrait pas pêcher par excès d’optimisme.

At the perspective of the prochaine reconstitution des ressources de l’IDA, il faudra surtout renforcer les missions de l’Association et s’attacher à encore améliorer l’exécution des stratégies et des programmes d’aide aux pays dans le contexte des Documents de stratégie de réduction de la pauvreté préparés par les pays emprunteurs. Ce dernier point passe notamment par une plus grande sélectivité au niveau des pays et des programmes, des mesures résolues en faveur d’une coordination et d’une harmonisation de l’aide, et un travail systématique de suivi et d’évaluation, axé sur les résultats et sur les objectifs internationaux de développement.

Robert Picciotto
Director-General, Operations Evaluation
EXECUTIVE SUMMARY

Over the seven-year period covered by this review, IDA significantly enhanced its relevance and improved its portfolio performance. It recast its mission, repositioned its country assistance programs, increased its responsiveness to borrowers, strengthened its field presence, and diversified its lending instruments. Recently, it has intensified its aid coordination efforts in the context of the CDF and PRSP initiatives.

Hence, IDA in FY00 is very different from IDA in FY94. Still, disappointing progress in poverty reduction, especially in Africa, points to the need to sustain the transformation of IDA in order to respond fully to new views of country ownership, conditionality, and country-based programming of development assistance. Focus on governance, capacity building, and development results; a move from ad hoc to structured donor coordination; and an explicit role for IDA at the global level remain critical to maintaining the positive momentum of IDA's development effectiveness.

With IDA's help, a number of its borrowers are in a better position now than at the beginning of the IDA10 period to focus on broad-based growth and poverty reduction goals. Still, the linkages between country programs and poverty outcomes need to be better articulated; clearer private sector development, gender, and environmental/social sustainability strategies need to be

RESUMEN

Durante ese periodo de siete años, la AIF aumentó significativamente su relevancia y mejoró los resultados de su cartera. Remodeló su misión, revisó sus programas de asistencia a los países, aumentó su capacidad de respuesta a los prestatarios, reforzó su presencia sobre el terreno y diversificó sus instrumentos de financiamiento. Recientemente, ha intensificado sus esfuerzos de coordinación de la ayuda en el contexto de las iniciativas del Marco Integral de Desarrollo (MID) y de los documentos de estrategia de lucha contra la pobreza (DELP).

Por ello, en el ejercicio de 2000 la AIF es muy diferente de la AIF de 1994. No obstante, los decepcionantes progresos en la reducción de la pobreza, sobre todo en África, revelan la necesidad de continuar la transformación de la AIF con el fin de responder plenamente a las nuevas ideas sobre la titularidad de los países, la condicionalidad y la programación de la asistencia al desarrollo basada en los países. La atención al sistema de gobierno, el desarrollo de la capacidad y los resultados del desarrollo; el paso de coordinación improvisada de los donantes hacia una coordinación más estructurada, y una intervención explícita de la AIF en el plano mundial continúan siendo elementos críticos para mantener el impulso positivo de la eficacia de la AIF en términos de desarrollo.

Con ayuda de la AIF, varios de sus prestatarios se encuentran en
IDA's Partnership for Poverty Reduction

well integrated into Country Assistance Strategies (CASs); and more needs to be done to integrate broad-based poverty reduction strategies, governance, and institutional development issues into macroeconomic and sector strategies and interventions within specific country contexts.

With management's attention to accelerating organizational changes over this period, IDA's country focus and responsiveness are stronger, with some 24 country directors now in the field. Innovations in lending instruments have increased flexibility and institutional development impact. Still, the translation of key IDA objectives into monitorable programs and verifiable results is largely an unfinished business. In particular, corporate issues of accountability for policy compliance, investment in analytical work and capacity building, tracking progress, evaluating results, and aligning resources with program priorities all need closer attention and further action, as recent management reviews and proposals indicate.

**IDA in Context**

IDA is only one among many external assistance agencies, accounting for 14–18 percent of official development assistance in the 1990s. The performance of borrowers and other development partners, as well as changes in the global economic environment, all play a role. IDA can and should be held accountable, however, for how well it makes hard choices and necessary tradeoffs in...
deploying its concessional resources in fulfillment of corporate commitments, including both its lending and nonlending advisory services, and how effectively it shapes its assistance to the priorities and circumstances of borrowers. It is largely in these terms—of IDA’s relevance (that is, whether IDA “did the right things,” taking into account the actions of others) and its efficacy and efficiency (that is, did it “do things right”—that this review evaluates IDA.

A Strengthened Poverty Orientation. IDA has sharpened the poverty focus of its analytical work, policy dialogue, and lending. Broad-based growth, human resource development, and protection of vulnerable groups have become common objectives of IDA CASs. IDA has made a major contribution to poverty analysis and data. It has established a strong presence in the social sectors, introducing new lending instruments and approaches to better deal with complex institutional development issues. It has also implemented its commitment to improve the poverty and social dimensions of structural adjustment operations. Still, the linkages between country assistance programs and poverty outcomes need to be better articulated.

The Challenge of Broad-Based Growth. IDA has helped many borrowers move into position to direct greater efforts toward poverty reduction goals than at the beginning of the review progreso del seguimiento, la evaluación de los resultados y la acomodación de los recursos a las prioridades programáticas son aspectos que deben ser objeto de atención más estrecha y de nuevas medidas, como indican los recientes exámenes y propuestas de la administración.

La AIF en contexto
La AIF es sólo una de las muchas organizaciones de asistencia externa. En el decenio de 1990, representó entre el 14% y el 18% de la asistencia oficial para el desarrollo. El desempeño de los prestatarios y otros asociados en el desarrollo, así como los cambios en el entorno económico mundial, son factores influyentes. La AIF puede y debe dar cuentas de cómo toma decisiones difíciles y llega a las necesarias soluciones de compromiso cuando despliega sus recursos concesionarios para cumplir los compromisos institucionales, incluidos los créditos y los servicios de asesoría, y de cómo adapta eficazmente su asistencia a las prioridades y circunstancias de los prestatarios. Es fundamentalmente desde esta perspectiva —relevancia de la AIF para los objetivos básicos de desarrollo, y su eficiencia o eficacia en función de los costos para conseguir los objetivos declarados— como se evalúa a la AIF en el presente examen.

Una orientación más firme contra la pobreza. La AIF ha orientado de forma más específica la lucha contra la pobreza en sus estudios analíticos, el diálogo sobre políticas y los créditos. El

internes pour le respect des politiques, les investissements dans le travail d'analyse et le renforcement des capacités, le suivi des progrès, l'évaluation des résultats et le couplage des ressources aux actions prioritaires sont tous des aspects qui demandent une attention plus soutenue et des mesures supplémentaires, comme la direction le reconnaît elle-même dans des propositions et examens récents.

L'aide de l'IDA dans son contexte
L'IDA, qui a contribué pour 14 à 18 % au total de l'aide publique au développement dans les années 90, n’est aussi qu’un organisme d’aide extérieure parmi de nombreux autres. La performance des emprunteurs et des autres partenaires pour le développement ainsi que l’évolution de la conjoncture économique mondiale jouent un rôle important dans l'obtention des résultats. L'IDA peut et doit être tenue responsable, toutefois, du degré d’efficacité avec lequel, au prix de choix difficiles et d’arbitrages indispensables, elle déploie ses ressources concessionnelles pour remplir ses engagements institutionnels (tant dans le cadre de ses services de prêt que de ses services de conseil hors-prêt), comme de l'efficacité avec laquelle elle adapte son assistance aux priorités et à la situation de ses emprunteurs. C'est essentiellement en ces termes — à savoir en termes de pertinence de l'IDA, face aux grands objectifs du développement, et de l'efficacité et l'efficience dont elle a fait
period. In countries committed to reform, IDA’s support has contributed to increased economic stability, fewer distortions, and improved infrastructure development. But acceleration of broad-based, job-creating growth remains a major challenge.

The Critical Factor of Governance. Good governance affects all other areas of program emphasis. IDA was slow to comply with its IDA10 governance undertakings, but over the past four years it has given priority to public sector reform in country assistance programs. Lending for public sector reforms has increased, and institutional development issues are addressed in analytical work and lending. Public sector capacity building and accountability remain major tasks, and greater coordination among external agencies is needed to consistently cover the broad governance agenda.

Gender and Environmental Mainstreaming. IDA has made limited progress in integrating gender and environment, in part because of a lack of country interest. But IDA has also lacked clear accountability for gender and environmental mainstreaming. Where IDA’s assistance has contributed to strong results—notably in girls’ education—there has been significant country ownership, effective partnerships, and rigorous analytic work underpinning lending. In similar circumstances, environmental assistance has helped to increase crecimiento de amplia base, el desarrollo de los recursos humanos y la protección de los grupos vulnerables se han convertido en objetivos comunes de las estrategias de asistencia a los países de la AIF. La Asociación ha realizado una importante contribución en forma de análisis y presentación de datos sobre la pobreza. Ha establecido una firme presencia en los sectores sociales, mediante la introducción de nuevos instrumentos y conceptos de financiamiento para hacer mejor frente a las complejas cuestiones del desarrollo institucional. Ha hecho también realidad su compromiso de mejorar las dimensiones del ajuste estructural relacionadas con la pobreza y los aspectos sociales. No obstante, es preciso articular todavía mejor los vínculos entre los programas de asistencia a los países y los resultados frente a la pobreza.

El desafío del crecimiento de amplia base. La AIF ha ayudado a muchos prestatarios a colocarse en situación de orientar más sus esfuerzos a la reducción de la pobreza que al comienzo del período del examen. En los países comprometidos con la reforma, el apoyo de la AIF ha contribuido a aumentar la estabilidad económica, reducir las distorsiones y mejorar el desarrollo de la infraestructura. Pero la aceleración de un crecimiento de amplia base y generador de empleo continúa siendo todavía un gran desafío.

El factor crítico de la gestión pública. Un buen sistema de gobierno es un factor crítico que preuve a cet égard — que le présent examen évalue l’IDA.

Une focalisation accrue sur la pauvreté. L’IDA a recentré son travail d’analyse, son dialogue sur l’action à mener et ses opérations de financement sur le combat de la pauvreté. Croissance largement répartie, valorisation des ressources humaines et protection des plus démunis font désormais partie des objectifs traditionnels de ses SAP. L’IDA a réalisé un important travail de collecte et de diffusion de données et d’analyses sur la pauvreté. Elle est désormais très présente dans les secteurs sociaux et a mis au point de nouveaux instruments de prêt et de nouvelles démarches pour mieux faire face à des problèmes complexes de développement institutionnel. L’IDA a également pris en compte la nécessité d’améliorer la dimension sociale et les aspects liés à la pauvreté dans les opérations d’ajustement structurel. Il n’en reste pas moins que des liens mieux définis doivent être établis entre les programmes d’aide aux pays et les résultats à obtenir sur le front de la pauvreté.

La difficulté de promouvoir une croissance largement répartie. Grâce à l’appui de l’IDA, nombre de ses emprunteurs sont en mesure de déployer des efforts plus importants pour atteindre les objectifs de réduction de la pauvreté qu’au début de la période couverte par le présent examen. Dans les pays déterminés à entreprendre des réformes, les opérations d’ajustement de l’IDA
public and government interest, reversed land degradation, improved incomes from arid lands, and strengthened environmental capacity.

