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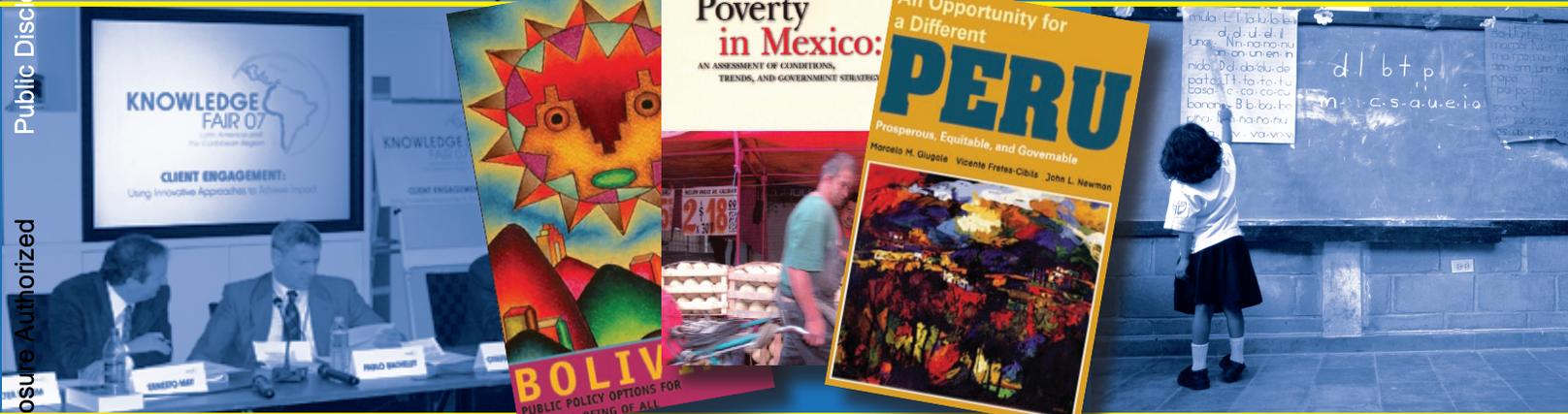
# OPERATIONAL INNOVATIONS IN LATIN AMERICA AND THE CARIBBEAN

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## CUSTOMIZING ANALYTICAL AND ADVISORY SERVICES FOR MIDDLE-INCOME COUNTRIES IN THE LATIN AMERICA AND CARIBBEAN REGION

VOLUME 2 NUMBER 2

JUNE 2008



THE WORLD BANK  
LATIN AMERICA AND CARIBBEAN REGION

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Washington, DC 20433

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**Operational Innovations  
in Latin America and The Caribbean**

**Volume 2 Number 2**

**Customizing Analytical and Advisory Services  
for Middle-Income Countries  
in the Latin America and Caribbean Region**

**Operations Services Department  
Latin America and the Caribbean Region  
The World Bank**

June 2008



Document of the World Bank



# Table of Contents

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Foreword	iv	
Acknowledgements	iv	
Abstract		1
I. Introduction		2
II. The Emergence of Knowledge as a Service		3
III. Fee-Based Service		4
IV. Programmatic Analysis and Advice Over Time		7
V. Helping to Maintain Development Progress during Electoral Transitions		9
VI. From Dissemination to Engagement		11
VII. Conclusions		14

## List of Figures and Boxes

Figure 1. World Bank's Fee-Based Services by Region, FY00–09	4
Box 1. Chile: Selected Findings from the Evaluation of Impact Evaluation	5
Box 2. Peru Policy Notes: A Platform for Dialogue During the Political Transition	9
Box 3. Video as a Tool for Disseminating AAA: The Experience of RECURSO	12

## Acronyms

AAA	Analytical and Advisory Assistance
BRASA	Brazil Social Assistance Program
CAS/CPS	Country Assistance/Partnership Strategy
CCT	Conditional Cash Transfer
DR-CAFTA	Dominican Republic-Central America Free Trade Agreement
ESW	Economic and Sector Work
FBS	Fee-Based Services
IBRD	International Bank for Reconstruction and Development
LAC	Latin America and the Caribbean
LCR	Latin America and Caribbean Region of the World Bank
MIC	Middle Income Country
OPCS	Operations Policy and Country Services unit of the World Bank
PREM	Poverty Reduction and Economic Management unit of the World Bank
RECURSO	Accountability for Social Reform Program of the Peruvian Government
SEDESOL	Secretariat of Social Development of the Mexican Government
TA	Technical Assistance

# Foreword

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Operational innovations are critical to meet and anticipate the rapidly evolving needs and development challenges of emerging economies in Latin America and the Caribbean. Working with a broad range of member countries, the World Bank helps achieve development results by delivering flexible, timely, and tailored financial services, knowledge services, and strategic advice, while using its convening capacity to further members' specific objectives.

We are pleased to continue our Operational Innovations Series with a fifth paper on "Customizing Analytical and Advisory Services for Middle-Income Countries in the Latin America and Caribbean Region". This paper is based on a conference on "Client Engagement: Using Innovative Approaches to Achieve Impact", held on February 14, 2007, which showcased examples of non-traditional analytical products and advisory services delivered by the Bank in the Region. The examples reviewed in this paper show how, as the provision of knowledge services has become a primary product line for its clients, the Bank has diversified its range of analytical products for maximum timeliness, relevance, and impact.

The Operational Innovations Series is designed to disseminate, in a concise and lucid form, the latest practices and thinking on cutting-edge operational approaches of special relevance to our clients in Latin America and the Caribbean, for readers inside and outside the Bank. Previous papers in the series are "Control and Accountability Mechanisms Conditional Cash Transfer Programs", "IBRD Banking Products: Achieving Results Latin America and the Caribbean Region", "Improving Transparency and Accountability World Bank Supported Projects: The Argentina Fiduciary Action Plan", and "The Caribbean Catastrophe Risk Insurance Facility: Providing Immediate Funding After Natural Disasters". We welcome and encourage suggestions for further Operational Innovations Papers.

Stefan Koeberle  
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# Acknowledgements

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This paper was prepared by Christopher Humphreys and edited by Sheldon Annis. Editorial guidance and coordination were provided by Alan Carroll. Thanks are due to many colleagues who contributed ideas and insights, including Fernando Rojas, Todd Crawford, Kathy Lindert, Gladys Lopez-Acevedo, John Newman, Marcelo Giugale, Roby Senderowitsch, Daniel Cotlear, and Andrew Mason. Production was carried out by the Knowledge and Learning Team of the Development Effectiveness Unit (LCSDE).

