Précis

OED

23001

WORLD BANK OPERATIONS EVALUATION DEPARTMENT AUTUMN 1999 NUMBER 197

Toward a Comprehensive Development Strategy

THE OVERALL PERFORMANCE OF WORLD BANK operations has improved over the 1990s, despite major increases in project demandingness and complexity and a challenging global environment, according to OED's *1999 Annual Review of Development Effectiveness* (ARDE). However, the review warns that further gains may be more difficult to obtain: growth prospects have dimmed for developing countries. The 1999 ARDE examines development experience through the lens of the Comprehensive Development Framework (CDF), a strategy launched by the President of the World Bank to respond to the challenge of poverty reduction.

The Global Poverty Challenge

Changes in the global environment have profoundly altered the context of Bank operations. Despite the rich potential benefits offered by globalization and technological change, world poverty has worsened and growth prospects for developing countries have diminished. Per capita incomes fell during 1985–95, by 1.4 percent a year in low-income countries (excluding China and India) and by 0.7 percent a year in middle-income countries. Inequality and instability have increased. Aid flows have stagnated, even as new demands for resources have risen. And governments of developed and developing countries alike, as well as the public at large, have become increasingly concerned about development effectiveness.

Performance Trends

Bank project evaluations (see box 1) have shown improvements over the past decade, a time of rising project demandingness and complexity—a considerable achievement. Adjustment lending has delivered a particularly high share of satisfactory outcomes. But there has been a recent plateauing of performance: 72 percent of evaluated projects exiting the Bank's portfolio in FY98–99 show satisfactory outcomes, short of the goal of 75 percent, while fewer than half appear likely to sustain their benefits.

As the complexity of projects has risen, borrower implementation performance—a key determinant of project success—has been stagnant. In addition, the operating environment is becoming

Box 1: Evaluation Parameters

OED EVALUATORS ASSESS PROJECT RESULTS along three dimensions:

1. ***Outcome*** at the time of evaluation. Outcome refers to the extent to which a project achieved its major objectives in a cost-efficient way. An evaluator's judgement about outcome essentially boils down to answering the question: Did the project achieve satisfactory development results, considering the importance and relevance of its major stated objectives and the associated costs and benefits? The outcome rating takes into account relevance (to check whether the project's objectives were consistent with the country's development strategy), efficacy (to examine whether the operation achieved its stated goals), and efficiency (to assess results relative to inputs by costs, implementation times, and economic and financial returns). It is rated on a six-point ordinal scale: highly satisfactory, satisfactory, marginally satisfactory, marginally unsatisfactory, unsatisfactory, and highly unsatisfactory.

2. ***Sustainability*** of benefits into the future. Sustainability is the likelihood, at the time of evaluation, that a project will maintain its results in the future.

3. ***Impact on institutional development.*** Institutional development is defined as an improvement in the ability of an agency or country to make effective use of human and financial resources and to efficiently organize economic and social activities.

riskier, and the Bank is being called on to deal with increasingly complex development problems. Historic highs are being registered for project riskiness, demandingness, and complexity (see figure 1).

A recurrent theme of OED reports is: *institutions matter*. The evaluation results detailed in the 1999 ARDE emphasize their pivotal role. Ratings for impact on institutional development and sustainability of project benefits, while improving, are still too low. Impact on institutional development is strongest for projects that advance the regulatory framework, streamline public sector involvement, and improve the enabling environment for the private sector. Because of the volatile external environment, project sustainability remains a major concern. Any future increases in project complexity must be matched with improvements in borrower capacity and vigilant quality assurance.

The Comprehensive Development Framework

The Comprehensive Development Framework (CDF) pulls together the major themes underlying a crystallizing consensus of the development community. The basic elements are not new—what is new is their joint articulation as a guide to development assistance. The framework emphasizes four principles:

- *Holistic, long-term solutions.* Development constraints are structural and social and cannot be overcome through economic stabilization and policy adjustment alone.
- *Domestic ownership of reform.* Policy reform and institutional development cannot be imported, or imposed, from outside. In formulating and implementing reform, the country must be in the driver's seat, with civil society and the private sector involved, or reform cannot be sustained.