**More Effective Partnerships.** To further increase IDA’s development effectiveness, IDA10–12 strengthened the link between building more effective partnerships through participation and aid coordination. Progress was moderate during IDA10–11, but the CDF and PRSP initiatives introduced after the IDA12 negotiations have given significant impetus to this aid reform agenda. Greater aid coordination at the country level and increased policy and procedural harmonization at the agency level are necessary.

**Conclusions**

In looking forward to IDA’s next replenishment, what is needed most is to consolidate the IDA mandates, within the context of CDF and PRSP implementation, and to focus on further improvements in the implementation of Country Assistance Strategies and programs. Improved implementation needs to give particular attention to country and program selectivity; a determined move to donor coordination and harmonization to reduce the burden of high aid transaction costs on borrowers; as well as systematic monitoring and evaluation, focusing on results and the Millennium Development Goals. Full, multi-year funding of CAS lending and nonlending services as well as new commitments (including new IDA

La AIF tardó en cumplir sus compromisos en materia de gestión pública formulados en la décima reposición de recursos, pero en los cuatro últimos años ha dado prioridad a la reforma del sector público en los programas de asistencia a los países. Los créditos para la reforma de este sector han aumentado, y las cuestiones del desarrollo institucional se consideran en los estudios analíticos y en las actividades de financiamiento. El desarrollo de la capacidad y la rendición de cuentas del sector público continúan siendo tareas importantes, y se necesita una mayor coordinación entre los organismos externos para abarcar el amplio programa pendiente en este terreno.

**Integración de las cuestiones relacionadas con el género y el medio ambiente.** La AIF ha realizado pocos progresos en la integración de las cuestiones relacionadas con el género y el medio ambiente, en parte por falta de interés de los países. Cuando la asistencia de la AIF ha contribuido a tener resultados favorables —sobre todo en la educación de las niñas—, ha habido una importante identificación de los países con los programas, asociaciones eficaces y rigurosos estudios analíticos como base del financiamiento. En circunstancias semejantes, la asistencia ambiental ha ayudado a aumentar el interés público y gubernamental, ha invertido la tendencia a la degradación de la tierra, ha

ont contribué à promouvoir la stabilité macroéconomique, à réduire les distorsions économiques et à améliorer l’infrastructure du développement. L’accélération d’une croissance largement répartie et créatrice d’emplois reste néanmoins une tâche redoutable.

**La gouvernance, une dimension clé.** La bonne gestion des affaires publiques est un facteur influant de façon déterminante sur tous les autres domaines prioritaires des programmes. L’Association a tardé à honorer les engagements pris pour IDA 10 sur le plan de la gouvernance mais au cours des quatre dernières années, elle a donné la priorité aux réformes du secteur public dans les programmes d’aide aux pays. Elle a accru le volume de ses crédits au titre de réformes du secteur public et elle s’attaque aux problèmes de renforcement institutionnel dans le cadre de ses études analytiques et de ses opérations de financement. Le renforcement des capacités du secteur public et la nécessité de justifier de l’emploi des fonds publics dans les pays emprunteurs continuent d’exiger des efforts considérables ; il faudra par ailleurs améliorer la coordination des interventions des organismes de financement extérieur pour s’assurer de la fourniture d’un appui systématique au vaste programme de l’amélioration de la gouvernance.

**Prise en compte de la parité des sexes et de l’environnement.** Les progrès accomplis par l’IDA au plan de
undertakings) is essential to align resources with program priorities.

Finally, the report suggests fine-tuning of the replenishment process. Although consistent with the evolving development paradigm, replenishment undertakings have been perceived to be both overdetermined and overloaded. Greater realism about what IDA and its borrowers could reasonably accomplish in a three-year period is desirable. Equally, the replenishment process needs stronger connections with all development partners. IDA, in consultation with its borrowers, should develop a longer-term vision focused on results. It should engage developing countries in both setting replenishment priorities and monitoring IDA performance, and it should define commitments in terms of monitorable and achievable objectives.

Asociaciones más eficaces. Para conseguir una mayor eficacia de la AIF en términos de desarrollo, entre la décima y undécima reposiciones se intensificó el vínculo entre el establecimiento de asociaciones más eficaces mediante la participación y la coordinación de la ayuda. Este progreso fue moderado durante la décima y undécima reposiciones, pero las iniciativas del MID y los DELP introducidas después de las negociaciones de la duodécima reposición han dado considerable impulso a este programa de reforma de la ayuda. Se necesita también una mayor coordinación de la asistencia en los países y una mayor armonización de políticas y procedimientos en el plano institucional.

Conclusión
De cara a la próxima reposición de los recursos de la AIF, lo que más se necesita es consolidar los mandatos de la Asociación, en el contexto del MID y los DELP, y concentrarse en la introducción de nuevas mejoras en la aplicación de los programas de asistencia a los países. Las mejoras en la aplicación deben prestar especial atención a la selectividad de países y programas, a la coordinación y armonización de los donantes con el fin de reducir aumentado los ingresos procedentes de las tierras áridas y reforzado la capacidad ambiental. Pero la AIF carece también de un sistema claro de rendición de cuentas sobre la integración de las cuestiones relacionadas con el género y el medio ambiente.

Bâtir des partenariats plus efficaces. Pour accroître encore plus l'efficacité de l'aide de l'IDA, IDA 10-12 ont mis l'accent sur le renforcement du lien entre la constitution de partenariats plus efficaces basés sur la participation et la coordination de l'aide. Si l'amélioration a été faible pendant IDA 10-11, les initiatives du CDI et des DSRP lancées après les négociations d'IDA 12 ont donné une forte impulsion à ces efforts de réforme. Il est nécessaire de mieux coordonner l'aide au niveau des pays et de mieux
Executive Summary

la carga de los elevados costos de transacción de la ayuda que recae sobre los prestatarios, así como a un mayor fortalecimiento de la capacidad y un seguimiento y evaluación sistemáticos, centrados en los resultados y en los objetivos internacionales de desarrollo. Para armonizar los recursos con las prioridades de los programas es necesario un financiamiento completo y plurianual de los servicios crediticios y no crediticios de las estrategias de asistencia los países, así como el logro de nuevos compromisos (también de la AIF).

Finalmente, en el informe se aconseja la introducción de pequeños ajustes en el proceso de reposición de recursos. Si bien en consonancia con el paradigma de desarrollo en evolución, los compromisos de reposición parecen estar excesivamente determinados y sobrecargados. Sería aconsejable un mayor realismo acerca de lo que la AIF y sus prestatarios podrían conseguir razonablemente en un período de tres años. De la misma manera, el proceso de reposición necesita vinculaciones más estrechas con los asociados en el desarrollo. La AIF, en consulta con sus prestatarios, debería establecer una visión a más largo plazo centrada en los resultados. Debería conseguir que los países en desarrollo fijaran prioridades de reposición y supervisaran el desempeño de la AIF, y debería definir los compromisos en función de objetivos que puedan ser objeto de seguimiento y asequibles.

harmoniser les grandes orientations et les procédures au niveau des organismes bailleurs de fonds.

Conclusion

Dans la perspective de la prochaine reconstitution des ressources de l’IDA, il faudra surtout promouvoir les missions de l’Association, dans le cadre de la mise en œuvre du CDI et des DSRP, et s’attacher à encore améliorer l’exécution des stratégies et des programmes d’aide aux pays. Ce dernier point passe notamment par une plus grande sélectivité au niveau des pays et des programmes, des mesures résolues en faveur d’une coordination et d’une harmonisation de l’aide afin de réduire la charge de coûts de transaction qui pèsent lourdement sur les emprunteurs, et un travail systématique de suivi et d’évaluation, axé sur les résultats et sur les objectifs internationaux de développement. Le financement intégral et sur plusieurs années des activités de prêt et des services hors prêt des SAP ainsi que des nouveaux engagements (y compris ceux pris dans le cadre de la reconstitution des ressources) est indispensable si l’on veut que des moyens adéquats soient affectés aux actions prioritaires.

Enfin, le rapport d’évaluation propose un ajustement du processus de reconstitution des ressources. En effet, on a le sentiment que les engagements pris en cette occasion sont surdéterminés et trop lourds, même s’ils vont bien dans le sens de l’évolution du modèle de
développement. Il serait souhaitable de faire preuve d'un plus grand réalisme lorsqu'on envisage ce que l'IDA et ses emprunteurs peuvent raisonnablement accomplir en trois ans. Il faut aussi que ce processus se déroule en relation étroite avec tous les acteurs du développement. En consultation avec ses emprunteurs, l'IDA doit donc définir une vision à long terme s'articulant autour des résultats souhaités. Elle doit associer les pays en développement à la définition des priorités et au suivi de sa performance, et les engagements qu'elle prend doivent correspondre à des objectifs réalisables, accompagnés d'indicateurs de suivi.
# ABBREVIATIONS AND ACRONYMS

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<tr>
<th>Acronym</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>AFR</td>
<td>Africa Region</td>
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<td>APL</td>
<td>Adaptable Program Loan</td>
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<td>ARDE</td>
<td>Annual Review of Development Effectiveness</td>
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<td>CAE</td>
<td>Country Assistance Evaluation</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CDF</td>
<td>Comprehensive Development Framework</td>
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<td>Country Economic Memorandum</td>
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<td>Country Financial Accountability Assessment</td>
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<td>CG</td>
<td>Consultative Group</td>
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<td>CGAP</td>
<td>Consultative Group to Assist the Poorest</td>
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<td>Country Procurement Assessment Review</td>
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<td>Country Profile of Financial Accountability</td>
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<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
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<td>DfID</td>
<td>Department for International Development</td>
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<td>EAP</td>
<td>East Asia and Pacific Region</td>
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<td>ECA</td>
<td>Europe and Central Asia Region</td>
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<td>ESSD</td>
<td>Environmentally and Socially Sustainable Development Network</td>
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<td>ESW</td>
<td>Economic and sector work</td>
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<td>GEF</td>
<td>Global Environment Facility</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>GNP</td>
<td>Gross national product</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
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<td>HNP</td>
<td>Health, Nutrition, and Population Sector</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development (World Bank)</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>LAC</td>
<td>Latin America and Caribbean Region</td>
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<td>LIL</td>
<td>Learning and Innovation Loan</td>
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<td>M&amp;E</td>
<td>Monitoring and evaluation</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<td>MNA</td>
<td>Middle East and North Africa Region</td>
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<td>NEAP</td>
<td>National Environmental Action Plan</td>
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<td>NGO</td>
<td>Nongovernmental Organization</td>
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<td>OD</td>
<td>Operational Directive</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>Operations Evaluation Department</td>
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<td>PA</td>
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<td>PACT</td>
<td>Partnership for Capacity Building</td>
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<td>PBA</td>
<td>Performance-based allocation</td>
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<td>Public Expenditure Review</td>
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<td>PPP</td>
<td>Purchasing power parity</td>
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<td>PREM</td>
<td>Poverty Reduction and Economic Management Network</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSD</td>
<td>Private sector development</td>
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<td>Acronym</td>
<td>Description</td>
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<td>QAG</td>
<td>Quality Assurance Group</td>
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<td>SA</td>
<td>South Asia Region</td>
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<td>SPA</td>
<td>Special Program with Africa</td>
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<td>SSP</td>
<td>Sector and Thematic Strategy Paper</td>
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<td>SSR</td>
<td>Social and Structural Review</td>
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<td>SWAp</td>
<td>Sector-wide approaches</td>
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<td>WBI</td>
<td>World Bank Institute</td>
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<td>WDR</td>
<td>World Development Report</td>
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Overview

The mission of IDA is to support efficient and effective programs to reduce poverty and improve the quality of life in its poorest member countries ... the focus must be on sustainability—to achieve enduring development impact with an environmentally sustainable framework—and equity—to remove barriers and open up opportunities for the disadvantaged.