# Customizing Analytical and Advisory Services for Middle-Income Countries in the Latin America and Caribbean Region

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## Abstract

Until the 1990's knowledge was viewed primarily as an input to improve the effectiveness of World Bank projects. Today, the Bank views knowledge as a primary product line, and its lending as an instrument to leverage knowledge for development impact. The demand for the World Bank's non-lending services has grown especially among middle-income countries (MICs), including most of Latin America and the Caribbean (LAC). MICs see the Bank as a source of global know-how on complex public sector issues such as pension reform, land administration, procurement, judicial sector modernization, and disaster mitigation and vulnerability reduction, among others. Also, many LAC countries continue to seek blended packages of lending operations and knowledge services from the Bank. These needs are closely tied to the "how", rather than to the "what", of key development challenges such as social protection, sustainable infrastructure provision, and environmental management. Accordingly, the Bank has been diversifying the range of AAA outputs it provides. The present paper provides illustrations in four evolving categories: (i) fee-based services, (ii) flexible programmatic assistance that evolves and adapts over time, (iii) sustaining development progress during electoral transitions, and (iv) use of the Bank's "convening power" to extend country dialogue and strategic partnerships. Based on emerging best practices, and the World Bank's overall mission and regional strategy, a number of principles have emerged that are shaping approaches to these services in LCR. Commonly referred to under the umbrella of Analytic and Advisory Activities (AAA), these should (i) respond to clients and be customized to their needs, (ii) acknowledge the importance of timing related to the electoral cycle and include shorter, just-in-time policy papers in parallel with more in-depth pieces, (iii) be based on a forward thinking strategy and be targeted to selective areas where the Bank's advice can have the greatest impact, (iv) be based on a sound understanding of stakeholders and the local political economy and ensure a process that involves them in dialogue and decision-making, (v) emphasize the Bank's role as honest broker, and (vi) make creative use of media to reach beyond the impact of traditional reports.

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# I. Introduction

In the 1970s and 1980s, “World Bank operations” meant “lending”. Knowledge was viewed primarily as an input to make projects work effectively. Conceptually and as a practical matter, this view has changed. **Today, the Bank views knowledge as a primary product line and lending as an instrument to leverage knowledge for development impact.** While knowledge generation and dissemination continue to underpin lending, knowledge has increasingly become “unbundled” from lending operations and provided as a stand-alone product to support policy reforms, improve analytic and management capacity, enhance the investment climate, build technological capacity, or add the necessary sophistication to enter new capital markets. While “nonlending operation” might have sounded like a contradiction in terms some years ago, today this notion is not only a reality, but an expanding part of the core of the Bank’s products, .

**The demand for the World Bank’s *non-lending* services has grown especially among middle-income countries, including most of Latin America and the Caribbean (LAC).** As more countries rise to middle-income status, they are increasingly requesting stand-alone financial and advisory services from the Bank. In addition, the Bank’s shareholders are asking the Bank to use its convening role to disseminate knowledge on transboundary and regional issues such as climate change, biodiversity, trade, and crime & violence.

The Bank usually refers to the production of knowledge-based products as Analytic and Advisory Activities (AAA). Economic & Sector Work (ESW) and Technical Assistance (TA) are the most prominent of these activities. AAA also loosely includes impact evaluations, preparation of major studies and reports, statistical compilations, research, and donor coordination. In fiscal 2007, the Bank’s Latin America and Caribbean region (LCR) delivered 66 formal ESW products and 22 nonlending technical assistance products. During the past five years, LCR has devoted 22% of its total internal budget for client services to AAA.

**This paper examines the changing nature of the Bank’s analytic and advisory services in the LAC region.** An initial section gives a brief background on middle-income developing countries (MICs),



following which four kinds of innovative AAA are described: fee-based-services, programmatic AAA, support for electoral transitions, and facilitating engagement among multiple stakeholders. Several general principles on the provision of unbundled analytic and advisory services are provided in the conclusion.

**The contents of this paper are based on a conference held in February 2007, hosted at the World Bank’s headquarters in Washington DC<sup>1</sup>, to discuss innovations in analytical and advisory assistance in LAC.** The event was extended through the Bank’s videoconferencing facilities across the region, putting the discussion within reach of most of LCR’s 700+ staff members as well as a broad audience of government officials, the media, and representatives of civil society. The discussion centered on 19 examples of analytical work from nine LAC countries, two sub-regions (Central America and the Caribbean), and two countries in other regions. These included policy notes for the Bolivian governmental transition, the Fiduciary Action Plan in Argentina, a video on a project to improve educational quality in Peru, a high-level visit to China, a study of Latin America’s response to growth in China and India, and outreach through the Caribbean News newsletter. Best practices were featured in four interactive thematic panel discussions. Participants voted on the best examples of how the Bank can engage its clients with AAA (the winner was a campaign to raise parents’ expectations for educational quality in rural Peru).

1. This paper is based on a conference on “Client Engagement: Using Innovative Approaches to Achieve Impact”, held on February 14, 2007, which showcased examples of non-traditional analytical products and advisory services delivered by the Bank in the Region.

## II. The Emergence of Knowledge as a Service

The emergence of knowledge as a distinct World Bank service for clients is nowhere more apparent than in its relationship with “middle-income” countries (MICs). The Bank considers a country with average per capita income between US\$950 and US\$10,000 per year to be middle income. Globally, 86 of the 185 member countries of the Bank are now in this category. Including China and India, the MICs’ collective Gross Domestic Product grew at an average of 5.8 percent between 2002 and 2006, roughly twice the rate of the countries of the Organization for Economic Cooperation and Development<sup>2</sup>. MICs account for two-thirds of the world’s population. They also are home to more than 70 percent of the developing world’s poor who live on less than US\$2 a day.

The countries of the Latin America and Caribbean region grew collectively by about 4.7 percent overall in 2007, continuing the trend of recent years<sup>3</sup>. The average gross national income (GNI) per capita in LAC is US\$4,467. Many of the region’s countries are moving toward the higher end of the middle-income spectrum. At the same time, economic and social inequities remain acute, with LAC’s overall Gini coefficient (a key measure of income inequality) above 0.53, the highest among the major regions of the world.

**Countries in the upper tier of the middle-income range have developed the capacity to access domestic or international capital markets to raise large amounts of capital.** These countries look to the Bank not primarily for finance, but for sophisticated financial products including local currency loans or knowledge-intensive hedging products that help to mitigate financial risks or better manage overall balance sheets<sup>4</sup>.