Figure 1: Demandingness, Complexity, Riskiness, and Outcome

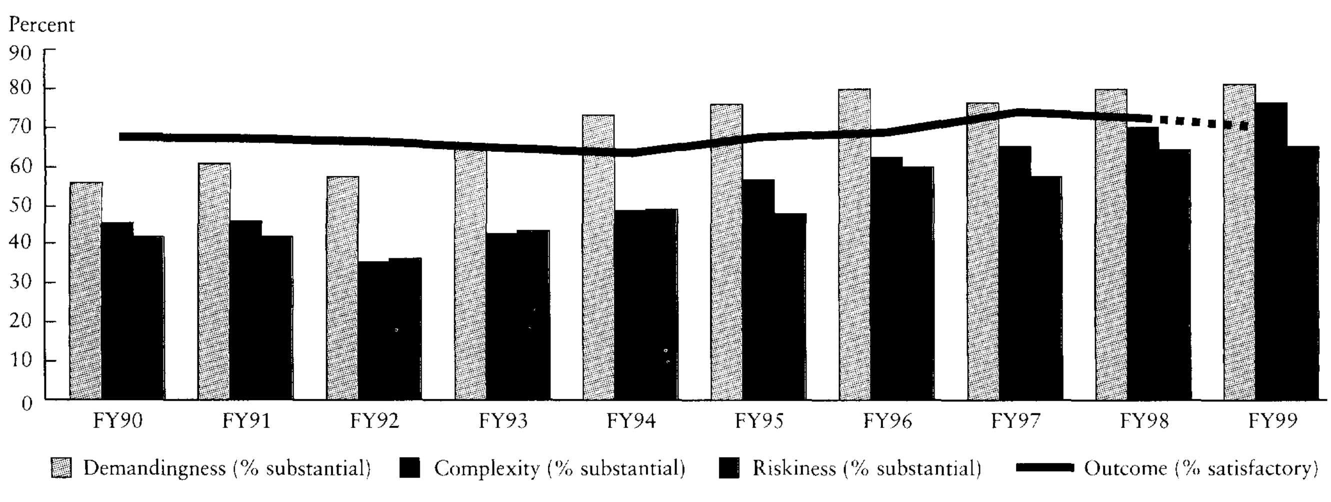

Table 1: Three Development Paradigms

Planning	Adjustment	Comprehensive Development Framework
▪ Pervasive market failures ▪ Government-led development	▪ Pervasive government failures ▪ Market-led development	▪ Situation-dependent failures ▪ Country-led development through partnerships
▪ Centrally driven; detailed blueprints	▪ Short-term adjustments	▪ Long-term vision, social transformation, adaptive learning process
▪ Investment-led development ▪ Resource allocation by administrative fiat	▪ Incentive-led development ▪ Investments and institutions follow it	▪ Investment, incentives, and institutions considered jointly
▪ Planners and engineers dominant	▪ Economists and financial experts dominant	▪ Multidisciplinary approach
▪ Industrialization with import substitution	▪ Liberalization and privatization	▪ Liberalization, regulation, and industrial policy to match state capability
▪ Donors fill resource gap	▪ Donors determine resource envelope	▪ Country drives aid coordination based on comparative advantages
▪ Donors place foreign experts	▪ Donors impose policies	▪ Donors provide advisory assistance to empower stakeholders with options
▪ Marginal role for monitoring and evaluation	▪ Donor-driven monitoring of policy implementation	▪ Participatory monitoring and evaluation to enhance learning and adaptation

- *Partnership.* Donors and multilateral organizations must harmonize their programs and practices, concentrate on areas of comparative advantage, and work with country partners in a framework of mutual accountability.
- *A results orientation.* Development activities, measured as progress toward equitable and sustainable growth, must be judged by results.

Although it is too early to evaluate CDF efforts thus far—it is just now in the pilot stage in 13 countries—its principles can be used to bring development experience into focus, with a view to gaining insights that will support continuing CDF implementation.

Results, Learning, and Accountability

International development institutions have long been focused on inputs, supply-driven technical assistance, and financial commitments and disbursements. In the era of "planning," blueprint plans were often imported by donors and imposed by central governments (see table 1). In the era of "adjustment," the Bank often ignored local knowledge and expertise and was assumed to have all the answers—its only problem was selling those answers to its clients.

In the framework of comprehensive development, the Bank should no longer see itself as a storehouse of universally applicable knowledge just awaiting withdrawal. Instead, the Bank—and the overall development community—has increasingly realized that client empowerment and joint learning are the keys to effective development. Development results, not plans, should be the touchstone of quality management. Greater accountability for results will respond to citizens' demands for transparent, accountable development in both the donor and the borrower countries.