—IDA12 Replenishment Report

The International Development Association (IDA) is a unique instrument of development cooperation, focused on assisting the world's poorest countries. The establishment of IDA in 1960—as a separately funded but integral component of the World Bank Group—represented a bold innovation and an unprecedented commitment by the international community to improving global welfare. During the past 40 years, IDA has made substantial and distinctive contributions to growth and poverty reduction in low-income countries through a combination of concessional finance, analytical work, and aid coordination services.

During the seven-year period covered by this review (FY94-00), IDA committed just over $42 billion to some 77 low-income borrower countries. These resources have supported country efforts to accelerate sustainable economic growth and poverty reduction through improved economic policies and investments; expanded access to basic education, health, and other social services; and strengthened public sector management and governance. IDA has also assisted with the unprecedented challenges faced by countries in transition and the special needs of countries emerging from conflict. While persistent poverty, increasing inequality, and conflict characterize the period, a number of countries where IDA programs are being implemented have recorded declines in the incidence of poverty, strengthened social development, and begun to tackle governance and public sector reforms.

At the request of IDA’s donor governments and its executive directors, this report reviews the IDA10-11 program and, on an interim basis, IDA12. It covers IDA’s performance in implementing the undertakings set out in the Replenishment Reports for each of these periods. The methods used for this review are described in Annex G. The final report was presented to the Board on May 29, 2001. A summary of the discussion at that meeting is attached as Annex H. The Bank management response to the findings of the review is attached as Annex I.
Summary of Findings
The IDA10–12 replenishment undertakings (summarized in box 1) have been highly relevant and timely. They encouraged IDA to adapt to a new development paradigm, embodying a comprehensive approach to poverty reduction that reflects the accumulated lessons of development experience. Individually, each area of operational emphasis makes sense. But together they have proved extraordinarily demanding—for both IDA and its borrowers. Even in countries where the commitment to poverty reduction and sustainable development is strong, building consensus for change, reforming policies, and strengthening institutional capacities are formidable tasks, which, in countries with limited human and financial resources, require tough choices and tradeoffs.

**IDA10–12 replenishment undertakings have been highly relevant and timely.**

In evaluating IDA’s performance, it is important to place its assistance in context. IDA provides a small share of the resources that countries use to pursue their development priorities—the largest share comes from the countries themselves. IDA is also only one among many external assistance agencies, accounting for 14–18 percent of official development assistance in the 1990s. It cannot determine the choices that countries make, although it can and does support and influence them. Nor can IDA alone be held accountable for country development outcomes. The performance of borrowers and other development partners, as well as changes in the global economic environment, all play a role in determining outcomes. IDA can and should be held accountable, however, for how well it makes hard choices and necessary tradeoffs in deploying its concessional resources to fulfill corporate commitments, including both its lending and its nonlending advisory services, and how effectively it shapes its assistance to the priorities and circumstances of borrowers. It is largely in these terms—that is, of IDA’s relevance (whether IDA “did the right things,” taking into account the actions of others) and its efficacy and efficiency (did it “do things right”—that this review evaluates IDA. (For a concise summary of the report, see box 2.)

**Compliance**
Overall, IDA’s compliance with the formidable list of replenishment undertakings has been satisfactory, albeit with important qualifications. The implementation of IDA undertakings has repositioned country programs to better respond to development priorities. IDA has sharpened the poverty focus of its Country Assistance Strategies (CASs), analytical work, and lending. It has made a substantial contribution to poverty data collection and analysis; established a strong presence in the social sectors; and improved the poverty and social dimensions of its adjustment operations. More recently, IDA has markedly expanded its work in support of good gover-

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**Box 1 IDA10–12 Replenishment Undertakings**

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

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

The specific undertakings related to these instructions center on six program priorities (poverty, social sectors, private sector development, gender, environment, and governance) and four processes (Country Assistance Strategies, performance-based allocation system, participation, and aid coordination).
Box 2 The IDA Review at a Glance

At the request of IDA’s donor governments and its executive directors, OED carried out a review of IDA’s implementation performance during IDA10–12. OED found the IDA10–12 replenishment commitments to be highly relevant and timely, but extraordinarily demanding for both IDA and its borrowers. The commitments include: (a) sharpening the poverty focus of support for country development; (b) expanding access to social services, fostering broad-based growth, promoting good governance, and integrating gender and environmental considerations into development efforts; and (c) increasing its development effectiveness through more selective, more participatory, and better-coordinated CASs.

Overall, OED finds IDA’s performance in relation to its commitments to be satisfactory, but with qualifications. IDA has done much to sharpen the poverty focus of its analytical work, policy dialogue, and lending. The quality of lending and non-lending services has improved. Recently, it has brought governance to the fore. Yet it has made limited progress in integrating private sector development, gender, and environmental sustainability into its country programs. Taking account of a host of factors not under IDA’s control, the development outcomes of IDA programs are rated partially satisfactory. Much remains to be done by IDA and its partners to meet the multifaceted challenge of supporting sustained, pro-poor, broad-based growth.

In moving forward, IDA should focus on implementation of its existing policy framework, align resources with strategic priorities, and consolidate its mandates. IDA should concentrate more on its areas of comparative advantage—work at the strategic level in support of economy-wide, sector-wide, and government-wide reforms—and make capacity building a core dimension of every aspect of its work. With the full support of its shareholders, it should also play a more proactive role in fostering aid harmonization and coordination—at the global and country levels—to reduce the high transaction costs of aid.

This will require even greater country and program selectivity; expanded work in the critical areas of public sector reform and institutional development, a joint commitment with partners to move from ad hoc to more structured coordination of aid programs, and reinvestment in IDA’s analytical work and full funding of approved Country Assistance Strategies.

IDA would also benefit from adjusting the replenishment process. Three changes would improve the process: developing a long-term vision focused on results; engaging developing countries in setting priorities and monitoring replenishment commitments; and defining commitments in terms of monitorable and achievable objectives, with realistic costing.

Performance as a key factor in country development efforts.

To strengthen the effectiveness of its country programs, IDA has also enhanced the role of its CASs as a tool for comprehensive diagnosis and program planning. It has strengthened the link between country performance and lending; increased stakeholder participation in projects and programs; and accelerated its efforts in aid coordination, especially in the past few years. These are major achievements.

Compliance, however, has been uneven across and within areas of program and process emphasis. Governance only recently acquired adequate weight in program priorities. There has been only partial and halting progress in integrating critical private sector development (PSD), gender, and environmental considerations into country assistance programs. And neither program selectivity nor coordination with development partners has been achieved to the degree called for in the replenishment undertakings, although the Comprehensive Development Framework (CDF) and the Poverty Reduction Strategy Paper (PRSP) initiatives have provided new momentum in the past two years.

Development Outcomes

Clearly, compliance with replenishment undertakings and development outcomes are not the same. Nor is performance in the implementation of replenishment injunctions (which are stated largely in terms of inputs and outputs rather than outcomes) the sole determinant of those outcomes. The global environment has been challenging for countries with weak institutions and poor governance, and poverty trends have been disappointing. Against this background, the improved development effectiveness of IDA operations is notable, while the development outcomes of IDA programs, assessed against its ambitious goals, have been partially satisfactory.

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

IDA made important innovations in its organization, lending instruments, and assistance strategies to increase the responsiveness of its operations to country development priorities. Robust self-evaluation and policy recasting have been put in place, contributing to increased development effectiveness. More important, the performance of IDA lending has shown substantial gains. But the linkage between institutional priorities and country programs has not been strong, and weaknesses in lending and nonlending activities that impede IDA’s operational effectiveness at the project and country levels remain. Declines in the funding of analytical work, the substantial challenge of expanding governance work, the slow pace of improvement in institutional development impact and support for capacity building, inadequate selectivity, and insufficient monitoring and evaluation (M&E) at both the country and the project levels require stronger remedial action, as acknowledged and, in some cases, pinpointed by management’s own self-assessments.

Why This Review?
While IDA’s main goals and basic features have remained consistent throughout its history, IDA has progressively refined and broadened its approach. It reached an intellectual and programmatic watershed with the publication of the World Development Report 1990: Poverty, which advocated a strategy of poverty reduction through economic policy reforms and productive investments. The goal was to improve the incomes of the poor through labor-intensive growth and to expand their access to social services and social safety nets. The strategy reflected empirical evidence that demonstrated the importance of growth and the central role of human resource development in bringing about significant and sustained improvements in living standards.

The IDA 10-12 replenishment undertakings adopted the framework of the 1990 strategy, with a call to sharpen IDA’s poverty focus. They expanded the agenda to include gender, the environment, and governance as part of a “broad-based framework for poverty reduction” (IDA 1998). They also urged IDA to increase effectiveness through increased country ownership and improved development partnerships. The diversified and complex policy content of these commitments—a departure from the more general guidance embodied in previous replenishment agreements—is the ultimate rationale for this review. Has IDA acted responsibly to implement its replenishment commitments? Has it changed fast enough and in the right directions? As a result, is it well equipped to assist borrower countries in today’s era of rapid technological change, borderless private investment, and increasingly fragile physical environment? These are the questions that motivated the IDA Deputies’ call for an independent review of IDA’s record.

The Program Dimension
A Sharpened Poverty Focus
IDA has progressively strengthened the poverty orientation of its analytical work, investment lending, and adjustment operations since adoption of the 1990 poverty strategy. Both momentum and specificity have increased over successive replenishment periods. Internal policy and institutional changes, combined with external contributions from IDA (and other donors), have moved many IDA borrowers into a position to direct greater efforts toward poverty reduction goals than at the beginning of the review period. But substantial and sustainable results for the poor require consolidation and deepening of development and aid reforms.

Redirecting Country Assistance Strategies.
IDA undertakings have emphasized poverty reduction as their overarching objective, and
this goal has been increasingly reflected in IDA CASs, particularly since 1997. Broad-based growth, human resource development, and protection of vulnerable groups have become common CAS objectives. CASs are also increasingly based on comprehensive poverty diagnosis and consultations with stakeholders. By FY00, a growing number of IDA CASs included poverty reduction targets linked to intermediate objectives and benchmarks for tracking country and IDA performance.