**MICs also see the Bank as a source of global know-how on complex public sector issues** such as pension reform, land administration, procurement, judicial sector modernization, and disaster mitigation and vulnerability reduction, among others.

**Many LAC countries continue to seek blended packages of lending operations and knowledge services from the Bank.** These needs are closely

tied to the “how”, rather than to the “what”, of key development challenges such as social protection, sustainable infrastructure provision, and environmental management. Much of this work needs to be carried out at subnational levels of government and requires engagement not only with the public sector but also the private sector and civil society partners. Accordingly, the Bank has been diversifying the range of AAA outputs it provides. **The present paper provides illustrations in four evolving categories:**

- 1. Fee-based services.** In some instances, the Bank takes on the role of a consultant, responding to specific, contextual demands from its clients for paid analytical work.
- 2. Flexible programmatic assistance that evolves and adapts over time.** For some clients and situations, a single, large analytical report remains an appropriate product. However, clients increasingly are requesting sustained, iterative analytical services in sectoral or thematic areas. Products and services are delivered on the basis of a flexible, demand-driven program that maintains its focus on results.
- 3. Sustaining development progress during electoral transitions.** In recent decades, Latin America and the Caribbean has transformed itself into a region governed through peaceful electoral processes. These transitions may sometimes involve losses of continuity in policies, programs, and institutional capacity. The Bank has developed tools and techniques for bridging these gaps and helping to sustain valuable interventions.
- 4. Use of the Bank’s “convening power” to extend country dialogue and strategic partnerships.** The Bank can also achieve synergies not only through blending financial packages, but also through its capacity to sponsor dialogue and broker partnerships. These “soft resources” stem from the Bank’s ability to convene diverse stakeholders and constituencies, including other multilateral financial institutions, bilateral aid agencies, global companies, non-governmental organizations, philanthropic institutions, civil society bodies, and grassroots groups.

2. The OECD is composed of 30 countries, mainly European and North American but also including Japan, Australia, New Zealand, Korea, and Mexico.

3. The estimated 4.7 percent growth rate in 2007 was slower than the exceptionally strong 5.4 percent average rate 2002–06—largely because of the slowdown in the global economy and decline in some key commodity prices. This represents the highest sustained growth in the region since the early 1970s.

4. See “IBRD Banking Products: Achieving Results in Latin America and the Caribbean Region”, Operations Services Department, Latin America and Caribbean Region, World Bank, April 2007.

### III. Fee-Based Services

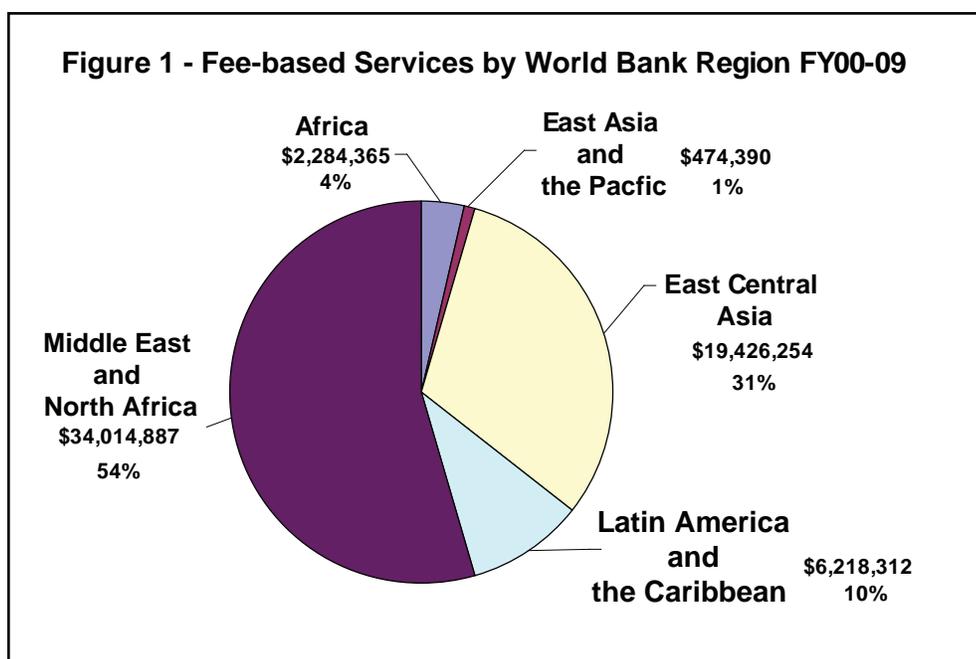
The World Bank’s policy framework for fee-based services (FBS) was adopted in 1998. While the volume of fee-based services remains modest relative to the AAA that the Bank funds through its administrative budget, FBS are a major line of business in the Bank’s Middle East and North Africa Region and have grown rapidly in recent years, especially in Europe and Central Asia and in LAC. Since FY00, FBS comprised nearly 300 activities (mostly non-lending technical assistance and institutional development) in 28 countries world-wide, with an estimated total cost of over \$60 m.

In providing fee-based services, the Bank’s purpose is to draw on its global store of knowledge and expand its clients’ options for applying this knowledge beyond those that it can fund through its administrative budget. Fee-based services should be consistent with the strategic priorities set out in the Bank’s Country Assistance or Partnership Strategy (CAS/ CPS) for the client country. The Bank provides fee-based services when these are not normally available commercially and for which it has a clear comparative advantage deriving from its global knowledge and expertise and its impartiality and objectivity. In providing such services, the Bank does not compete with the private sector or engage in competitive bidding, due to its unique character as a credit cooperative in which shareholders both own and are served by the institution. The Bank may provide fee-based services to governments and government institutions of the Bank’s member countries, nongovernmental organizations and other not-for-profit private entities, and other multilateral institutions. The Bank does not provide fee-based services to commercial entities, except in the context of training programs.

The fact that the client is willing to pay—and has choice among prospective service providers—means that the terms of reference for the work must be clear and sharply focused. Although the subject matter must be consistent with the Bank’s assistance strategy for the country, it is driven mainly by the client’s priorities and not by the Bank’s institutional learning objectives. LCR started providing fee-based AAA services in 2004.

Through mid-2007, it had undertaken over 40 fee-based contracts primarily in public finance, private sector development, private-public partnerships, and infrastructure. Much of the work has been done in Chile and Mexico, but Brazil, Honduras, Uruguay, Barbados, Venezuela, Argentina, and the Bahamas also have been clients. FBS in LAC reached about \$2 m. in FY08 and is projected to double in the next two years.

