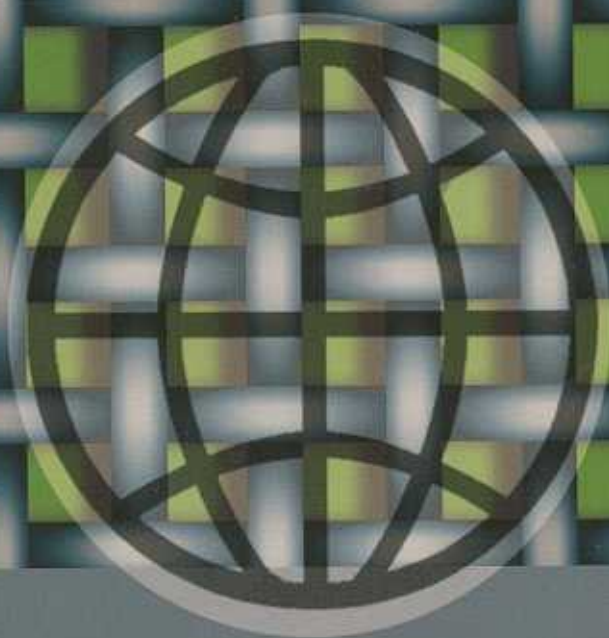


Supporting Development Programs Effectively

Applying the Comprehensive Development
Framework Principles: A Staff Guide



November 2004

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FOREWORD

We have experienced a period of significant change in development thinking and practice. This reflects broader changes in the environment in which we, other development assistance agencies, and our client countries work. Much of this change, and the policy and process modernization that has followed, is captured within the Comprehensive Development Framework (CDF).

The CDF has helped us crystallize the interdependence of four key development principles: a long-term holistic vision, country ownership, country-led partnership, and focus on results. As we have learned, adapted, and fine-tuned, these principles have profoundly affected the way we operate, allowing us to become a more responsive and effective development institution.

The CDF principles are integrated into all aspects of the Bank's work. Their application is expressed clearly in our country focus, and in our pursuit of alignment, harmonization, simplification, reliance on country systems, and managing for results. The CDF principles underpin Poverty Reduction Strategy Papers, and our approach in middle-income and LICUS countries.

As a former country director, I have seen first-hand the positive effects of supporting a country-owned strategic vision, in close partnership with government, civil society and other development assistance agencies, with an increasing emphasis on results. Because of this, I encourage all Bank staff to read this Staff Guide as they plan their next mission or assess ongoing work. It offers a concise primer on the principles under which the Bank operates and ways to apply them in our work. It also provides links to websites that offer detailed guidance and good practice examples.

Translating the CDF principles into practice is central to what we are doing in OPCS. This Staff Guide reflects the lessons we have learned, and brings together in one place the link between the CDF principles and our operational policies. It serves as a reference to all Bank staff, whether in the field or at headquarters, in a region or in the center.

James W. Adams
Vice President,
Operations Policy and Country Services

ABBREVIATIONS AND ACRONYMS

AAA	Analytic and Advisory Activities
CAS	Country Assistance Strategy
CDD	Community-driven development
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CPAR	Country Procurement Assessment Report
CPPR	Country Portfolio Performance Review
CSO	Civil society organization
DAC	Development Assistance Committee
EC	European Community
HIPC	Heavily Indebted Poor Countries Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
ISN	Interim Strategy Note
LICUS	Low-income countries under stress
JAM	Joint assessment mission
MDG	Millennium Development Goal
MTFF	Medium-term Financial Framework
OECD	Organisation for Economic Co-operation and Development
PER	Public Expenditure Review
PFM	Public financial management
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
SPA	Strategic Partnership with Africa
SWAp	Sectorwide approach
UN	United Nations

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Introduction

The Comprehensive Development Framework (CDF) encompasses a set of principles to guide development and poverty reduction, including the provision of external assistance.¹ The four CDF principles are:

- Long-term, holistic vision.
- Country ownership.
- Country-led partnership.
- Results focus.

2. These four principles embed desired values of the World Bank Group.² They do not describe a blueprint by which countries develop or a specific process by which the Bank provides development assistance. They are the principles that taken as a whole, underpin and guide all of the Bank's work.

3. The CDF principles have been underpinning the Poverty Reduction Strategy Paper (PRSP) process since its inception³, and were formally endorsed as the basis for all of

1. The CDF principles were articulated in 1999 by James D. Wolfensohn, President of the World Bank. The CDF principles synthesize and encapsulate the lessons of development experience.