To underpin the sharpened focus of the CAS, IDA has made major contributions in collecting and disseminating poverty data and analysis. Poverty Assessments (PAs) have been completed for 90 percent of eligible IDA borrowers, and Public Expenditure Reviews (PERs) have been conducted for almost half. Still, linkages between country programs and poverty outcomes are not always well articulated. More needs to be done to integrate broad-based growth poverty reduction strategies into macroeconomic and sector strategies and interventions. Improvements are needed in setting program priorities that will have the greatest impact in reducing poverty. For this, the quality and policy relevance of economic and sector work (ESW) and the monitoring of linkages between IDA-supported policies and programs and poverty outcomes continues to need attention, with particular emphasis on strengthening borrower capacity to collect and analyze poverty data, monitor progress, and enhance program outcomes.

**Expanding access to social services.** IDA’s commitment to increase social sector lending has been highly satisfactory over the IDA10–12 period. Social sector investment lending is up from 20 percent of total IDA investment lending in the late 1980s to a sustained level of 40 percent since 1995. With the increase, IDA became the largest financier in human development and a major source of analysis and advice, particularly in Africa. Through its analytical work, lending, and technical assistance, IDA has helped countries strengthen their human development policies, increase their level of social expenditures, expand access to basic services, and, particularly in the transition countries, adjust pension and other social protection mechanisms. Overall, IDA has shifted the focus of its assistance from projects to sector-wide reforms and provided some form of social sector assistance in virtually all of its active borrowers.

On the whole, IDA has had more success in helping countries to expand access to social services than in improving the quality of service delivery to the poor. The difficult challenge has been to help countries deal with the politically and institutionally complex issues, particularly deficits in public sector management and institutional development, that hobble the sector-wide reforms and programs needed to produce sustainable results. IDA has responded to this challenge with several program innovations, including new sector-wide and country-wide programmatic and adaptable lending instruments, a stronger field presence, and greater priority to institutional change, with a fuller recognition of the importance of partnership and ownership of policy reform. IDA has also increased its participation in country-led, donor-coordinated, sector-wide programs in education and health; given more attention to multi-country (regional or global) programs; and, most recently, increased its support for linking social sector reforms more closely with poverty reduction goals through assistance to countries in their preparation of PRSPs. Each of these innovations shows significant promise, but also presents operational challenges that call for further results-based process and procedural changes on the part of IDA, in conjunction with other donors.

**The Challenge of Broad-Based Growth**

In promoting broad-based growth, the second major component of IDA’s poverty reduction framework, IDA has traveled a considerable distance in implementing its commitment to improve the poverty and social dimensions of structural adjustment operations and to strengthen its support for PSD. Nevertheless, acceleration of broad-based, job-creating growth remains a major challenge.

**Gains from adjustment lending.** Bank-wide project ratings indicate that adjustment operations
have improved their development effectiveness. Satisfactory outcome ratings have risen from 65 percent of completed projects in IDA9 to 80 percent in IDA11–12. In countries committed to reforms, IDA adjustment operations have contributed to macroeconomic stability and the removal of key economic distortions, but evidence on income and employment generation for the poor is less clear. Why has it been so difficult for development partners, including IDA, to support countries in moving beyond the intermediate outputs of adjustment programs (new policies, legislation, privatization) to achieve better poverty reduction results?

Why has it been so difficult to support countries in moving beyond the intermediate outputs of adjustment programs to achieve better poverty reduction results?

Many IDA countries have been inconsistent in their implementation of reform programs, short-circuiting their ability to sustain high growth rates and to implement the complex structural reforms necessary for long-term poverty reduction. It has also proved difficult to come up with practical policy measures to achieve not just growth, but broad-based growth, and to address the factors that affect the ability of the poor to participate in the opportunities created by growth-oriented policies. Of concern is evaluative evidence, including testimony of stakeholders, that the links between policy change, sector strategy, and the expected pattern of growth are weakly articulated in IDA CASs, and the mechanisms that are to transmit the benefits of policy changes to the poor are not spelled out. There is an urgent need for work on the determinants of pro-poor growth in specific country circumstances and for greater clarity and specificity in how IDA assistance can best support borrowers in setting and advancing country-specific priorities.

Lags in rural and private sector development. Lags in both rural and private sector development are also important contributing factors to the weak broad-based growth outcome. IDA's lending for agriculture and rural development, largely overlooked in the IDA10–12 replenishment agreements, has declined from 23.4 percent of commitments during IDA10 to 9.6 percent during the first year of IDA12. It appears that IDA has withdrawn, appropriately, from unsuccessful efforts, such as top-down systems of extension services and complex rural development activities that had higher than average failure rates, but it has not put improved approaches in place. Adjustment lending and related ESW have contributed to relevant policy reforms in a number of IDA countries, improving agricultural price incentives and exports. Reform efforts, however, have not resolved other structural and institutional constraints that impede agricultural productivity and marketing and rural poverty reduction.

In the context of robust lending for social funds, rural infrastructure, and health and education, decreases in agricultural and rural lending cannot be assumed, a priori, to be a bad thing. However, given that most of the world's poor will continue to live in rural areas well into the twenty-first century, and that agriculture accounts for a sizable share of poor countries' GDP, the lack of consensus regarding rural development strategies among development partners and the reduced priority of agriculture in aid programs are causes for concern. The sector requires renewed attention on the part of the international development community, with IDA's role to be determined in coordination with others.

In contrast, as efforts to stabilize macroeconomic conditions took hold in the 1990s, IDA increased its PSD activities and, in certain subsectors, has had some success. But CASs still tend to lack well-articulated PSD strategies, which in part reflects differences in perspective between IDA and its borrowers and continuing difficulties in linking IDA, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) activities into a coherent whole. In the past few years, IDA has forged a closer working relationship with IFC. Considerably greater synergies, however, can be tapped and selectivity exercised by further delineating...
IDA's role in improving the country policy framework, IFC's connectivity to private corporations, and MIGA's catalytic function in foreign investment, in addition to shifting activities among institutions and dropping activities better pursued by other actors. Although the Bank's prior CAS retrospective did not analyze the treatment of PSD, the 2000 CAS report notes that by increasing the early involvement of IFC and MIGA in CAS preparation, PSD programming has been improved. Thus, it proposes a deeper integration of CASs and work programs in selected countries.

While many IDA projects have had successful outcomes, a selection of IDA Country Assistance Evaluations (CAEs) gives relatively low ratings to the effectiveness of IDA's PSD work and underscores the need to focus more sharply on the investment climate. These evaluations also reflect past weaknesses in IDA's support for small and medium-size enterprises and rural finance—two areas with new strategies that aim to improve future efforts. In addition, inadequate focus on the institutional and policy framework for privatization operations has meant that efficiency gains have often not been widely shared. In line with IDA12 commitments, such operations are now giving increased attention to social protection and environmental issues. Efforts to increase the private provision of infrastructure are more recent and show promise.

The PSD strategy paper now being prepared should explicitly define the rationale for a clear division of labor and greater selectivity within the World Bank Group and vis-à-vis others. It should also identify ways to improve IDA's support for the policy and regulatory environment for private investment, the proper institutional foundations for privatization, the expansion of the private provision of infrastructure and social services, and the overall distributional impact of PSD activities.

**IDA's comparative advantage in support of broad-based growth and poverty reduction lies at the strategic level.**

**Integrating Gender, the Environment, and Governance**

Although the IDA10–12 replenishment undertakings that called for integrating gender, environmental sustainability, and good governance into IDA's country assistance programs were highly relevant, progress has been constrained by a lack of consensus, within IDA and among its member countries, on the priority of these concerns, and on IDA's appropriate role in advancing them. While IDA has made important contributions in each of these areas, its success has been limited relative to its commitments.

**Slow progress in gender and environmental mainstreaming.** In implementing the commitment to reduce gender disparities in health and education, IDA assistance has achieved satisfactory results, in part because of significant country ownership and effective partnerships with other development actors, and in part because interventions have been underpinned by rigorous analytical work. In countries with...
large gender disparities, IDA has integrated gender into virtually all education projects, contributing to positive trends in girls' school enrollments. It has also contributed to improvements in maternal health. IDA assistance, however, has been weaker in promoting women's participation in the economy and in improving borrowers' institutional frameworks for gender. These shortcomings have undermined the efficacy of the assistance and led to disappointing results at the country level.

IDA's Partnership for Poverty Reduction

IDA's implementation of environmental undertakings has also been partially satisfactory. By the end of IDA11, National Environmental Action Plans (NEAPs) had been completed for nearly all IDA countries, but their quality has been mixed and their use in CASs has varied greatly. To improve the treatment of the environment in country assistance programs where environment is a priority issue, the Bank's 2000 CAS review identifies several "next steps." Drawn from recommendations in OED, external, and self-evaluations, these steps call for a better integration of environmental considerations into ESW, a strengthening of the link between environmental considerations and poverty reduction measures, and a better incorporation of environmental indicators and trends in CAS diagnoses of country development issues. These steps are essential to mainstreaming environmental considerations into IDA activities, but they are only first steps.

Safeguards and mitigation should be a minimum threshold, but not the main thrust of the environmental sustainability strategy.

While lending for environment projects remains at about the level reached in IDA9, IDA has increased the number of environmental components in projects in key sectors. This assistance has helped to increase public and governmental awareness of environmental issues, contributing to, for example, a reversal of land degradation, improved incomes from arid lands, and strengthened environmental capacity. Moreover, IDA has made efforts to help countries improve their environmental assessments, although failures to implement environmental safeguard policies adequately in a few high-visibility projects have drawn public and Bank attention to the continuing need to further strengthen the Bank's environmental assessment process. Safeguards and mitigation should be a minimum threshold, but not the main thrust of the environmental sustainability strategy. Projects in all sectors need to be designed to ensure environmental quality and sustainability, but IDA has yet to provide guidance to define, promote, monitor, or evaluate this broader objective of mainstreaming.

Lack of country interest in borrowing from IDA for gender and the environment has been a constraining factor, in part because of the availability of grant funding from other sources. But IDA has also lacked clear accountability for gender and environmental mainstreaming. In both areas, IDA needs to concentrate on strengthening borrower institutions and policies as a matter of priority. In addition, based on comprehensive diagnoses, it should better integrate gender and environment into CASs, and increase gender and environmental diagnoses in the economic and social analyses carried out in preparation of IDA-supported projects, especially in situations where gender disparities are high or environmental threats serious. IDA also needs to clarify the scope of the Bank's gender and the environmental mainstreaming policy, strengthen the management for gender and environmental issues, and establish M&E systems to regularly track and periodically evaluate IDA-wide progress. New strategies to guide gender and environmental activities, currently under discussion within the Bank, give IDA an opportunity to deal with these matters.

The critical factor of governance. Although largely missing from the Bank's 1990 poverty strategy, good governance was identified in the IDA10–12 period as a critical factor that affects all other areas of program emphasis. IDA was slow to comply with its IDA10 governance undertakings, but over the past four years it has given priority to public sector reform in country assistance programs and openly addressed issues of corruption. To strengthen its capacity
for expanded operational work, IDA has increased staffing, analytical work, and policy guidance. As a result of these efforts, country dialogue and reporting on governance issues have picked up, and lending for public sector reform has grown. In addition, institutional development issues are increasingly addressed in lending operations and PERs, and more attention is focused on wider issues of public expenditure management, although capacity building for effective and accountable processes remains a major task.