As shown in Figure 1, the Middle East and North Africa region has been the Bank’s largest regional client for fee-based services over FY00–09. Fee-based services are relatively uncommon in Asia and Africa, with the exception of South Africa. Latin America and the Caribbean has accounted for about 10 percent of the Bank’s fee-based income.



Examples from Chile and Mexico, discussed below, illustrate the kinds of analytic and advisory activities that are undertaken in the Bank’s fee-based-service mode.

#### Chile: Evaluating the public sector evaluation system

The Chilean government’s Evaluation Program was created within the Ministry of Finance in 1996. Each year it undertakes 15 to 18 evaluations of government units or programs, usually two or three of which are in depth. The program is a key instrument through which the government assesses and improves the efficiency and impact of public spending and promotes transparency.

By law, the government is required to contract out evaluations to universities and private consulting firms. Some contractors are selected by the administration and others by congressional requests. All are monitored technically and guided by detailed terms of reference.

In this case, the Congress wished to assess the evaluation program itself, a particularly sensitive matter because of the obvious implications for programmatic budgeting. LCR's Poverty Reduction and Economic Management (PREM) group was contracted in 2005 to provide a detailed review of the government's evaluation system for three reasons. First, the government viewed the Bank as having credibility, impartiality, and a reputation for excellence in this area. Second, the government wanted to draw upon the Bank's knowledge in making comparisons with other countries' systems. Third, the Bank was already highly familiar with the Chilean budgetary and evaluation systems through its previous lending and advisory services. No private sector or academic institution could match the Bank's capacities in these areas. A portion of the cost of the work was paid through an Inter-American Development Bank loan in support of budgetary strengthening.

The results of the work—summarized in Box 1—were presented to the Congress, supporting the government's plan to further reform what was already considered to be among the best public-spending evaluation systems in the world. The Bank's study has been in high demand in Chile as well as in other countries of the region. It will soon be released in English. It led to a further round of fee-based-service contracts with the Chilean government on budget and asset management. It also opened the door to technical assistance work and lending operations related to budgetary monitoring and evaluation in Argentina, Colombia, Uruguay, and Peru.

#### **Mexico: Streamlining and improving information systems**

The Finance Secretariat contracted a Bank PREM team in 2005 to work during nearly three years to help streamline and improve the Secretariat's information systems. The government was willing to undertake a fee-based contract with the Bank for these services because, among other reasons, it wanted full proprietary control over the sensitive final product, rather than be subject to the Bank's standard rules on dissemination under regular technical assistance.

#### **Box 1. Chile: Selected Findings from the Evaluation of Impact Evaluation**

The Bank team reviewed the design and functioning of the Chilean government's evaluation program over a four-month period. The resulting report, *Chile: Study on the Impact of Evaluation Programs* (December 15, 2005), came to these conclusions:

- Overall, the evaluation program is a well-designed system that achieves its objectives of providing useful data to inform budget and management decisions. Because of its centralized nature and use of external evaluators, it is timely, cost-effective, and credible.
- While results do not automatically change resource allocation patterns, the evidence suggests that results significantly affect budget decisions and management patterns.
- The evaluation program improves government efficiency by tracking the completion of outcome commitments by each institution.
- The evaluation program promotes transparency by making all information Internet-accessible to any interested party or citizen.
- In a broader sense, the program contributes to a culture of results-oriented measurement and accountability throughout the public administration

Despite these very important positive attributes, the Bank team also found a number of areas for improvement:

- More robust indicators are needed to measure the link between the program itself and improved budgetary performance; for example, a series of evaluations of the same program in order to establish a baseline and show progress over time.
- Not all governmental units chosen for evaluation are designed with a logical framework and measurable results indicators, which can lead to poor quality evaluations. Evaluations should be limited to programs for which frameworks and data are available, to maintain the quality of evaluations and ensure that results are not misused.
- The causal links between overall government objectives and the actions of given programs should be improved by gradually moving away from process indicators and toward outcome measurements.
- Pilot evaluations directly involving sectoral staff should be undertaken, particularly with those involved in setting policy objectives. Inter-institutional steering committees should be used to inform the more in-depth evaluations.
- The evaluation budget should be increased to ensure adequate staffing and resources for the work, in light of the small number of staff, the exceptionally heavy work loads, and the highly positive cost-benefit results of the evaluation program.

The problem faced by the Secretariat was that internal units—for example, the tax authority, the treasury, and the public debt unit—operated separate information systems, making it difficult to coordinate fiscal and macroeconomic policy. The Bank team’s initial task was to create a concept for integrating all the functions of the Secretariat. The government then requested an expansion of services to include a detailed analysis of existing information systems, a conceptual reconfiguration of each system, and a proposed secretariat-wide system of integration. The Bank team and the technical staff of the secretariat worked hand-in-hand for many months to carry out the extremely detailed analytical work.

In November 2006 a preliminary report was delivered to and accepted by the government. The outgoing Fox administration requested that all the work be delivered to the incoming Calderón government through the Finance Secretariat. The Bank team did so in early 2007. In November 2007, further comments and modifications were incorporated at the behest of the new staff at the Secretariat, which in turn used the revised document as a platform for launching major reforms. The technical analysis and reform proposals helped to lay the groundwork for a fully integrated information platform, including reliable, relevant indicators of public revenue and spending performance. It helped to increase accountability and inform the design of future budget cycles. Both the Bank team and the Secretariat viewed these tools as essential for implementing results-based budgeting, a priority of the new administration. Further

fee-based-service contracts are underway in Mexico, including a recent one with the subnational administration of Mexico City.

### **Going forward with fee-based services**

The Bank’s Operations Policy and Country Services (OPCS) has drafted a revised framework for fee-based knowledge services which is expected to be presented to the Board shortly for its review. Among the key changes contemplated are:

- Relaxing the requirement for full cost recovery and allowing the Bank to share the costs of provision transparently.
- Mainstreaming fee-based services by highlighting them in the menu of products and services formally available through the CAS/CPS.
- Expanding the definition of fee-based services to explicitly include project-related services.
- Replacing the comparative advantage criterion with a requirement for conformity of the services with the Bank’s institutional mandate.
- Explicitly extending access to sub-national governments.
- Adopting a single standardized formula for calculating the full cost recovery amounts to be used uniformly across regions.