2. These principles echo many ideas also expressed by others, notably by OECD-DAC members, regional development banks and the United Nations, and have been widely endorsed by members of the international development community as useful guideposts for their individual and collective efforts.

3. See *Building Poverty Reduction Strategies in Developing Countries: Development Committee Communiqué* at http://siteresources.worldbank.org/INTPRS1/Resources/383606-1092340662634/build_en.pdf, and *Poverty Reduction Strategy Papers-Operational Issues* at www.imf.org/external/np/pdr/prsp/poverty1.htm.

the Bank's work, starting in January 2001 through the Bank's Strategic Framework Paper and later through Strategic Directions Papers.⁴

4. The purpose of this note is to help World Bank staff to apply the CDF principles fully in their daily work. That work is broadly governed by the Bank's formal policy directives and guidelines, which have been revised to reflect and mainstream the CDF principles. The behavior of a large, diverse organization such as the Bank is strongly influenced by the values and norms that define its organizational culture. Such values affect how the formal, written rules and policies of the organization are actually applied to the diverse activities and circumstances of the organization's work. Values are especially important in guiding staff behaviors when dealing with new situations and exploring new ways to enhance development effectiveness.

5. This note draws upon the experience accumulated since 1999 in using the CDF principles to guide the Bank's work.⁵ The four principles are interdependent. The principles of long-term, holistic vision and country ownership relate to "upstream" activities oriented toward the design and adoption of development strategies, while the principles of country-led partnership and results focus relate to "downstream" activities oriented toward implementation.

4. http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/03/04/000012009_20040304094648/Rendered/PDF/273320rev.pdf

5. See the CDF Progress Report *Getting Serious About Meeting the MDGs* at <http://siteresources.worldbank.org/CDFINTRANET/Resources/MDGReport.pdf>.

Long-term, Holistic Vision

Lessons of Experience

6. Over decades the effectiveness of development assistance has been severely impaired by its focus on projects which were not well integrated into a broad country strategic framework and which had relatively short time horizons. By contrast, successful development has been achieved when countries have been able to pursue integrated policies and programs over a broad front for sustained periods. In particular, experience has shown that achieving growth and poverty reduction depends on maintaining macroeconomic stability, on undertaking structural reforms to increase investment and enhance productivity, and on providing key services to improve economic opportunities and the quality of life, especially for the poor. Achieving a balance among these dimensions within a realistic national development strategy, and sustaining that balance over time, are the keys to success. This is greatly facilitated by an articulation of a country's own long-term, holistic vision for its future.

Understanding the Principle

7. The concept of a long-term, holistic vision includes several elements. A coherent long-term vision provides the foundation for a medium-term strategy that includes country-specific development targets, a balanced and well-sequenced set of policy measures, and a program for building the capacity needed for implementation. A holistic or comprehensive strategy considers all of the major domains for developmental policies and the many linkages among them, although different emphases may be placed on each, depending on country context.

8. A medium-term strategy based on a long-term, holistic vision should not constitute a top-down national development plan in the sense of governmental directives about all major investment decisions. It need not set forth the details about policy design and should not be a rigid framework, but should be reviewed and adjusted from time to time. Such a strategy is not expected to eliminate ongoing political debate about the right investments and the best policies or their timing. However, to the extent that a strategy can build widely shared understanding about realistic long-term goals and broad directions and their affordability, it can help to focus that debate on details of design, selectivity, implementation, and accountability, rather than on fundamental choices. In doing so, it can mobilize and guide support both within society, including the government, the private sector, and civil society, and among external providers of developmental assistance. And it can contribute to continuity in broad development policies across successive administrations.

Applying the Principle in the Bank's Work

9. *In IDA borrowers, supporting PRSPs based on a long-term, holistic vision.* Beginning in FY00, every country eligible for IDA credits and grants prepares its own PRSP as a basis for IDA assistance as well as assistance from other external partners, including the IMF. As of FY03, the Country Assistance Strategy (CAS) for an IDA-eligible country is prepared on the basis of that country's PRSP. This allows alignment of the CAS to the country's strategy. Although a PRSP is expected to summarize a prioritized program for public expenditures and for policy and institutional changes over a 3 to 5 year horizon, it is based on a longer-term, holistic vision of the country's development. Despite its name, the PRSP is not only an instrument for targeted poverty reduction programs but rather is an overall national development strategy

for broad-based growth and poverty reduction. In providing technical assistance and advice to countries relevant to PRSP preparation and updating, including through AAA, Bank staff help governments ensure that their PRSPs and related sectoral strategies and programs are based on long-term goals and a comprehensive vision for national development.