But there are shortfalls. The treatment of governance is not yet consistent across countries. Greater coordination among external agencies in regard to governance conditionality and assistance is needed to make progress on the broader governance agenda. More support is needed, for example, to bolster the rule of law, which is central to an environment conducive to investment, as well as to alleviate personal insecurity, a principal concern of the poor. IDA currently supports this work in only a handful of countries, but it does not have the comparative advantage to deal with all aspects of judicial and legal reform (including law enforcement). IDA’s strengthening of public financial accountability in borrower countries—a previously neglected area—has gained momentum, but it still requires a considerably increased effort, focused on capacity building in borrower countries at all levels of government. In addition, governance has become a factor in determining CAS lending levels, with a “governance discount” applied to allocations, but this mechanism needs rethinking to ensure more effective treatment of governance performance.

The Process Dimension

As it has refocused the development agenda, IDA has also been at the forefront of change in the aid “business.” IDA’s Replenishment Reports put particular emphasis on greater selectivity in the use of aid and on improving partnerships by increasing participation and coordinating aid with countries’ own development programs.

In line with replenishment commitments, this reform agenda has focused on strengthening four key IDA processes: enhancing the role of the CAS in setting program priorities, improving the performance-based allocation (PBA) system to tighten the link between country policy performance and lending allocation, increasing stakeholder participation in projects and programs, and strengthening aid coordination among donors. While the PRSP initiative has given a significant impetus to these reforms, IDA, together with its development partners, still has a considerable distance to go in consolidating and institutionalizing improved partnership practices.

There has been an increasing focus on the country as the unit of account in the design and assessment of IDA assistance.

Improving Program and Country Selectivity

Enhancing the role of the CAS. There has been an increasing focus on the country as the unit of account in the design and assessment of IDA assistance. The CAS—as both a document and a process—has become the main program-planning vehicle for this shift. Its self-evaluation content has improved considerably in recent years. As a result of more comprehensive diagnosis and greater participation in their design, CASs have contributed to program relevance, greater country ownership, and better aid coordination. As the Bank’s 1998 CAS retrospective highlighted, however, at the start of IDA12, less than 40 percent of CASs discussed selectivity in key program areas, and fewer linked IDA’s strategy with its comparative advantages, including prioritizing its activities across and within sectors and by instrument. FY00 CASs show some improvement in program selectivity, which reflects an increase in attention to this issue by member governments and management, but progress remains uneven. With the introduction of PRSPs, the role of the CAS will change again. As management has indicated, as of July 2002, CASs will normally be based on PRSPs while retaining their identity as business plans for the World Bank Group. Still, the challenge of program selectivity will remain. Moreover, consistency now needs to be achieved among
criteria for assessing the quality of PRSPs, CAS lending triggers, and IDA's PBA assessments.

**Strengthening the system of performance-based allocations.** IDA's PBA system—the principal mechanism for achieving country selectivity—now better directs credits to countries with good performance ratings than at the start of IDA10. This improvement reflects increased knowledge about the causes of growth and poverty reduction, as well as specific replenishment recommendations, which include giving greater weight to governance, environmental sustainability, and nondevelopmental expenditures in assessing country performance. Since there are relatively few top performers (and most are small economies), the bulk of IDA lending goes to countries in the middle performance range. Some shortcomings that remain in the design and implementation of the allocation system are related to two key issues: equitable treatment across countries and the strength of the links between performance assessment criteria and countries' continuing poverty reduction. These issues could be addressed by rethinking the current "governance discount" methodology, which has failed to capture some borrowers with serious governance problems; further adapting the assessment criteria; and increasing transparency and dialogue with partners.²

Few of IDA's program and process objectives can be satisfactorily achieved without enhanced aid coordination.

**Building More Effective Partnerships**

**From ad hoc to structured aid coordination.** Few of the program and process objectives of IDA's Replenishment Reports can be satisfactorily achieved without enhanced aid coordination. During IDA10–12, the focus has moved beyond the mechanics of donor agency coordination to improved aid management, preferably led by recipient countries, with donors directing their support to sound, country-designed policies and programs. These changes are reflected in successive replenishment recommendations, culminating in IDA12, with its emphasis on country-led partnerships that combine the objectives of country ownership and donor coordination. But progress thus far has been limited, and uncoordinated aid programs continue to impose heavy burdens on recipient countries and limit the impact of aid programs.

Although progress was modest in IDA10–11, IDA has accelerated its efforts in aid coordination, particularly in the past three years. In-country coordination has been reinforced by the increased placement of IDA country directors in the field. IDA has given greater emphasis to harmonizing procurement procedures and evaluation processes among multilateral development banks. There has been a trend toward country-led coordination mechanisms. IDA has increased its participation in sector-wide approaches (SWAps), an aid mechanism that combines government leadership in the design of a strategy, an agreed medium-term expenditure framework, external assistance provided within that strategic framework, and agreed processes and indicators for monitoring progress on the ground. These SWAps are one of the few examples of formally structured program coordination mechanisms focused on both design and implementation. As such they should serve as key building blocks to support recent CDF and PRSP initiatives. Overall, the shift in approach to country ownership and partnership is clear. Consolidation and institutionalization of this shift, however, require the move from ad hoc to structured arrangements at the country level and a greater commitment to harmonization of policies and procedures at the corporate level by IDA and the other multilateral and bilateral agencies.

**Moving beyond project participation.** A second key feature of the move toward more effective partnerships is increasing the participation of borrower country governments, civil society, and the private sector in IDA program design, implementation, and monitoring. The percentage of IDA projects with at least some primary stakeholder participation nearly doubled from 1994 to 2000, reaching 83 percent of all IDA proj-
Projects. PAs and PERs have recently become more participatory, although clients remain dissatisfied with the extent of local capacity building. The participation of stakeholders in CAS preparations has also increased, but the impact on CAS design in all but a few cases is unclear. Moreover, the move beyond project participation to participation in analytical work and strategy design has intensified issues of representation, approach, and costs.

**Getting to Results**

**The Corporate Issues**

IDA has accelerated organizational changes since the start of IDA10. Its country focus and responsiveness are stronger, with some 24 IDA country directors now in the field. It has introduced innovative lending instruments to increase flexibility and institutional development impact. Along with these transformations has come a strong focus on improving the quality of IDA performance at the project and country levels. This emphasis has begun to show significant results in improvements in the performance of the lending portfolio. Outcomes of completed projects have risen to 70 percent satisfactory, close to parity with the International Bank for Reconstruction and Development (IBRD, or World Bank). The institutional development impact and sustainability of IDA projects have also improved, although from very low levels.

Project-level performance is an important indicator of IDA’s contribution to country development efforts, but it tells only part of the story. In recent years, IDA has significantly shifted its focus from individual projects to the “higher plane” of country programs. OED CAEs and Bank research results suggest that the two most important determinants of country program outcomes are the level of borrower commitment to the objectives laid out in the CAS and the extent to which the specific components of the strategy, instrument mix, and the efficacy of country program implementation, including partnerships, are adapted to country circumstances. Reflecting these multiple factors, the 24 most recent CAEs (most of which cover assistance over the period of the 1990s) found that the development outcomes for a third of the country programs were fully satisfactory and the bulk of the remainder were moderately satisfactory. Both the portfolio and CAE reviews highlight that development outcomes are influenced by exogenous factors, borrower and partner performance, as well as IDA’s own performance. They also show a dynamic of improvement over the period. Finally, they point to issues at the corporate level that need further work.

**Accountability for policy compliance.** IDA’s policy framework remains highly relevant. But a clarification of the rationale, intent, and scope of IDA’s policy is needed in certain priority areas, particularly PSD, gender, and the environment. Recently, IDA management has responded to Inspection Panel investigations by allocating more resources to quality assurance and compliance monitoring of safeguards policies. But more needs to be done to clarify the assignment of accountabilities, improve staff training, and realign staff incentives. Regular monitoring and periodic evaluation also need strengthening at the corporate, country, and project levels. These issues underscore the importance of rebalancing the matrix toward the implementation of global priorities and strengthening the role of sector strategies in setting program goals, articulating IDA’s role in meeting them, and helping to strengthen implementation strategies.

**Investing in analytical work and capacity building.** Broadening the range of lending instruments has increased IDA’s flexibility and responsiveness. Both adaptable lending and new types of adjustment lending facilitate IDA’s support of institutional reforms and the tailoring of its assistance to country circumstances. But achieving further improvements in program outcomes still depends on ensuring adequate, high-quality analytical work and enhancing the capacity-building dimensions of IDA’s assistance.

**Deploying resources.** Cutting across all other issues is the matter of aligning resources to priorities. Three sets of issues are of particular relevance. First is the availability of budget resources for country priority lending and non-
lending services. As highlighted in the background studies for this report and discussed in Bank strategic direction papers and related budget proposals, administrative resources declined for both country lending and ESW over the period of this review. Second, despite the Bank’s poverty reduction mission, country poverty level and performance factors have been relatively minor considerations in budget allocations. Regional and country budget allocations do not explicitly distinguish between IDA and IBRD countries. And, while corporate and intraregional decisions have begun to provide more budget resources to poorer countries, consistent with performance, the impact to date has been small. There are complicating factors in linking budget to poverty levels—for example, the differences in operating costs among countries. However, poverty could be given greater weight in budget allocations through the use of a country norm methodology, an approach that to date has only marginally influenced decisions. Third, the programming and budget system has lacked adequate mechanisms for reconciling commitments and budget allocations. This is a particular problem for CASs, which generally serve as a planning instrument for a two- to three-year period but are approved separately from annual country budgets. It is potentially significant, therefore, that in this year’s budget process Regions are not only carrying out detailed costing of CASs, but also, for the first time, are preparing a three-year rolling budget to minimize unexpected movements in Regional funding.

Cutting across all other issues is the matter of aligning resources to priorities.

Recent management proposals. Over the period covered by this review, there has been a commendable buildup of management self-evaluation, learning, and proposed new actions, as identified throughout this report. While it is too early to judge the efficacy and efficiency of many of the recent initiatives, their relevance to IDA’s evolving role is clear. In addition, in preparing for this year’s budget exercise, management has proposed further initiatives, including several that are highly consistent with the major findings and recommendations of this review. They are: (a) the establishment of a management committee whose principal role is to align corporate strategies, ensure institutional selectivity, and manage tensions between corporate priorities and country programs; (b) the continued sharpening of the framework for corporate priority setting, and definition of criteria for selecting those priorities; (c) the implementation of more accurate tracking and management of nonlending services; (d) the introduction of budget process reforms, as noted above, involving the full funding of CASs within a rolling three-year planning and budgeting horizon for FY02 and beyond; and (e) the further promotion of decentralization and rebalancing of the management matrix, including additional clarification of accountabilities.