## IV. Programmatic Analysis and Advice Over Time

Analytical reports on key development issues remain an important part of the Bank's AAA tool kit. No matter how ambitious the scope or sophisticated the methodology, however, single studies are often not sufficient, given the dynamic nature of policy-making and implementation. **One of the Bank's most significant advances in the area of analytic and advisory assistance is the recognition that such work can be highly productive if it is structured to respond and adapt, in a cumulative way, to evolving policy priorities, institutional needs, and feedback.** In this approach, a series of knowledge products is prepared within an agreed conceptual framework, budget, and time period, with the precise nature, scope and scheduling of the individual outputs being determined on an ongoing basis. Such "programmatic AAA" requires a high degree of responsiveness, continuity, and follow-up.

Two illustrative examples are the Brazil Social Assistance Program (BRASA) and the Mexico Poverty Analysis.

### **Brazil: Evolving Analytic Support for the Brazil Social Assistance Program (BRASA)**

Conditional cash transfers (CCTs) belong to a new generation of development programs aimed at reducing poverty and inequality by providing a minimum threshold of income to extremely poor families. CCTs seek to break the intergenerational transmission of poverty through human capital formation. As the name implies, cash is transferred to lower-income families on condition that the recipients engage in certain actions; for example, sending children to school, bringing them to a health center for regular vaccinations, or obtaining prenatal care and preventive checkups.



President Lula created Brazil's *Bolsa Familia* Program (BFP) in 2003 through the consolidation of four existing social support programs. *Bolsa Familia* has grown to become the largest conditional cash transfer program in the developing world, covering 11.1 million beneficiary families by 2007 (about 46 million people).

The Brazil Social Assistance Program (BRASA) was designed by the Bank in 2002 to supply the government with on-demand briefings and policy papers related to the design and start-up of the BFP. BRASA also aimed to produce longer-term analytical work toward a comprehensive, carefully targeted, social assistance strategy.

BRASA was implemented in three phases. The first phase (2002-2003) began with a paper on nutritional programs in response to the new administration's campaign platform of "zero hunger". This was followed by further notes discussing Brazilian and international experience with conditional cash transfer programs. The second phase (2003-2004) shifted toward analytical work on the targeting of beneficiaries under *Bolsa Familia*. The Bank team evaluated Brazil's national registry of CCT beneficiaries, drawing on best-practice experience from other countries. The third phase (2005-2007) evaluated the impacts of these social interventions. It disseminated Brazil's experiences to both domestic and international audiences.

The BRASA programmatic assistance has been a key pillar of the Bank's relationship with its largest regional client. The work was effective in helping the new administration to implement the largest and most replicated large-scale social assistance program in the region. BRASA demonstrated that the Bank could work flexibly according to the priorities of an administration that was initially unsure of the World Bank's value-added in supporting its priorities. The quality and responsiveness of the Bank's technical work helped to create a climate of trust. The relationship gave rise to a major Bank lending operation for *Bolsa Familia* that, in turn, helped strengthen international credibility for the government's social policies.

## **Mexico: From policy briefs through policy reforms**

In 2003, the Bank's Poverty Reduction and Economic Management (PREM) team began preparation of a poverty assessment for Mexico. In consultations with their counterparts, it was decided to carry it out as a "programmatic partnership", involving a series of products to help the Mexican government comprehensively assess the entire social policy structure.

The Bank team and its partners in SEDESOL (the Mexican government's Secretariat of Social Development) devised a three-phase program. The first phase produced a diagnostic on poverty trends and an anti-poverty strategy (2004). The second phase followed with a study on income generation and social protection for the poor (2005). The third phase addressed decentralization and service delivery to the poor (2006). These activities were paralleled by intensive technical assistance on impact evaluations through the World Bank Institute (WBI). The practical value of the approach was illustrated in 2005, when SEDESOL was able to use the work to respond quickly to a request from the Office of the President of Mexico for an analysis of social protection reform options.

By remaining strictly neutral and presenting policy options and consequences based on rigorous data analysis, the Bank became a trusted source of information for all the major stakeholders in the policy debates. Although the government disagreed with some of the Bank's conclusions and messages, the reports were released publicly and in a timely fashion—the first time that a Bank poverty assessment had ever been made public in Mexico. These reports have generally been accepted as the authoritative references on poverty in Mexico. They are widely cited in the legislature, policy circles, the news media, and academia.

The Bank's programmatic poverty assistance to Mexico demonstrated the value of providing the right product at the right time, while retaining the Bank's credibility as an impartial source of knowledge. This demonstration of competence and political neutrality led to subsequent fee-based-services projects to help implement the policies that were selected. The experience also showed the feasibility of this type of close engagement at two simultaneous levels, one focusing on quick-turnaround briefs and policy papers on demand and the other on medium-term, more detailed, empirical studies.

## V. Helping to Maintain Development Progress during Electoral Transitions

Latin America and the Caribbean is now among the most democratically-governed regions of the world. Yet electoral transitions bring their own set of challenges. **The Bank's LCR group has developed expertise in a particular kind of AAA that promotes smoother governmental transitions by supporting the continuity of effective programs while providing analytical support for policy changes.** Before elections, the Bank works with the candidates, responding to requests for technical advice from their campaign staffs. Afterwards, the Bank collaborates with the newly elected administrations to help provide foundations for new initiatives. Peru and Mexico provide two good examples.

### Peru: Transition around the 2006 presidential election

Before the 2006 presidential election in Peru, the World Bank country team conducted technical consultations with the four main campaign teams. It also

drew up a comprehensive set of policy notes for the post-election administration. Details are given in Box 2. This approach built on and was consistent with the Bank's longer-term country strategy. The Bank's position as an impartial adviser was reinforced through high-profile public meetings and media coverage.

The Peru team offered the same support to all the candidates, regardless of ideologies or polling data. Each of the main candidate teams attended presentations on the Bank's current work in Peru and its views on development. The Bank offered to bring all four candidate teams to Washington for presentations and briefings. Two teams accepted. They were accompanied by the Bank's country manager for Peru, who acted as their host. The candidates were invited to request in-depth presentations on specific topics. In some cases, the Bank's country team used video conferencing to bring in experts working on similar issues in other areas of the world. The exchanges established good working relationships and

#### Box 2. Peru Policy Notes: A Platform for Dialogue During the Political Transition

The Bank's Peru country team viewed the policy notes as a key platform for engaging with Peruvian leaders during the political transition of 2006, first with the main candidates and their advisors, and subsequently with the incoming administration. As such, the contents and presentation of the notes were carefully designed not only to address the country's main development challenges, but also to do so in such a way that positioned the Bank as an independent, technically sound, and reliable contributor to the policy debate.