10. *Supporting interim strategies in low-income countries under stress (LICUS) and conflict affected countries through IDA.* For LICUS and conflict-affected low-income countries that are not yet in a position to develop a PRSP, it is appropriate to focus initially on immediate, priority goals and to help the country gradually lengthen and broaden the vision underpinning its national strategy. The Bank helps such countries focus on achieving results in the short term by supporting the preparation of an interim strategy using a Transitional Results Matrix, which links critical actions and results across the political, security, economic, and social spheres. Rather than a CAS, the Bank prepares an Interim Strategy Note (ISN)⁶ to guide its assistance program in support of the country's interim strategy.

11. *Encouraging national development strategies among IBRD borrowers.* The Bank advises IBRD borrowers to articulate a long-term, holistic vision as the basis for their development strategies, although it has not formally linked its CASs for IBRD borrowers to the presentation of a national development strategy similar to the PRSP for IDA-eligible countries.

6. See OP 2.3 *Development Cooperation and Conflict* at <http://opmanual.worldbank.org/>, and the Bank's LICUS website at www1.worldbank.org/operations/licus/.

The Bank offers technical assistance and advice in this effort, particularly in areas of special interest to middle-income countries such as competitiveness, and it helps countries become aware of the experience of other countries in preparing strategies based on a long-term, holistic vision.⁷ When a country does prepare such a national strategy, Bank staff need to be fully cognizant of and align the Bank's CAS with that strategy.

12. *Pursuing the Millennium Development Goals (MDGs).* Through various UN forums, the international development community, including the Bank, and its member governments, has endorsed the Millennium Declaration and committed itself to achieving the MDGs. Most of the MDGs set quantitative targets to be achieved by 2015.⁸ The MDGs adapted to suit each country's circumstances—could constitute core elements of a long-term, holistic vision. Achieving the MDGs will require sustained efforts over a broad range of policies and programs. In its work, the Bank encourages countries to focus on the MDGs and develop the linkages between their realization and policies and programs envisioned in national development strategies.

13. *Using Medium-Term Financial Frameworks (MTFFs) that incorporate externally-financed projects.* Availability of sufficient funds for implementation is key for the implementation of any national development strategy, providing a crucial check on its realism and affordability. A MTFF, when

7. See, for example, *Comprehensive Development Framework: Roundtables on Latin American Middle-Income Country Experience: Lessons and Implications*, World Bank, 2002 at <http://siteresources.worldbank.org/CDF/Resources/latam-mereportenglish.pdf>

8. See the Bank's MDG website at www.developmentgoals.org/index.html.

fully linked to the annual budget, helps governments improve the design and management of their overall public expenditure consistent with their national development strategy.⁹ In promoting and supporting the use of MTFFs, Bank staff encourage governments to make allocation decisions consistent with the long-term, holistic vision reflected in their national development strategy. The Bank advises governments to develop MTFFs that fully incorporate all financing, including that from development assistance agencies.

Country Ownership

Lessons of Experience

14. Development does not take place unless it is achieved by the country itself. It cannot be done for a country by development assistance agencies. Externally financed programs and projects might be reasonably well implemented during the period of external support but will not be sustained without country ownership. Policy and institutional change will not achieve its objectives without country ownership. More specifically, the track record indicates that using conditionality associated with external financial assistance to induce policy and institutional change seldom succeeds unless there is adequate understanding and support for it within the country. Therefore, development assistance is most effective when it is driven by demand from the country, not by internal incentives among development assistance agencies to supply certain types of assistance, and when it is deployed only in support of programs, projects and policies for which there is sufficient country ownership.