Could IDA Have Done Better?
IDA’s efforts to recast its mission; reach out to engage more broadly with its development partners; and reposition its country staff, country programs, and lending instruments were all highly relevant adjustments that have contributed significantly to increasing development effectiveness. Moreover, the recent CDF and PRSP initiatives provide important potential for further improving program implementation and results. As a consequence, the IDA program at the midpoint of IDA12 is different in important ways from the program at the start of IDA10 in FY94. Its portfolio performance has steadily improved, and its contribution to development outcomes in the future has been enhanced.

The impact of IDA’s efforts would likely have been greater, however, if it had moved more quickly in the mid-1990s to increase attention to governance and institutional impediments confronting country development, and directed more of its analysis and dialogue to identifying ways to improve rural and private sector development and economic opportunities for women—all measures needed to stimulate broad-based, pro-poor growth and poverty reduction. IDA’s impact would also have likely been enhanced if it had used its resources more selectively, not only among countries based on
Overview

The Need for a More Proactive Role

The IDA10-12 review period has witnessed considerable change—in borrower countries, in IDA, and in the development system. The IDA10-12 policy framework has encouraged IDA to move in directions that are relevant to the needs of its borrowers and that remain broadly germane for the future. But IDA and its partners are still in the process of implementing the core elements of the framework, reinforced by new initiatives that were introduced during IDA12. IDA now needs to deepen and broaden the gains from the existing policy framework by:

- Focusing on implementation
- Adequately aligning resources to strategic priorities
- Consolidating the IDA mandates.

Looking Forward

IDA should play a more proactive role at the global level to facilitate achieving the harmonization and coordination of external assistance needed.

Next Steps

IDA could take several steps to build on the improvements of the past seven years in the development effectiveness of its country and global roles:

- **Be more selective.** IDA needs to do more to increase its country, program, and corporate selectivity. This calls for further improving IDA’s PBA system and ensuring consistency among the PRSP, CAS, and PBA processes. It also entails strengthening sector strategies and better integrating them into CASs, based on countries’ poverty reduction strategies, to help determine where IDA should take a leading or a supporting role in coordination with other donors. IDA also needs to clarify its priorities and objectives across sectors and themes to identify more clearly what it can (and cannot) commit to do. Because this corporate-level selectivity cannot be determined effectively in isolation from other agencies’ strategic decisions, IDA needs to become part of a broad, agency-wide harmonization action plan. In practice, quantitative lending targets for sectors, lending instruments, or groups of countries can serve as disincentives to greater programmatic and country selectivity.

- **Focus on governance and capacity building.** Every area of this review highlights the centrality of governance and public sector capacity building, with a view toward encouraging borrower governments to provide public goods and services more efficiently and to be more transparent and accountable to their
Clarify program objectives and policies. IDA should articulate what it means by its “focus on poverty reduction” and clarify its program objectives and policies in relation to that goal. The record of the past seven years shows that it needs to accelerate broad-based growth and governance reforms as key intermediate objectives of its overarching goal of poverty reduction. It also needs to link the objectives and operational policies of the crosscutting themes of gender, environment, and PSD directly to poverty reduction and to clarify the policy of gender and environmental mainstreaming.

Better align resources with program priorities. Finally, in applying the lessons of the past seven years, it is essential that IDA better deploy its resources relative to its commitments through its budget process and full funding of CASs. Poverty has been a relatively minor factor in budget allocations, although this could alter with the further application of a country norm-based methodology. Efforts to cost CASs more realistically should be accompanied by a process that ensures full funding of board-approved strategies. Also, ways are still needed to ensure funding of appropriate levels of due diligence and program-specific ESW and to ensure a greater focus on capacity building.

The Replenishment Process

The findings of this review suggest that IDA’s replenishment process itself might usefully be fine-tuned. It offers a valuable opportunity to discuss, at a global level, the experience and future direction of international development assistance and to mobilize funding to support key objectives. As currently constituted, the process falls short of fully realizing this potential.

Although consistent with an evolving consensus in the international development community, replenishment undertakings have been both overdetermined and overloaded (for example, in specifying the shares of lending for sectors and countries and in the number and detail of the recommendations). They have sometimes been unrealistic about what IDA and its bor-
rowers could reasonably accomplish in a three-year period, having focused on inputs rather than results, without addressing budget resources. More important, IDA's replenishment process has been disconnected from its development partners, both borrowers and other assistance agencies, to the detriment of setting priorities and applying its comparative advantage. Three changes could improve the process and, thus, the impact of future undertakings.

- **Develop a long-term vision focused on results.** As part of the IDA13 negotiations, management should be asked to develop, in consultation with borrowers, a long-term vision for IDA, clarifying what is meant by IDA's poverty focus, identifying ways to deploy IDA's resources, and taking advantage of IDA's global role as a complement to its country focus.

- **Engage developing countries in setting replenishment commitments.** The far more transparent and consultative process planned for the IDA13 negotiations goes well beyond the measures taken in IDA12 and should help to set achievable IDA goals and improve implementation. Beyond the negotiations, IDA should consider how to engage its partners in monitoring and evaluating IDA13 performance and results.

- **Define commitments in terms of monitorable and achievable objectives, with realistic costing.** IDA's replenishment undertakings have tended to emphasize inputs and, too often, unrealistic output targets that do not take adequate account of the need for country ownership if reform efforts are to be sustained. It would be better for Replenishment Reports to focus on development goals and on the kinds of priority activities that IDA should support in advancing those goals, while accounting for IDA's comparative advantage and reflecting realistic costings of replenishment commitments. In addition, Replenishment Reports ought to agree on IDA performance indicators and on a process of progress reporting, recognizing that operating within CDF principles means moving even further away from directly measuring the link between IDA activities and country development outcomes to new ways of tracking IDA's performance in partnership with others.
Part I

The IDA Review and Its Context

The mission of IDA is to support efficient and effective programs to reduce poverty and improve the quality of life in its poorest member countries. To achieve this, the focus must be on: sustainability—to achieve enduring development impact with an environmentally sustainable framework; and equity—to remove barriers and open up opportunities for the disadvantaged.

—IDA12 Replenishment Report (p. iii)
Introduction

The International Development Association (IDA) is a unique instrument of development cooperation. Its establishment in 1960 marked an unprecedented commitment by the international community to improve global welfare. IDA has made substantial and distinctive contributions to growth and poverty reduction in low-income countries through concessional finance, global knowledge, and aid coordination services. The largest source of concessional finance to low-income countries, IDA has provided an average of $6.45 billion annually (in constant 1995 dollars) to some 77 eligible borrower countries through the 1990s.

The "development crusade" that gave rise to IDA has reached a new consensus in recent years focused on poverty reduction and stronger development partnerships. While IDA’s basic features—as a separately funded but integral component of the World Bank Group—have remained much the same, its support for country development has broadened in line with this evolving consensus and the changing circumstances confronting its borrowers.¹

Has IDA changed fast enough in recent years and in the right directions? Has it acted responsibly to implement its commitments? As a result, is it well equipped to assist its borrowers in an era of rapid technological change, borderless private investment, and an increasingly fragile natural environment? These questions underlie the mandate for this review as set out in the IDA12 replenishment agreement between IDA and its donors.²

**IDA10–12 Replenishment Undertakings**

Before IDA10, agreements between IDA and its donors focused largely on resource concerns (size of the replenishment, eligibility criteria for borrowers) and included general endorsement of IDA’s ongoing and planned activities. The extensive policy content of the IDA10–12 replenishment undertakings (IDA10, FY94–96; IDA11, FY97–99; and the first year of IDA12, FY00) makes this review of IDA’s compliance and effectiveness especially important (see box 1.1).³

The IDA10–12 agreements called for major program transformation to strengthen the poverty impact of IDA’s assistance. In broad terms, the IDA10–12 accords endorse poverty reduction
The IDA12 agreement called for "a review of the IDA program during the IDA10-11 period and an interim review of IDA12, including performance in implementing the recommendations of the Deputies set out in each of these Replenishment Reports."

The specific undertakings related to these broad instructions center on:

**Six program priorities, and**
- Poverty reduction
- Environmental sustainability
- Gender
- Governance
- Private sector development
- Social sector development

**Four processes:**
- Aid coordination
- Enhanced Country Assistance Strategy (CAS) design and implementation
- Participation
- Performance-based allocations.

These issues form the agenda of this assessment of IDA's compliance. Overall, they are highly relevant to the development challenges facing IDA borrowers. The comprehensive approach to poverty reduction and high-quality aid processes that they embody reflect accumulated lessons of development experience (see Dollar and Pritchett 2000; Kanbur and Sandler 1999; OED 1997a, 1998a, 1999a, 2000a; Tarp 2000). Individually, each of these areas of emphasis makes sense. Together, however, they have proved extraordinarily demanding for IDA and its borrowers.

**IDA's Role in a Changing Development Environment**

Through the 1990s, total official development assistance to IDA-eligible countries amounted to about 8 percent of their combined gross domestic product (GDP). Of that amount, IDA's portion accounted for some 14-18 percent. IDA's assistance, therefore, cannot determine the choices that governments make, although it can support and influence those choices. Nor can IDA alone be held accountable for country development outcomes. The performance of borrowers and other development partners, as well as changes in the global economic environment, all influence those outcomes. IDA can and should be held accountable, however, for how it deploys its resources in fulfilling its corporate commitments. (Did IDA do the right things, taking account of others?) It should also be held accountable for how effectively it shapes its assistance to meet borrowers' priorities and circumstances. (Did it do things right?) It is in these terms that this review examines IDA's efforts over the past seven years.

**Trends in development and aid.** The period covered by this review is very much a transitional one—in both country development and international aid. At the start of IDA10, many developing countries were plagued by slow or negative growth, major economic dislocations, and rising official debt. Internal conflicts were on the upswing, and the political liberalization that has come to mark the period was newly under way. Progress since then has not been broad or deep enough to significantly reduce poverty in most IDA countries. Although the share of the population living on less than a dollar a day declined during the 1990s, the number of poor people has remained roughly constant and inequality has worsened. But both
slow economic growth and conflict have been major contributing factors to these trends (see box 1.2 and Annex B for details on poverty, growth, and social trends). Governance problems and incomplete social and economic reforms have also been serious impediments. Behind these aggregate figures, however, stand a growing number of borrower countries that have improved their economic management, increased their rates of economic growth, and strengthened their social development with IDA’s help (see World Bank 2000d, 2001b for diversity within countries). Some have also begun to tackle governance and public sector reforms.

In parallel, the development community has reached a new consensus on aid policies and practices, including a sharper focus on poverty, partnership, and policy performance. The pace of improvement in aid practices remains slow, but there is evident movement in useful directions, reflecting the accumulated lessons of development experience (see box 1.3). These promising, though incomplete, transformations require the deepening and broadening of reforms by both donors and recipients.

This evolving development agenda has posed difficult challenges for countries with limited resources and institutional capacities. It is now widely acknowledged that external assistance, to be effectively implemented and sustained, needs to be directed to countries’ own strategies and programs for change. Building consensus, aligning resources in support of major social and economic reforms, and implementing complex reform programs are formidable tasks—even where government commitments to reform are clear.

A growing number of borrower countries have improved their economic management, increased their rates of economic growth, and strengthened their social development with IDA’s help.