The Peru country team first contracted 34 separate policy notes covering numerous sectors, reflecting both what the Bank viewed as critical challenges as well as priorities of the political candidates and the electorate at large. The notes were divided into three thematic areas:

- ***An Economy That Generates Jobs***—covering macroeconomic stability, growth and competitiveness, infrastructure, natural resources, and environmental policy.
- ***A New Social Contract***—covering poverty, exclusion and social service delivery.
- ***A State to be Proud of***—covering governance and the modernization of the public sector.

Each theme was supported by individual policy notes on specific topics, for example debt management, urban transportation, water resources, primary education, the pension system, and justice reform. Every note concluded with a sequenced and prioritized set of policy options, bringing the experiences of other countries to bear whenever possible. In addition to ensuring excellence of technical content, the Bank team took care that the notes presented options, with their advantages and disadvantages, and avoided dictating or offering easy solutions.

While the core value of the notes lay in their rich technical detail, the Bank team also felt it was important to tie the disparate strands together in a single, coherent document. The work was compiled into a book, "An Opportunity for a Different Peru—Prosperous, Equitable, and Governable". It starts with a synthesis note placing all the topics into an overarching strategy for development. This is followed by "thematic" chapters on economic growth, inequality and social development, and modernization of the state. The book was distributed for sale in Peru and remains a frequently-cited reference in the media, academia, and policy circles

highlighted the intellectual and technical resources that the Bank can help to mobilize.

In parallel to the work with the candidates, and beginning a full year before the election, the Bank team finalized a collection of policy notes on an array of development issues in Peru, printed in both Spanish and English. The notes were intended as quick reference guides to influence the early design of the new government's policy framework. Special emphasis was placed on building on the difficult work of macroeconomic stabilization done by the previous administration and seeking ways to spread the benefits of growth more widely. The administration of President García, has promoted the use of the notes by officials of his government and has incorporated numerous recommendations into policy actions.

### **Mexico: Transition around the 2006 National Elections**

In the run-up to Mexico's 2006 election, the Bank's country team employed a slightly different strategy. As in Peru, all the main candidates were offered equal access to Bank information and assistance. This was combined, however, with a more intensive use of media to get messages on key development issues into the campaign discussion. The process of preparing and disseminating the policy notes was seen as a tool for dialogue with the new administration.

The Mexico team designed a three-stage process for the campaign. In the first "pre-campaign" stage, the Bank established a special transition team composed of staff members from each sector. All team members had well-defined responsibilities and clear outlines of the main messages that the Bank wished to convey. The transition team was led by the Bank's institutional development specialist in Mexico, with the active participation of the external affairs specialist and two political analysts from outside the Bank. Initial contacts were made with representatives from the main parties to explain how the Bank could support dialogue on development issues during the transition. Team members made contacts with journalists, political analysts, and other opinion makers.

In the second stage, with the presidential campaign in full swing, the Bank leveraged several pieces of analytical work—including an Institutional and Governance Review, Doing Business reports, a competitiveness study, and the Regional Flagship Poverty Reduction and Growth: Virtuous and Vicious Cycles (2006)—to organize events with various public actors, including members of both houses of Congress from diverse political parties, local civil society organizations such as the well-respected Alianza Cívica, and opinion makers in the media. The Bank team also held individual meetings with all the main campaigns to offer information on development issues and the Bank's role in Mexico. In the polarized atmosphere after the tightly contested

July 2006 election, the Bank adjusted its strategy to address the political situation. It organized three forums, one on Democratic Governance and Civil Society, a second on Competition, Equity and Growth in conjunction with Harvard University, and a third on Public Policies in Mexico with other donor agencies. The latter attracted over 1,800 participants—including members of the opposition party—and live television coverage.

In parallel, the Bank team moved quickly to start transition work with the incoming administration, particularly around the policy notes. After the election, the Bank held a series of 40 technical meetings to hear priorities and points of view from officials of the incoming administration.

### **Benefits and Challenges**

A carefully-designed and executed transition strategy benefits the client country and the Bank in promoting policy and program continuity and in fostering a vigorous dialogue on important policy issues at a critical time. By showing early in the campaign the breadth of the Bank's knowledge, capabilities, and convening power, this type of approach lays the foundation for a working relationship built on trust and enhances the prospects for further reforms.

A critical point emphasized by both teams is the need to be even-handed with all the candidates and their organizations. The Peru and Mexico elections were both extremely close, highlighting the competitiveness of political systems in the region and the need for the Bank to be—and to be seen as—strictly neutral. This means offering the same resources and information equally to all parties who request it.

Another important lesson is that, while political campaigns and transitions are a time of uncertainty, they are also a window of opportunity. The Bank, with its wealth of data and global experience, is well-positioned to help deepen the policy discussion. Existing country or regional analytic work can be leveraged for seminars and conferences, generating media exposure and debate. Policy notes facilitate detailed technical discussions around critical issues and are more likely to be acted on quickly while political capital is high.

During national elections the Bank must be sensitive to how it is heard and perceived. While strict political neutrality is key, it is also imperative for the country team to closely monitor the ongoing debates in the political arena. This means having strong ties to the political world outside of the Bank, understanding which issues are suitable to raise publicly, and how to raise them in a way that promotes constructive debate. It also means having a strong media strategy, drawing on the skills of the Bank's external relations staff as well as contextual advice from local experts in political analysis.

## 6. From Dissemination to Engagement

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In this era of democratic government, the effectiveness of public sector interventions depends on fostering legitimacy, transparency, and accountability through the involvement of a broad range of stakeholders, notably sub-national governments, civil society organizations, religious groups, unions, media, academia, and international donor agencies.

Consultations and partnerships usually multiply the effectiveness of analytical work. This starts at the design stage, in which inputs from diverse stakeholders are sought to assure maximum relevance of the proposed work. Involvement of local institutions in carrying out the analysis builds ownership and provides a base of support for applying the results toward policy and institutional reforms. Thus the *modus operandi* in AAA shifts to one in which engagement of multiple partners informs the entire process, even if this takes longer.

LCR has been at the forefront of the Bank's efforts to undertake multi-stakeholder AAA, and several of these innovative efforts have succeeded in raising awareness and promoting change. Two examples are the RECURSO project in Peru and the study on the Dominican Republic and Central America Free Trade Agreement (DR-CAFTA) with the United States.