9. See the MTFF website at www1.worldbank.org/publicsector/pe/MTEF.htm.

Understanding the Principle

15. Country ownership means that there is sufficient political support within a country to implement its developmental strategy, including the projects, programs, and policies for which external partners provide assistance. Country ownership requires that the government has achieved sufficient support for the strategy among stakeholders within and outside of the government. This likely includes line ministries, parliament, subnational governments, civil society organizations, and private sector groups. The participatory processes needed to build country ownership will be unique to the country's political culture and circumstances. Ownership requires that a country has sufficient institutional capacity for defining and implementing a national development strategy. For PRSPs, it means that PRSP decisionmaking processes are mainstreamed, or institutionalized, into those of the executive, parliament, local governments, and country stakeholders.¹⁰

16. Country ownership does not require full consensus within a country. It means that the government can mobilize and sustain sufficient political support to adopt and implement the desired programs and policies even in the presence of some opposition. For example, major policy changes require strong political support at the national level. A relatively small-scale program may require only local-level community support. In deciding upon and designing support for

10. For a checklist useful for assessing country ownership of PRSPs, see *An Operational Approach for Assessing Country Ownership of PRSPs*, OPCS, 2004 at www.worldbank.org/cdf.

programs and policies, external partners need to assess the extent of ownership at the appropriate level.¹¹

17. Country ownership is a necessary but not a sufficient condition for the Bank's assistance. Due diligence requires that the Bank be satisfied that any program, project or policy for which it provides support will, in the Bank's experience and judgment, contribute in a sustainable way to the country's development. Through its country dialogue and joint analytic work, the Bank seeks to broaden the scope of agreement between the country, the Bank, and other development assistance agencies on those programs, projects, and policies that will contribute to the country's development. The Bank makes every effort to ensure that its judgments are fully informed by country context, including the knowledge and preferences of diverse groups. Furthermore, in managing the inherent tension between respect for country ownership and application of their best professional judgment, Bank staff should, as a general rule, defer to the country's knowledge and preferences unless the Bank's formal policies, technical knowledge, or international experience strongly indicate otherwise.

Applying the Principle in the Bank's Work

18. *Supporting, not controlling, the PRSP process.* The PRSP approach is designed to encourage countries to take the initiative in defining their own strategies and to take charge of their development assistance. While encouraging and supporting a country's efforts to prepare a PRSP and related sec-

11. For a list of useful indicators of ownership of specific policy programs, see the *Good Practice Note on Designing Development Policy Operations* at <http://intresources.worldbank.org/INTCOUNTECONOMICS/Resources/Designingdevelopment90204.pdf>.

tor strategies and programs, including through appropriate AAA, the Bank does not take over the process. In particular, the Bank advises governments to build on existing processes for strategy formulation and for participation. It discourages separate or parallel PRSP processes that have only weak links to a government's existing national development strategy or actual decisionmaking processes.¹²

19. *Encouraging participatory processes.* Broadly speaking, creating and maintaining ownership of development programs and policies requires participatory processes—whether at the national level in the preparation of a national development strategy or major policy program or at the local level in the preparation of community-driven development (CDD) plans or other projects. Broadening participation is often a means of empowering the poor, which is a central element of poverty reduction. Throughout its work, the Bank supports participatory processes, especially those involving the poor. However, the Bank recognizes that the extent and form of participatory processes can vary considerably across countries, and recognizes each country's constitutional and legal setting. The Bank can advise about but not dictate the nature of such processes. Nevertheless, the Bank advises governments to link participatory processes to permanent institutions, i.e., to favor institutionalized rather than ad hoc processes that might undermine such institutions. The Bank seeks to broaden participation as much as possible.¹³ In LICUS countries, in which public institutions are especially weak,

12. See *PRSP Good Practices Pamphlet* at <http://siteresources.worldbank.org/INTPRS1/Resources/pamphlet.pdf>.

13. See the Bank's website on participation and civic engagement at http://www-int.worldbank.org/jsp/sectors_view.jsp?tab=2&gwitem=473978.

special attention will likely be needed to create a basis for supporting ongoing participatory processes among organizations outside of the government.

20. *Using conditionality only to complement country ownership.* The conditions for policy-based loans and grants (including triggers for subsequent operations in a series of programmatic operations) should be fully owned by the government and have support from country stakeholders. They should focus on actions that are critical for the success of the policy program being supported.¹⁴ Such conditionality can be useful in helping a government to define and maintain a timetable for implementation of a policy program, in signaling a government's commitment to that program, and in assuring the Bank's Board of Executive Directors that the government is moving forward in a way that merits the Bank's financial support. Conditionality is not used as a means to compel a government to undertake measures that it would not otherwise wish to implement, or for which there is no support in the country.¹⁵

21. *Increasing public disclosure and dissemination to ensure country ownership.* Improving transparency and dissemination of information about a country's programs and policies is necessary to build country ownership. The Bank advises govern-

14. See *Strengthening IMF World Bank Collaboration on Country Programs and Conditionality*, 2001 at <http://intresources.worldbank.org/INTCOUNTECONOMICS/Resources/imfwbconditionality082201.pdf>.