An overview of IDA’s assistance. IDA has been at the forefront of much of the renewal and change in this period.

- Its financial assistance totaled $42.3 billion in the period. Assistance remained fairly constant through IDA10 and 11 and, after a drop in the first year of IDA12, is expected to increase.
- The bulk of that assistance went to the two Regions with the largest number of poor people: Sub-Saharan Africa, which received 38.3 percent of IDA commitments, and South Asia, which received 28.2 percent. (See box 1.4 for three country examples of IDA’s assistance.)
- IDA also provided assistance for the unprecedented challenges of countries in transition and devised new approaches for assisting countries emerging from conflict.
- Continuing a shift begun earlier in the decade, the largest share of IDA’s lending supported the efforts of countries to expand access to basic social services. Another substantial share went to infrastructure development and

### Box 1.2 Poverty, Growth, and Conflict

Some 1.2 billion people—one of every five—live on less than a dollar a day. The share of the population living on less than a dollar a day fell slowly in developing countries during the 1990s, from 29 percent in 1981 to 23 percent in 1998, while population growth held the number of poor people roughly constant. Social indicators improved more, particularly for health and education, but the aggregate gains are heavily influenced by rapid advances in China, which at the start of IDA10 accounted for a quarter of the world’s poor. (See Annex B for more detail on poverty and social indicators.)

Slow growth explains a large part of the weak poverty outcomes: poverty generally declined in countries whose economies grew rapidly and increased in those whose economies stagnated or contracted (Revallion 2000; World Bank 2001b). The overall decline in extreme poverty during the 1990s was driven by high rates of growth in countries with large numbers of poor people—although increasing inequality is now slowing the rate of poverty reduction in several countries.

Civil conflict, which afflicted 17 IDA countries in the 1990s, also explains part of the story. In Sub-Saharan Africa, for example, countries with better policy environments achieved average GDP gains of 5.2 percent during the 1990s, while countries experiencing civil strife or major political disruptions registered only 0.2 percent growth.
Box 1.3 Trends in Official Development Assistance

Flows of official development assistance (ODA grants and loans with a grant component of 25 percent or more) to IDA countries exhibited signs of fatigue through IDA10, declining from $50.0 billion in 1994 to $37.4 billion in 1997. A slight increase since then has brought ODA flows to $41.6 billion in 2000, still short of the decade’s earlier levels. In addition, key changes in aid programs over the past seven years have included:

- An increase in the share of aid going to poor countries with improved policy performance ratings (Collier and Dollar 1999)
- A more concentrated focus on poverty reduction as the objective of assistance programs
- More explicit attention to matters of governance in both aid allocations and programs
- Greater emphasis on country ownership of externally funded activities, and innovations in the provision of aid in support of country-led efforts
- Heightened attention to the still elusive objective of aid coordination
- New interest among the international development community in the provision of global public goods to advance the fight against poverty.

These changes—in combination with improving country policies—hold promise for improved development outcomes in the future. Still, greater strides are needed in both country economic and institutional reforms and aid coherence and coordination among assistance agencies.

As indicated in the recent articulation of international development goals and the linking of the enhanced debt reduction initiative with countries’ commitments to improved poverty reduction and social sector expenditures.

improved economic management—areas essential to sustainable growth (see Annex C for IDA commitments and disbursements by Region and sector).

- In support of its broadening development agenda, IDA introduced new lending instruments and program approaches to increase its responsiveness, flexibility, and attention to policy and institutional impediments in borrowing countries. It deepened its country focus by strengthening the role of Country Assistance Strategies (CASs), increasing the program and budget authority of country directors, and decentralizing staff to country offices. In addition, it has tightened the link between country policy and institutional performance and levels of lending.

- Three major new initiatives involving a central role for IDA—the enhanced Heavily Indebted Poor Country (HIPC) debt relief initiative, the Comprehensive Development Framework (CDF), and the Poverty Reduction Strategy Papers (PRSP)—reinforce the refocusing of the development agenda (see box 1.5).

**IDA’s performance.** Along with these transformations in IDA’s way of doing business has come a strong focus on improving the quality of IDA’s performance at the project, country, and sector levels. This emphasis has begun to show significant results in improving the performance of the lending portfolio (see figure 1.1). OED evaluations of completed projects exiting the portfolio in the first half of FY00 suggest that more than 75 percent of IDA projects can be rated satisfactory, reflecting improvements in IDA and borrower performance. Data from the Bank’s Quality Assurance Group (QAG) confirm improvements in the quality of the ongoing portfolio and a remarkable convergence in the quality of project preparation and supervision for IDA and IBRD countries.

These gains have been achieved even though projects are becoming increasingly complex and demanding. Over 85 percent of IDA projects evaluated since 1997 were substantially demanding for the borrower, and three-quarters were substantially complex. While this reflects, in part, the broader scope of the reforms countries are undertaking, projects that are too complex and demanding may overwhelm borrower capacity. More than one in three IDA projects show unsatisfactory borrower implementation, including nearly half of the projects in Africa. Further progress will require increased capacity building and further adaptation of assistance to borrower circumstances (OEDa).
Box 1.4  Country Examples of IDA’s Assistance

Mozambique, which became a member of the World Bank in 1984, emerged from conflict in 1992 and has since made significant and accelerating advances in implementing market-based economic policies, boasting one of the strongest privatization programs in Africa. Following a period of post-conflict assistance, IDA’s current portfolio comprises 16 projects estimated at $737.3 million in commitments. Recent projects include a fast-track Flood Emergency Recovery operation, Railway and Port Rostructuring, and efforts to support the government’s HIV/AIDS plan. Poverty reduction is the overall goal for the government and IDA in the country. The 2000 CAS, which supports the government’s Five-Year Strategy and the Interim Poverty Reduction Strategy Paper (IPRSP), focuses on three core objectives: (1) increasing economic opportunities, (2) improving governance and empowerment, and (3) improving human capabilities. Donor assistance plays a vital role in supporting the country’s economy and accounts for approximately $600 million per year—more than 15 percent of GDP. A Consultative Group (CG), for which IDA is chair, is the main coordinating mechanism for donor activities. IDA is a partner in sector-wide programs (which involve an agreed sector program and coordinated funding among donors) for health, education, transportation, and agriculture.

Bangladesh joined the World Bank in 1972. IDA has financed more than 182 operations in the country, with loans totaling more than $9.4 billion. IDA’s active lending portfolio for Bangladesh includes 26 projects, valued at roughly $2.6 billion. A long-standing population program has substantially contributed to increases in family planning. Strong support in promotion of girls’ education has helped to boost secondary school enrollment rates. Effective cooperation with the government, IDA, the African Development Bank (AfDB), and the Japanese Overseas Economic Cooperation Fund has funded the Jamuna Bridge, which connects the north and south of the country. Efforts to build effective institutions underpin the current strategy and core objectives and include (a) improving macroeconomic management; (b) promoting private sector-led growth; (c) reforming public sector management; (d) accelerating agricultural growth and rural development; and (e) promoting faster human development. IDA plays a key coordinating role by chairing the annual CG meeting, with local CGs focused on specific sectors meeting periodically throughout the year. IDA also supports a sector-wide approach (SWAp) in health that has increased access to health services, and donors are now working together with the government to improve the quality of health services in the country. IDA’s lending levels in Bangladesh have been constrained in recent years due to absorptive capacity constraints, slow progress on structural reforms, and problems of governance and weak institutions.

Ghana joined the World Bank in 1957 and IDA has since financed some 94 operations in the country, accounting for more than $3.5 billion in lending. The active lending portfolio of 23 projects is one of the largest in Africa. Recent operations have included a second Economic Reform Support Operation and Adaptable Program Loans (APLs) for Community Water Supplies, Urban Development, and Agricultural Services. IDA’s current CAS is supportive of Ghana Vision 2020, the national strategy for reducing hard-core poverty and achieving broad-based economic development. The CAS has two parts: Part I, which sets out the government’s poverty reduction strategy, and Part II, which presents IDA’s business strategy. External assistance included some $1.7 billion in commitments for 2000–01. The government has been strongly involved in aid coordination, and Ghana is credited with being one of the two Comprehensive Development Framework (CDF) pilot countries that have made the most overall progress in fostering country-led, long-term development partnerships. The widely regarded, ongoing health SWAp currently involves 17 donors and is characterized by strong government ownership.

There is also some improvement in the sustainability (resiliency to risk) and institutional development impact (the contribution of the project to capacity building) of completed projects. The share of IDA projects that substantially met their institutional development objectives rose from less than 30 percent of projects during IDA9 and IDA10 to 35 percent since the beginning of IDA11. Projects judged likely to be sustained have increased to nearly half, up from a third during IDA9. But long-standing problems with sustainability and institutional development continue to limit impact, more for IDA than for IBRD projects. (See Annex D for detailed information on portfolio ratings of completed and ongoing projects.)

Project-level performance is an important indicator of IDA’s contribution to country development efforts, but it tells only part of the story. In recent years, IDA has significantly shifted its focus from individual projects to the “higher plane” of country programs. Evaluation and research results suggest that the two most important determinants of country program outcomes are the level of borrower commitment to the objectives laid out in the CAS and the extent to which the specific components of the strategy, instrument mix, and the efficacy of country...
Box 1.5 Three Key Initiatives of the Late 1990s

The Heavily Indebted Poor Country Initiative:
The HIPC debt relief initiative was proposed by the World Bank and IMF and endorsed by 180 governments in the fall of 1996. It was the first comprehensive international effort to reduce the external debt—including multilateral debt—of the world’s poorest and most indebted countries. A major review in 1999 produced an enhanced HIPC initiative that is “deeper, broader, and faster” than the original framework. As of February 2001, 22 countries had reached their decision point under the enhanced HIPC and are now receiving debt service that will amount to about $34 billion over time, or a reduction of $20 billion in net present value of their outstanding debt. In the long run, the policy implications of the HIPC initiative, which includes placing debt relief within the overall framework of poverty reduction and improving the policy dialogue between the poorest countries and their multilateral creditors, may be as important as the initiative’s immediate fiscal impacts.

Comprehensive Development Framework:
Introduced by World Bank President James Wolfensohn in January 1999, the CDF is a holistic approach to development, which aims to balance macroeconomic concerns with social and structural development requirements. The CDF is anchored in four interconnected principles that guide development assistance on the country level: a long-term holistic vision and strategy; enhanced country ownership of development goals and action; more strategic partnership among stakeholders; and accountability for development results. The CDF approach relies on country leadership, with development partners working selectively according to comparative advantage. Since March 1999, the CDF approach has been piloted in the West Bank and Gaza and in the following 11 countries: Bolivia, Côte d’Ivoire, the Dominican Republic, Eritrea, Ethiopia, Ghana, the Kyrgyz Republic, Morocco, Romania, Uganda, and Vietnam. The September 2000 progress report found that 9 of the CDF pilot countries demonstrate good progress in determining a long-term vision and strategy, though overall progress in fostering the development partnership envisioned by the CDF varies by country. The Bank’s current Strategic Framework puts the CDF at the center of the institution’s strategic orientation for the coming years.