Evaluation evidence confirms the desirability of a comprehensive approach to development. As last year's ARDE demonstrated, sound economic management, while necessary, does not suffice. Poverty reduction depends on sustained, broad-based growth. And for that, *institutions* assume a central role. Weak economic governance and unsound financial institutions can derail even the most sophisticated approach to economic management.

A country's ownership of reform must be nurtured: externally imposed conditionality does not ensure a country's commitment to reform. A participatory approach improves outcomes: projects prepared by outsiders, without involving all stakeholders and beneficiaries, tend to fail.

A Dynamic Balance

The challenges of the new framework arise from tensions between current incentives and capacity constraints within developing countries and the development assistance system. Basic dilemmas are imbedded within the principles of the CDF. As countries and external partners confront these issues, and differ about how to tackle tough challenges and which tradeoffs to make, critical tensions must be managed, and balance achieved.

Short term versus long term. The long-term view, so critical for institutional development and the structural dimensions of reform, has often been missing from the Bank's work. The project approach has encouraged adoption of relatively short time horizons. Failure to take the long view has led to costly failures in civil service reform, financial deregulation, and privatization in transition economies. Having failed to establish the underpinnings of capitalism, rushed mass privatization led to corrupt sales, failure to restructure insider-dominated firms, and unregulated actions by investment funds.

Comprehensiveness versus selectivity. The Bank's expanding agenda has increased the complexity of its work, and selectivity has not always been exercised. Yet evaluation findings highlight the risk of excessive complexity, especially when it is built into the design without regard for domestic capacity or ownership. Sector-bound aid agencies, government ministries, and other organizations have found the thematic, cross-sectoral, and structural dimensions of reform particularly challenging. For example, it took decades of external pressure and top management leadership to bring environmental considerations into the Bank's operations. Projects that involve several implementing agencies or cross-sectoral assets have tended to perform poorly. The challenges of managing multisectoral, multiagency programs are compounded by weak incentives and mechanisms for intersectoral coordination and by inappropriate competition among oversight agencies.

Moving quickly versus building broad-based ownership. OED evaluations show that ownership is difficult to achieve in sectors with a broad array of stakeholders (such as health and education), thematic and structural concerns (such as environment and rural development), and civil service reform. Partners may have different views about the roles of the state, the private sector, and civil society. Full agreement among partners may delay reform and hinder capacity building if social cohesion is missing.

Ownership versus conditionality. How should the apparent tension between country ownership and donor interest in performance (often enforced through conditionality) be resolved? Conditionality is widely viewed as an attempt to impose needed reforms and blueprint solutions on clients. Yet ownership is essential to sustainable reform. New forms of conditionality—reflecting CDF principles—should be instituted.

Partnership versus country capacity and ownership. Countries in need of partnership often lack the capacity to coordinate aid. Governments, civil society, the private sector, and external donors may have differing agendas, and a gradual approach to consensus building will be needed. The larger and more diverse the partners, the higher the transaction costs, and the greater the difficulty of combining ownership and partnership.

Country-led partnership versus country and donor accountability. The performance of most developing countries in monitoring and evaluation has been weak. Yet the international development goals, the recent attention to governance, and the move to programmatic lending reinforce the need for results-based management and stronger evaluation capacities and local accountability systems. How should the move toward country-led partnership—including aid coordination—be reconciled with the demand for greater accountability and currently poor track records?

Country-based programs versus global public goods. Development assistance efforts and approaches are focused at the project and country levels. With globalization, development problems require supranational, multilateral solutions and stronger links between national strategies and international policies and programs. How can comprehensive development acquire a cross-country dimension so that international public goods programs can complement national efforts?

Promising Approaches

Practicing the new framework and its principles is demanding—for countries, for the Bank, and for the rest of the development community. Managing the accompanying tensions will require innovation and learning. The following approaches are offered to spur the process.

Adopt a learning process approach. An adaptive process combines top-down direction with bottom-up experimentation and learning. This shifts the emphasis from up-front analysis and detailed design to developing flexible solutions, building local capacity, and relying on social processes and monitoring systems to adapt and learn during implementation.

Combine comprehensive analysis with selective strategic actions. The Sustainable Livelihood Approach adopted by CARE, the U.K. Department of International Development, and the United Nations Development Program, for example, provided an analytical structure to guide the understanding of factors influencing poverty and to identify appropriate people-centered development interventions.

Follow learning and innovation pilots with adaptable program loans. This may be useful to support priority goals, especially in sectors where flexibility is critical. But moving prematurely from projects to full-scale sector approaches is risky. Capacity building efforts should accompany the process of gradually scaling up, and scaling up should be preceded by a careful assessment of the capacities and commitment of all parties involved.