### **Peru: Dialogue across sectors on accountability for social reform (RECURSO)**

RECURSO—an acronym from the Spanish words for Accountability for Social Reform—is a programmatic multi-sectoral AAA in Peru begun in 2006, aimed at improving the quality of social services, particularly education, nutrition, and health care. RECURSO was originally designed as a one-phase analytic product, but because of its impact in promoting the messages of accountability and results, it has since continued with two more phases. The first phase established the overall concepts and focused specifically on primary education. The second phase targeted conditional cash transfer programs and nutrition outcomes, especially for young children, and the third is addressing issues related to social service delivery at the sub-national level. The products for each phase have included written analytical work as well as use of video and other more creative media tools to increase the impact of RECURSO's findings and recommendations.

Peru is in a transitional stage, in which expanding coverage of social services is giving way to improving the quality of these services, and hence the efficiency and

impact of government spending is assuming greater importance. To encourage this shift, the RECURSO team of Bank staff and government counterparts felt that it was important to mobilize non-government actors as an advocacy group to demand improvements in public services.

The engagement strategy has been extremely broad from the start. This was illustrated in the composition of the team, which included 45 Bank staff and consultants headed by Peru's Human Development Sector Leader, and over 100 Peruvian specialists. In designing the terms of reference for the multi-year program of work, RECURSO obtained inputs not only from government counterparts, but also from civil society organizations, grassroots groups in low-income neighborhoods, provincial and municipal officials, and representatives of other donors. The team has worked with five ministries, seven regional governments, 19 municipal governments, and six international cooperation agencies (including Britain's Department for International Development, which co-financed part of the work). This engagement has continued with the sharing of initial results, more mature findings, and drafts of reports. Results have been discussed with over 100 different organizations, including not just academics and specialists, but also community leaders and groups of parents in communities in the coastal, highlands, and jungle regions of the country.

Another critical aspect of RECURSO's success has been its ability to distill volumes of data, analysis and policy conclusions into high-impact forms of communication that resonate with the public at large. In the initial report on education, for example, the slogan that second grade children should be able to read 60 words per minute was so well-diffused in Peru—in part through the use of a highly-successful video on the topic (see Box 3)—that it became part of the 2006 presidential election campaign and helped to persuade teachers to undertake annual teacher evaluations. This simple benchmark gave parents an easily-understood standard that they could hold educators—and themselves as parents—accountable for. A similar campaign is underway for nutrition, with the benchmark that by age two, children should be at least 80 centimeters in height.

RECURSO's media strategy played an important role in spreading awareness of these slogans and the broader findings of the study. The team paid a great deal of attention to developing a coherent plan for who would interact with which media outlets at what times. Dif-

### Box 3. Video as a Tool for Disseminating AAA: The Experience of RECURSO

The RECURSO team knew that, for their findings to have an impact on increasing accountability and quality of social service delivery, it would be critical to disseminate them far beyond the small group of counterparts in government ministries. The challenge was to take a great volume of technical material and present it in such a way that its message would be understood equally by policy-makers, civil society organization, primary school teachers, and the parents of second-graders in all regions of the country.

The first task that the team set for itself was to distill its findings into one powerful message: every second grade child in Peru should be able to read at 60 words per minute. This message encompassed a clear, measurable target for student achievement and implicitly for teacher performance. It remained to translate this abstract concept into a concrete form that captured its human reality and its ability to be attainable in people's daily lives.

With the help of a local film production company, the team traveled to a number of primary schools around the country to film second-graders performing a brief reading speed and comprehension test. These scenes were used to create a short video. One child, a young boy in a school in Lima, stumbles badly over his words, clearly trying his best to please his teacher and those filming him, but is unable to pass the test. In another scene, a girl in a mountain village near Cusco proudly reads the text in Quechua and Spanish, easily beating the standard of 60 words per minute in both languages.



The video is moving and inspiring. The viewer sympathizes with the boy, who has clearly not been adequately taught despite his evident desire to learn and the greater resources available in urban Lima. The young girl, on the other hand, demonstrates what can be accomplished with adequate teaching techniques, even though her parents are illiterate and she lives in one of the poorest parts of the country. The message is, if this girl can successfully learn to read, there is no reason why the boy in Lima, or other children around the country, cannot also. The difference is in the quality of teaching and parental support.

The RECURSO team traveled around the country after the first study phase was completed to show the video to many different audiences, to great effect. A shortened version was picked up and shown by local television stations, and it is still frequently requested by NGOs and government institutions to use in presentations. The team went on to produce a second video on nutrition using similar techniques, first selecting the message that children should be at least 80 centimeters high by age two, and then filming children from different parts of the country to illustrate the point.

Note: The reading video can be seen on the World Bank's external web site; click to the Peru page, find the publications list in the lower right, click on "Un Nuevo Contrato Social para el Perú" ("A New Social Contract for Peru"), then click on "Presentación de Video", and finally on "Niños que leen bien, país que educa bien" ("Children who read well, country that educates well"). The video can also be viewed on the Bank's YouTube channel, <http://www.youtube.com/worldbank>

ferent media products were created with specific target audiences in mind, ranging from general interest and technical book-length studies to videos to radio programs in indigenous languages. This intensive campaign, combined with a few clear, concise messages and indicators backed up by rigorous research, received considerable coverage in the Peruvian media and has helped to empower citizens to articulate demands for

quality improvements in public services. By placing the issue in the national debate, RECURSO has also paved the way for scaling up of Bank support, in the form of a series of policy-based loans in the social sectors. The first of these—the Results and Accountability (REACT) Development Policy Loan (\$150 million, approved April 24, 2007)—uses RECURSO as its analytical foundation.

## Dialogue for a free trade agreement among the Central American countries and the Dominican Republic (DR-CAFTA)

Another example of involving multiple stakeholders—in this case between several countries—is the Bank-prepared study, “DR-CAFTA: Challenges and Opportunities for Central America” (December 2, 2005). The study assessed the potential impact on Central American countries and the Dominican Republic of a free trade agreement with the United States. Specific topics analyzed included the overall role of international trade in Central American development, an overview of the likely contents of the trade agreement itself, its likely impacts on both the macroeconomy and specific sectors (particularly agriculture), and the complementary policy agenda needed to ensure that all sectors of society, including the poor, would be able to take advantage of the opportunities offered by DR-CAFTA. Work on the report began even before treaty negotiations started, as a result of a request to the Bank from several countries.