Poverty Reduction Strategy Papers (PRSPs) Program:
In September 1999, the Development and Interim Committees of the World Bank and the IMF endorsed PRSPs as the new framework for Bank and Fund efforts to achieve sustainable poverty reduction (World Bank 2001c). PRSPs have become the basis for concessional lending from the World Bank and the IMF and for debt relief under the enhanced HIPC; they are a key mechanism for improving the policy performance of the poorest countries through an emphasis on clearly defined, monitorable objectives. Built on the four CDF principles, PRSPs are to be country-owned and grounded in participatory processes and should serve as the framework for other donor assistance. The PRSP benefits from strong coordination between the Bank and the Fund (with the Bank taking the lead on the social and structural framework and the Fund leading on the macroeconomic framework) that includes oversight from a Joint Implementation Committee and joint assessments of PRSPs by staff from both organizations.

program implementation, including partnerships, are adapted to country circumstances.⁹

On a Bank-wide basis, country program outcomes are not strongly associated with country income. Moreover, it appears that with skillful strategy design and effective Bank and partner performance, a country strategy can be relevant and a country program outcome can be satisfactory even in countries with weak policies or inadequate institutions. What is important, in addition to a government’s commitment to reform and capacity development, is the extent to which IDA’s assistance strategy, projects, processes, and partnerships are judiciously adapted to the country setting.

More specifically, as reported in the OED Annual Review of Development Effectiveness 2000, reviews of completed OED Country Assistance Evaluations (CAEs) identify several key determinants linking country-level program outcome with IDA performance:
- **Diagnosis.** IDA’s diagnosis of major development issues and constraints—what needs to be done—is generally good, but the quality of diagnoses varies by issue and sector. Analysis of macroeconomic issues and constraints is usually strong, but links between stabilization and growth are not always articulated; and the overall impact of Public Expenditure Reviews (PERs) and Poverty Assessments (PAs) is strongly correlated with their quality, which has been highly varied in the past, although improving in recent years.
- **Focus on poverty.** As discussed earlier, IDA has sharpened the poverty orientation of its coun-
Improvements in Project Outcomes, Institutional Development, and Sustainability in IDA/Blend Countries

Introduction

Figure 1.1: Institutional Development, and Sustainability in IDA/Blend Countries

<table>
<thead>
<tr>
<th>Percentage</th>
<th>ID Impact (% substantial)</th>
<th>Sustainability (% likely)</th>
<th>Outcome (% satisfactory)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA9 (1991-93)</td>
<td>30</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>IDA10 (1994-96)</td>
<td>40</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>IDA11+ (1997-00)</td>
<td>50</td>
<td>60</td>
<td>40</td>
</tr>
</tbody>
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IDA Replenishment Periods

Country programs. Economic growth, a necessary but not sufficient condition for poverty reduction, is at the center of nearly all country strategies, as is the provision of basic social services. However, OED analysis and Bank policy research suggest that equity affects the poverty impact of growth and that safety nets and empowerment of the poor deserve increased attention. More needs to be done to integrate broad-based poverty reduction strategies into macroeconomic and sector strategies and interventions. Also, inadequate attention by IDA and other donors to poverty monitoring and evaluation (M&E) has meant that significant knowledge gaps persist regarding linkages between policies and programs commonly supported by IDA and poverty outcomes.

- **Balancing corporate and country priorities.** IDA has improved its client focus. But client ownership does not eliminate divergences between IDA and country priorities, nor conflicting views on “right” policies. OED evaluations have identified inadequate borrower commitment as the most important reason for poor policy or program implementation and have emphasized the level of country consensus about reform as critical to IDA program outcomes. CAEs have pointed to numerous past examples of lending to promote reforms, either through adjustment or investment lending, before enough consensus has emerged, thus incurring avoidable development risks.

- **Assessing ownership.** IDA and governments may agree on broad objectives, but may disagree on the measures and timetables to achieve them. Concrete actions and track records are better indicators of ownership than statements of intent. Instruments for assessing ownership are coming into wider use (and lending instruments evolving to better calibrate with their findings), but such assessments are still not systematically mainstreamed into project and program preparation.

- **Diagnosing institutional development.** IDA’s contribution to institutional development at the country level has been modest, reflecting the inherent difficulties of institutional change and capacity building. IDA’s diagnosis of institutional, political, and governance constraints has traditionally been weaker than its economic and technical diagnoses. Improvements have recently begun to show at the
country level, but further progress is needed to articulate comprehensive institutional and governance strategies.

- **Estimating capabilities.** Several CAEs found patterns of over-optimism in IDA’s estimates of the receptivity of borrower governments to IDA’s advice, their willingness to undertake difficult reforms, and their capacity to implement reform measures. In particular, programs have often underestimated the political difficulties and obstacles to rapid change of long-term socioeconomic systems, especially in transition countries.

- **Being selective.** At the country level, selectivity requires identifying interventions that are consistent with IDA’s comparative advantage relative to its partners. CAE reviews and the Bank’s two recent CAS retrospectives suggest that IDA is getting better at establishing priorities for country programs, but still has room for improvement. Justifying IDA’s presence in many sectors by its convening role and capacity for policy analysis may underestimate the capacity of other actors to take the lead in program interventions, or fail to take into account the need to use IDA administrative resources selectively to achieve results.

The remainder of this report focuses on IDA’s performance in the aggregate on its sector and thematic replenishment undertakings, as well as on related process reforms. It draws on a wide range of OED country and sector evaluations and other sources to do this.

**IDA has made major strides in recasting its mission—to make poverty reduction its overarching objective.**

Overall, IDA has made major strides in recasting its mission—to make poverty reduction its overarching objective—and in redirecting its operations in line with its relevant but highly ambitious replenishment commitments. Implementation of those commitments has been, on the whole, satisfactory, with momentum having increased in IDA11. IDA has done much to sharpen the poverty focus of its analytical work, policy dialogue, and lending. It has helped countries lay foundations for renewed growth and accelerated poverty reduction through improved economic management and increased investments in basic social services. In recent years it has also brought governance to the fore as a critical development issue. Compliance remains uneven, however, across and within areas of program and process emphasis, with limited progress in integrating PSD, gender, and environmental sustainability into country assistance programs.

Assessed against its ambitious goals, the development outcomes of IDA’s programs have been partially satisfactory. Although IDA has done well in helping countries to lay foundations for economic growth and poverty reduction, the record of IDA countries in sustaining growth at high enough levels, over long enough periods, and by measures adequate to benefit the poor is mixed. This reflects a host of non-IDA influences on development outcomes, including regional conflicts, weak domestic capacities, mixed policy performance, variable aid policies, and exogenous shocks. This said, IDA’s own performance, while having significantly improved over the review period, could be enhanced still further and contribute even more positively to development outcomes. It needs to clarify corporate objectives and accountabilities for implementing them, especially in some key, crosscutting areas. It needs still greater selectivity in resource use among countries and better prioritization of actions linked to poverty reduction within countries. Some familiar implementation challenges persist as well, especially in the area of institutional development, and the alignment of resources to program priorities remains incomplete.

**Reviewing IDA’s Performance**

This is the first independent report on the IDA program. Previous reports have been prepared by IDA management and have provided important background information for this review. The methods used by the OED review are described in Annex G.

**Questions.** In evaluating IDA’s performance, this review asks four main questions:
Introduction

How has IDA responded to the recommendations set out in the IDA10–12 Replenishment Reports? Have these responses advanced core objectives at the country level, especially the overarching objective of poverty reduction? Which factors have contributed to IDA’s performance and which have constrained it? What lessons can be drawn from the experience of recent years in the major areas of emphasis?

Challenges. These questions present several challenges. First, since neither the Replenishment Reports nor follow-on instructions from management provided specific compliance benchmarks, the review addresses whether IDA’s actions were consistent with the letter and the spirit of the recommendations. It looks at how well IDA acted and institutionalized changes in its processes and programs. For example, on the commitment to making poverty the overarching objective, the review examines what IDA has done to sharpen the poverty focus of its analytical work and lending and to link other program objectives, such as PSD and environmental sustainability, to that goal. The review assesses whether IDA has made its processes (such as resource allocations) more poverty focused. Because of the proliferation of instructions and the absence of benchmarks, however, it has been difficult for IDA to be consistent and persuasive about its pursuit of objectives. Future replenishment undertakings would benefit from greater clarity and selectivity, as well as from more specificity in management’s implementation instructions.

Second, compliance is not the same as effectiveness. IDA’s performance on the replenishment recommendations (stated largely as inputs and outputs rather than outcomes) is not necessarily a good measure of its development effectiveness. Because of the review’s time frame (FY94–00), the bulk of actions being assessed are still under way, and their effects will continue over the medium to long term. The review, therefore, examines IDA’s development effectiveness largely in terms of the quality of its underlying analysis, the coherence of its program at the sectoral (or thematic) and country levels, the fit of lending and nonlending services to country circumstances, the strategic selectivity of resource allocations and choice of instruments, and, as far as possible, the impact on country policies, institutions, and actions. The limited information on outcomes and results of IDA’s actions (even for a longer period than that covered by this review) underscores the need for M&E at the project, country, and corporate levels and a more results-oriented set of IDA commitments.

Third, many factors bear on outcomes in a country context, making attribution difficult. It also considered the influence of both internal factors (such as institutional practices, accountability structures, and alignment of resources with program priorities) and external events. Where progress has been less than expected, the review looked at whether strategy, implementation, or a combination of the two contributed to the shortfall.

Approach. This review is based on major background studies of each of the 10 program areas and process reforms emphasized in the IDA10–12 Replenishment Reports. It also draws on the findings from in-country consultations (with representatives of government, civil society, the private sector, and other assistance agencies) in nine “focus” countries; two international workshops that included experts from borrower and donor countries; and wide-ranging interviews with Bank management and staff. The background studies and this report are based on desk reviews of Bank documents, databases, studies, and evaluations; staff surveys; and country and international consultations. When evidence was available, the review used a results-based analysis to trace IDA inputs (policies, alignment of resources), outputs (volume and composition of lending and nonlending services), and reach (stakeholder participation, coordination with other donors) to outcomes and results. It analyzed the quality of IDA’s lending and nonlending services in terms of their relevance and fit, as well as evidence of outcome performance of ongoing and closed projects. Also, using the focus country consultations and OED CAEs, the review examined IDA’s
performance, taking account of its partners' performance.

In the following four sections, this evaluation examines how well IDA has performed in implementing its IDA10–12 replenishment commitments within the context of changing global development and aid trends, and how well IDA has integrated its program priorities with its corporate policies and country assistance programs (Part II). It looks at how well IDA has institutionalized the recommended process reforms to improve its overall effectiveness (Part III). The record reflects not only changing country circumstances, but also IDA's management of its institutional capacities—its operational policies and procedures, instruments, and budget resources (Part IV) and the consistency and realism of the replenishment mandates themselves (Part IV).

The report concludes with suggestions for ways to improve the alignment of future mandates, institutional capacities, and program design and implementation to advance IDA's contribution to the overarching goal of poverty reduction. The report was presented to the Board of Executive Directors on May 29, 2001. A summary of the discussion at that meeting is attached as Annex H. The Bank's management response to the findings of the review is attached as Annex I.