Reconcile conditionality with country ownership. Analysis of country reforms over a long period and high-impact adjustment lending in Africa confirms that conditionality is best managed as a flexible, noncoercive policy compact adapted to different stages of reform.

Exercise strategic selectivity and invest in partnership. Partnership requires the Bank to support country leadership and to engage its development assistance partners in promoting selectivity, coordinating interventions, and harmonizing procedures. Because partnerships imply up-front investments, they must be effectively selected, monitored, and managed if transaction costs to donors and countries are to decline over time.

Take the time to broaden ownership. Broadening ownership across many stakeholders with diverse interests and capabilities requires time and the early mobilization of poor communities. It implies the systematic use of participatory processes, informing and giving voice to the weak partners, and creating an enabling environment for scaling up and institutionalizing participation.

Adopt new leadership roles. In moving toward development partnership, the Bank's main roles will be to support country leadership, and the capacity building needed to exercise that leadership, and to engage with development assistance partners to promote country ownership of reform, commitment to local capacity building, and harmonization of procedures.

Top-down approaches should be used to generate national consensus, to provide strategic direction, to facilitate coordination, to provide frameworks and tools for local initiatives, to share experience of local successes, and to mobilize national resources and build capabilities for scaling up. Bottom-up approaches should be used to tackle the specifics of poverty, to promote innovation, and to generate new models and ingredients for future strategies.

In knowledge management, the Bank's focus has been on internal organization and systems, to share Bank knowledge. Bank attention should be extended to helping clients build their own capacity and infrastructure, so they can access and manage global and local knowledge. The Bank will also need new skills, especially in promoting participatory processes, building partnerships, developing institutions, and sharing knowledge and learning services.

Implications for Development Effectiveness

The results orientation of the CDF reflects hard-won lessons of Bank lending. Several principles stand out:

- Managing complexity requires new forms of partnership that facilitate strategic selectivity in line with comparative advantage. Institutional development is the linchpin of comprehensive development.
- The CDF is a compass, not a blueprint. Its effective management depends on enhanced capacity for learning and adaptation and accurate tracking of progress toward development goals.
- Results-based approaches should be designed up front; that is, programs should be *evaluable.* With a clear focus on poverty reduction and growth, the tracking of development outcomes should comply with the agenda agreed to with development partners.
- As development efforts move to a higher plane, so should evaluation. It is imperative to build country evaluation capacity in the context of public sector reform.
- Evaluation should also be participatory, with donors and governments working together to connect M&E systems with civil society (see box 2). A global perspective also calls for greater harmonization of evaluation across development agencies.
- The growing interdependence of the world's economies calls for evaluating country-based development programs from a global perspective, taking account of international development goals.
- Globalization, development effectiveness, and pursuit of CDF principles calls for a new development architecture. The new architecture will involve all stakeholders in the development process and improve partnership at both the global and country levels.

Box 2: The Sustainable Penang Initiative

IN LATE 1997, THE MALAYSIAN STATE OF Penang initiated the Sustainable Penang Initiative, with support from the Canadian International Development Agency, UNDP, and the U.N. Economic and Social Commission for Asia and the Pacific. The initiative is a long-term pilot response to community concerns about the costs of Penang's rapid development: the sustainability of growth; its environmental impact and the consequences for health; the distribution of gains from development; the impact of growth on Penang's values, traditions, and heritage; and the extent to which citizens feel they have a voice in the changes affecting their neighborhoods.

The initiative was designed as a pilot project for community indicators. State assembly members, state government officials, business representatives, NGOs, community-based organizations, academics, and concerned individuals organized into five roundtable groups of 50 people each. The groups focused on the economy, environment, social justice, culture, and popular participation.

During one- and two-day facilitated discussions, each group prepared vision statements and made a list of key performance indicators for its topic. The groups chose indicators based on their rigor, relevance, and availability. In community health care, for example, indicators included cancer rates, infant mortality, quality of health care, levels of patient satisfaction, and the ratio of health care facilities and professionals to the population. The groups used data to identify trends and implications for the sustainability of development, and their relationship to other indicators or issues.

In late 1998, the roundtable findings were published in the first *People's Report on Penang*, and reviewed by the state assembly. The intention is that the roundtable groups will reconvene each year to review improvements and identify problem areas.

The initiative appears to have been successful in generating stakeholder ownership of evaluation, showing that results-based management is possible at the community level. The initiative also proves the potential for achieving a collaborative partnership approach among diverse groups and interests.