The process of building the report was intensively collaborative, both inside and outside the Bank. Internally, the work was a joint effort between the Country Department and LCR’s Chief Economist’s Office, combining country expertise and regional experience with other free trade agreements. Externally, numerous background papers were contracted out to researchers in Central America and academic institutions in the United States. Team members participated in many meetings and conferences on trade and received important feedback from government representatives on all sides of the trade negotiations, civil society representatives, and officials from multilateral organizations such as the Organization of American States, Inter-American Development Bank, and the Central American Bank for Economic Integration.

Although the team could not know the details of the negotiated outcomes, the broad outlines of what the treaty would involve were clear enough to permit running computer models to assess the treaty’s potential impacts on different social groups and economic sectors. Preliminary results of these models were presented and proved useful throughout the negotiation process. For



example, the research offered evidence that, on balance, the treaty’s negative impacts on certain agricultural commodity producers (especially corn) through tariff eliminations would be considerably less severe than had been assumed, which helped to change the debate in that area. In turn, the final report release—which was widely publicized and garnered significant media attention in the region and in the U.S.—came out during the debates in the U.S. Congress on the treaty. It was frequently mentioned by major media outlets in the run-up to the vote, and its conclusions were cited as influential in convincing legislators that the treaty was in the interests of all the countries involved.

The DR-CAFTA study was a case of the Bank taking on an issue of very high developmental importance and scheduling the work at the right time to ensure maximum impact on the treaty debate. By bringing to bear significant Bank resources over the course of more than two years of work, along with contributions by regional specialists, government officials, and civil society representatives, the Bank team was able to produce a work of technical excellence and great policy relevance.



Engaging with nongovernmental actors provided a means of enhancing the quality of the research by bringing in a greater variety of perspectives. The participation of in-country researchers leveraged local knowledge not easily available to Bank staff. The involvement of both groups added invaluable legitimacy and ownership to the results of the work.

These examples illustrate how engagement with multiple stakeholders can greatly multiply the impact of AAA when it comes to dissemination and application to the policy debate. Participants, having gained ownership over the work, are more likely to become advocates for reforms.

The principal challenges of this kind of work revolve around mobilizing and applying skills that go far beyond the Bank’s traditional focus on technical analysis and which require considerably more time, resources and effort than merely producing a high-quality report. One of these skill areas is the diplomacy of constructively engaging with people of varying backgrounds around issues that may be highly sensitive. Another is the ability to design and implement a media strategy, including transforming highly technical information into easily digested, powerful messages for various target audiences.

## 7. Conclusions

Distilling these experiences and reflecting on them in light of the World Bank's overall mission and regional strategy, a number of principles emerge that are shaping new AAA in LCR:

***Respond to the clients and customize to their needs.***

Higher-capacity middle income countries in LAC increasingly seek advice on “how” rather than “what”. Basic analytical reports like country economic memoranda and public expenditure reviews remain core products primarily to inform the Bank's own strategic and operational decisions. However, to the extent that analytical work is now on an equal footing with lending as a service to clients, it must be tailored, in the same way as lending operations, to their needs and priorities.

***Timing is critical.*** Often the window of opportunity to change policy is short, especially due to electoral cycles. This may mean accelerating the delivery of AAA without sacrificing technical quality, producing shorter, just-in-time policy papers in parallel with more in-depth pieces, and designing strategies ahead of time to handle political transitions. The programmatic approach to AAA is proving very useful in providing flexibility to schedule the production of major outputs in a way to achieve maximum impact.

***Get ahead of the curve, and be selective.*** A forward thinking strategy was critical to the success of the DR-CAFTA report and the Brazil BRASA programmatic work, among many others. The Bank needs to be selective about areas in which it offers advice and invests in expertise. The demand for fee-based services provides one good indicator of the areas—in the case of LAC, public finance, private sector development, private-public partnerships, and infrastructure—in which the Bank's clients view it as having a comparative advantage.

***Political economy matters.*** Giving attention to the political economy is crucial for ensuring that AAA has developmental impact, as illustrated for example by the legislative passage of DR-CAFTA in Central American nations and in the US. Such cases highlight the importance of questions such as: Who are the most influential stakeholders involved in an issue? What are their strategic interests, and how can they be in as stakeholders? What is the best way and the best time to present an issue to promote consensus and reform? On particularly high-profile issues, or during times of heightened political activity such as national elections, it may be useful to obtain expertise in political analysis as part of the AAA team. The Mexico social policy work showed how neutrality and fairness, combined with rigorous analysis, enabled the Bank to establish itself as a trusted, authoritative voice with numerous stakeholders, despite some disagreements, not only in private, but also in the arena of public discussion.

***The more that relevant stakeholders are involved, the better.*** The Bank has established a reputation as an increasingly open institution, in large part through the efforts of staff who have widened their dialogue beyond sector agency counterparts to community organizations, human rights and environmental groups, associations of indigenous peoples, unions, opposition political parties, religious leaders, and many others. , as shown, for example, in RECURSO's success in helping gain acceptance of teacher evaluations.

***Local knowledge combined with international experience is a powerful combination.*** Analytical work is most beneficial when it reflects local knowledge—drawing on the skills of national research institutions and consultants—complemented by the Bank's global expertise and experience. Apart from improving the impact of the work through better quality and relevance, this approach has additional benefits in capacity-building and strengthening the Bank's knowledge network. In addition, over time such relationships can be mobilized to foster extremely productive “south-south” knowledge exchanges between the Bank's client countries.

***Acting as an honest broker strengthens the Bank's position and produces better results.*** The importance of remaining neutral cannot be overstated. A political party that loses a presidential election may still be a major player in the legislature or in sub-national government, and it could come back in the next presidential election. Being seen as an independent source of trustworthy information that is available to all and that fairly considers different options is as important to the Bank's reputation and effectiveness as is the excellence of its technical work. The *Bolsa Familia* case showed how the quality and responsiveness of the Bank's technical work had a cumulative impact, first by helping to create a climate of trust, then leading to a major lending operation focused on improving the quality and effectiveness of this important program, and finally to help strengthen the credibility of the government's social policies.

***Media should be used creatively.*** The full spectrum of available tools, not just the traditional report, should be used. Creative and sensitive use of the media can dramatically scale up the impact of analytical work, as shown in several cases described in this paper. The engagement strategy for AAA should be carefully planned, especially when dealing with sensitive issues or during political transitions, and designed in accordance with the type of product and the audience. If use of the media is seen as an important element of dissemination, country press officers or the Bank's external relations staff should be part of the work team.