► This *Précis* is based on *The Annual Review of Development Effectiveness: Toward a Comprehensive Development Strategy (ARDE)*, by Nagy Hanna, Report No. 19905, November 19, 1999. Available to Bank Executive Directors and staff from the Internal Documents Unit and from regional information service centers, and to the public from the World Bank InfoShop. www.worldbank.org/html/oed

OED Publications

Recent OED Précis

196 Evaluation and the Development Challenge
195 Poverty Assessment: Maximizing Impact
194 Involuntary Resettlement: The Large Dam Experience
193 Partnership for Education in Jordan
192 Reforming Bolivia's Power Sector
191 Bangladesh: Progress Through Partnership
190 Transport in Indonesia
189 Health Care in Brazil: Addressing Complexity
188 Health Care in Mali: Building on Community Involvement
187 Health Care in India: Learning from Experience
186 Global Health: Meeting the Challenge
185 Aid Coordination and Post-Conflict Reconstruction: The West Bank and Gaza Experience
184 Land Administration and Rural Development: Two Cases from Thailand
183 Monitoring and Evaluation Capacity Development in Africa
182 Sub-Saharan Africa: Lessons from Four Sectors
181 Grassroots Pastoral Organizations in Mauritania
180 Capacity Building in the Agricultural Sector in Africa
179 Yemen: Forging a New Consensus (available in Arabic)
178 Municipal Development Projects: Building Institutions and Financing Local Development
177 Nongovernmental Organizations in World Bank–Supported Projects
176 Meeting the Health Care Challenge in Zimbabwe
175 Development Effectiveness, 1998: Opportunities in a Volatile Environment
174 Disaster Assistance
173 Support for Smaller Enterprises

Précis aussi disponible en français
@ http://www.worldbank.org/html/oed

Précis en español tambien disponible
@ http://www.worldbank.org/html/oed

OED Study Series

1999 Annual Review of Development Effectiveness

Developing Towns and Cities: Lessons from Brazil and the Philippines

Evaluation and Development: The Institutional Dimension (Transaction Publishers)

Financial Sector Reform: A Review of World Bank Assistance

India: The Dairy Revolution

Investing in Health: Development Effectiveness in the Health, Nutrition, and Population Sector

Nongovernmental Organizations in World Bank–Supported Projects

The World Bank's Experience with Post-Conflict Reconstruction

OED Multilingual Series

Assessing Development Effectiveness: Evaluation in the World Bank and the International Finance Corporation

Appréciation de l'efficacité du développement: L'évaluation à la Banque mondiale et à la Société financière internationale

Determinar la eficacia de las actividades de desarrollo: La evaluación en el Banco Mundial y la Corporación Financiera Internacional

Côte d'Ivoire Revue de l'aide de la Banque mondiale au pays

Philippines: From Crisis to Opportunity

Filipinas: Crisis y oportunidades

Rebuilding the Mozambique Economy: Assessment of a Development Partnership

Reconstruir a Economia de Moçambique

Précis

OED PARTNERSHIPS AND KNOWLEDGE GROUP

Editor-in-Chief: Elizabeth Campbell-Pagé
Series Editor: Caroline McEuen
Graphic Design: Kathy Strauss, Lunn Lestina
Assistant: Juicy Qureishi-Huq

PRÉCIS ORDER FORM

► *Précis* are available at no charge by contacting the OED Help Desk: tel: 1-202/458-4497, or fax the form below to: 1-202/522-3125. You can also e-mail your request to: **eline@worldbank.org**

► Mail this form to:
Précis-OEDPK, World Bank
1818 H St.
Washington, D.C. 20433, USA
attn: Editor-in-Chief

Quantity	Title	Précis #

► Please add my name to the *Précis* mailing list. ☐

Name______________________

Address______________________

City______________ State______________

Postal Code______ Country______________

Telephone______________________

► For large orders, please contact the World Bank InfoShop at tel: 1-202/458-5454, fax: 1-202/522-1500, or through e-mail at **books@worldbank.org**

► This and other OED publications are on the Internet, at **http://www.worldbank.org/html/oed**

► To order our books, please contact:
The World Bank Fulfillment Center
PO Box 960
Herndon, VA 20172-0960, USA
Tel: 1-703/661-1580
Fax: 1-703/661-1501
Internet: http://www.worldbank.org
From the World Bank homepage, select publications.
e-mail: books@worldbank.org