15. See *Good Practice Note on Designing Development Policy Operations*, at <http://intresources.worldbank.org/INTCOUNTECONOMICS/Resources/Designingdevelopment90204.pdf>.

ments in improving public disclosure and information sharing and provides support for building capacities in this domain. Furthermore, the Bank's disclosure policy reflects recognition that transparency in the Bank's activities helps to ensure that the Bank is adequately applying the principle of country ownership.¹⁶ The policy allows most key Bank documents, including CASs and program documents for policy-based loans and grants, to be made public after approval by the Bank's Board of Executive Directors.

22. *Using Bank AAA to support country ownership of national development strategies.* Building ownership requires improved understanding of alternative programs and policies by the government and country stakeholders. Development assistance agencies providing support also need to enhance their understanding of the applicability of international experience to programs and policies in specific country situations. The Bank can use AAA to help facilitate broad understanding of the optimal approach within individual countries on a broad range of issues, including identifying probable outcomes to alternative policies. For example, it can undertake AAA jointly with the Government, country stakeholders, and other development assistance agencies designed to analyze the benefits and costs of particular policies and can help disseminate that work among relevant groups. Upstream joint analytical work thus fosters ownership while improving program and policy design. Such AAA, which leads to a better understanding of the impact of different policies on poverty, growth and the environment in specific countries, underpins the Bank's support to policy programs.

16. See the Bank's disclosure policy at www1.worldbank.org/operations/disclosure/.

23. *Encouraging country ownership of interim strategies in LICUS and conflict-affected countries.* In many LICUS or conflict affected countries, the leadership may not have experience in peacetime national development strategies. The Bank, therefore, advises the government and country stakeholders to participate in a Joint Assessment Mission (JAM), which the Bank and other development assistance agencies support, to draft a strategy addressing the main transitional challenges. Bank staff should support not control this process.

Country-Led Partnership

Lessons of Experience

24. The effectiveness of development efforts has been seriously limited by fragmentation and compartmentalization within countries and among external partners. Transaction costs have been high because of a multitude of divergent requirements that development assistance agencies impose along with their support. Even when a government has been able to articulate a long-term, holistic vision for national development and design an appropriate strategy, implementation of the required programs and policies has often been frustrated by inability to adequately mobilize support from other country stakeholders (for example, the private sector and civil society organizations (CSOs)) and to coordinate the help offered by external partners. Poor coordination has been especially problematic in low-income countries with many active external partners. The need for coordination of development assistance has been long recognized. However, to date mechanisms of coordination have not been successful in overcoming the obstacles created by the desire among development assistance agencies to maintain their distinct

identities and interests, and their divergent procedures and requirements. Coordination efforts led solely by external partners have failed to increase growth of government capacity to manage assistance from external partners. Periodic efforts to intensify coordination in the past have typically collapsed due to “coordination fatigue.”

25. Development effectiveness is also seriously diminished by failure to tap into local knowledge required for designing and implementing development programs. External partners too often have relied excessively on their staff based at headquarters, rather than in the client countries, and on international experts who may not have adequate understanding of the countries in which they are working. Failure to establish working partnerships with nationals usually underlies the lack of local knowledge.

Understanding the Principle

26. Building partnership between the government and other stakeholders in a country helps to mobilize resources for development and complement the limited capacity of the government itself. In most circumstances, the central government needs to develop a close working relationship with subnational governments and with civil society organizations, including private sector associations and CSOs involved in social service delivery.

27. For external partners, engaging in an effective partnership for development usually depends on respect for the principle of country ownership: partnership led by the government and by country stakeholders helps ensure that assistance is demand-driven. Engaging effectively in partnership involves three complementary processes: alignment, harmonization, and coordination. Alignment means providing as-

sistance that is consistent with the priorities in the national development strategy. Harmonization means adopting simpler and common processes and systems that reduce the transactions costs involved in development assistance and make use of already existing country institutional structures, processes, and systems. Coordination means assigning tasks among development partners to take advantage of their comparative advantages and to avoid unnecessary redundancies. More specifically, in building strong partnership, external partners need to consider the following:

- Development assistance agencies need to step back from managing coordination efforts and make room for the government to exercise a leadership role. The focus is shifting from development assistance coordination among external partners to coordination of those partners by the government.
- There needs to be a concerted effort to harmonize the processes and procedures used by development assistance agencies and to align them with those of individual countries. Working toward reliance on country systems requires development assistance agencies to support improvements in those systems to levels where risks are manageable, and to use risk mitigation measures while such improvement takes place. Without such harmonization, the transactions cost of development assistance seriously reduces its net impact.
- Effective partnership requires close collaboration at the country level involving staff from the Bank's Country Office with their counterparts in government and in the local offices of external partners. Hence it is important that substantial responsibility

for building partnership be assigned to the Country Office. In those few countries in which the Bank does not maintain a Country Office, it is usually not feasible for the Bank to assume a leadership role among external partners.

- Partnering will often mean that each partners' contributions are no longer distinctly identifiable. External partners, including the Bank, are working to overcome incentives to "show the flag," and instead to show that they are associated with results-oriented activities achieved under government leadership. Sometimes individual external partners, including the Bank, may need to compromise where there is a plethora of divergent views among development assistance agencies.

- More broadly, building partnership requires behavioral changes among Bank staff and other development assistance agencies; to be consistently attentive to the need to reduce the overall transactions costs of development assistance, to listen to government officials, country stakeholders, and staff of other development assistance agencies, to avoid redundancy and duplication, and to put the government "in the driver's seat."

28. Within the framework of country leadership, the Bank has sought to improve its partnership with a broad range of institutions, including the IMF, the regional development banks, the UN system, the European Commission (EC), bilateral development assistance agencies, international CSOs, and to actively participate in various special groups such as the OECD Development Assistance Committee and the Strategic

Partnership with Africa (SPA). In some cases, these partnerships are guided by formal agreements.¹⁷ Effective partnership can take many forms, and the Bank's most useful role as a partner will vary according to circumstances. In some cases, the government may request that the Bank take a leadership role among other external partners, while in other cases, the government may wish the Bank to take the role of a follower or facilitator.

Applying the Principle in the Bank's Work

29. *Encouraging government leadership in coordination of development assistance.* The Bank advises the government to take the lead in several ways:

- *Assigning a responsible government institution.* The Bank advises governments to assign the task of coordinating its external partners to an appropriately high-level institution and, when more than one institution is involved, to clarify their respective responsibilities.
- *Improving Consultative Group (CG) meetings.* The Bank now routinely supports the government's chairing of CG meetings and the use of such meetings as a vehicle for asserting government guidance over development assistance, including alignment with the national development strategy and harmonization of processes and procedures. Furthermore, in many cases, it has proven useful to hold CG meetings in the country concerned rather than in coun-

17. For example, see *Staff Guidance Note on Bank-Fund Collaboration*, 2002 at <http://intresources.worldbank.org/INTCOUNTECONOMICS/Resources/StaffGuidanceNote24Apr02.pdf>.

tries where development assistance agencies are based or at the Bank's office in Paris. In-country CG meetings facilitate stronger participation by the government and possibly other stakeholders in the country. The Bank advises governments and other external partners to undertake similar innovations in Roundtable meetings and other development forums.

- *Creating sector and thematic working groups.* Such in-country groups led by the relevant government institutions and involving staff from development assistance agencies, often through choosing lead agencies on specific issues, can be especially helpful in carrying forward joint work and developing joint buy-in to programs and policies.
- *Leading Country Portfolio Performance Reviews (CPPRs).* To improve project supervision and portfolio management by focusing on systemic implementation issues faced by the government, the Bank advises that CPPRs be chaired and led by the government, to encompass not just the Bank's portfolio but also that of other development assistance agencies, to be integrated into the government's established portfolio management processes, and to include relevant national stakeholders.
- *Supporting governments in articulating principles and guidance for their external partners.* In some cases, governments have usefully led a process for reaching an agreement among external partners on the principles and guidelines for working together.¹⁸

18. See the aid harmonization and alignment website at www.aidharmonization.org/.

30. *Aligning CASs to national development strategies in partnership with others.* To be effective, the CAS is aligned with the country's national development strategy.¹⁹ Alignment means that the CAS reflects the priorities that the government has set with country stakeholders in its national development strategy. Increasingly the Bank is working with the government and other development assistance agencies to develop a comprehensive joint country assistance strategy that is closely aligned with the national development strategy. In the process of preparing a CAS, the Bank works with others to build on, rather than replicate, the country's own process of strategy formulation. This means:

- The national development strategy is the starting point for framing the country assistance strategy. The CAS document summarizes the national development strategy and puts forward a business plan by which the Bank and—in the case of joint CASs—other development assistance agencies will provide support.
- The CAS cycle corresponds to a country's cycle for preparation of updated strategy documents. The latter will often correspond to the cycle for elections and changes of national governments.
- During CAS preparation, the responsible government institution solicits views across govern-

19. See CAS guidelines at <http://opcs.worldbank.org/CAS/CASGuidelines.htm#Consults> and *Aligning Assistance for Development Effectiveness* at <http://siteresources.worldbank.org/CDF/Resources/Alignment.pdf>.

ment and of other country stakeholders, including parliamentarians and private sector and other civil society groups representing various constituencies, about the ways in which development assistance can support implementation of the national development strategy. The Bank is involved in these discussions under government leadership and avoids a separate process that repeats the country's own institutionalized processes of consultation. Country circumstances guide the consultation process. In some cases, it may be appropriate to use the final rounds of consultations on a PRSP or other national development strategy as a vehicle for soliciting views about the country assistance strategy.

- The roles of other development partners are a key consideration for the Bank and the government in defining the Bank's program of assistance. In some sectors, for example, it may be appropriate for the Bank to substantially reduce, if not eliminate, its engagement at the request of the government given an active role taken by other partners. In other sectors the Bank might plan for a joint or collective effort with other partners.
- It is good practice to summarize understandings on the respective role of different external partners in the CAS, using a matrix to identify the sectors/domains in which each major external partner is active and also highlighting important partnership arrangements in the text.
- The CAS notes the ways in which the Bank and other development assistance agencies encourage government leadership in development assistance

coordination, promote harmonization of processes and procedures in that country, and support public-private partnerships within the country.

31. *Aligning loans and grants to a country's strategy and budget cycles.* For investment operations, this means that each operation is fully consistent with the priorities established in the national development strategy and included in the country's annual budget and MTFE. The mid-term review is the ideal opportunity to ensure existing operations are aligned with the national development strategy and related sectoral strategies and programs. In addition, it means that increasingly the Bank will rely on a country's institutions rather than separate project management units for the implementation of Bank-financed activities. For development policy loans and grants, this means that the policy and institutional changes being supported are consistent with the national development strategy and have country ownership. Increasingly the Bank is using its loans and grants to provide financial support for a government's overall, sectoral, or sub-sectoral strategy and expenditure program, consistent with the national development strategy, rather than to discrete Bank-supported projects. Such support might take the form of pooled financing in the context of Sector-Wide Approaches (SWAs) as outlined in recent Bank guidelines²⁰ or programmatic loans and grants such as a Poverty Reduction Support Credit (PRSC) in IDA-eligible countries. It is important that the Bank's financing be synchronized with the government's own cycle of planning and budgeting, and that disbursement is predictable.²¹

20. See interim guidelines on fiduciary arrangements for SWAs, at <http://siteresources.worldbank.org/INTINVLENDING/Resources/SWAs/FiduciaryArrangementsSWAs.pdf>.

21. See *IMF/World Bank Concept Note on Aligning Donor Budget Support with the PRSP Process* at www1.worldbank.org/harmonization/rome/IMF/IPPlans/Joint%20IMF-World%20Bank%20Note%20on%20Donor%20Coordination.pdf

32. *Participating in multi-partner loans and grants.* Multi-partner support for a country program is an important mechanism for coordinated external assistance. Increasingly, governments are asking external partners to provide collective financial support via loans and grants associated with comprehensive policy programs, SWAPs, and multi-donor budget-support operations. When there is an agreed policy framework in place, drawn from the national development strategy and a shared understanding toward necessary improvements in public expenditure management systems, the Bank supports such multi-partner operations to increase alignment with the national development strategy and greatly reduce the transactions costs associated with external financial support.²²

33. *Undertaking Joint AAA.* AAA is more likely to be relevant and effective in influencing a country's policies and programs when it is guided by demand from the government, and designed and implemented as a joint undertaking of the Bank, other development assistance agencies, the government and country stakeholders. Making AAA a joint task helps the Bank tap into local knowledge, helps build local capacity, broadens shared understanding about optimal approaches, and increases the likelihood that policies will be appropriately tailored to country circumstances and that government policy makers will pay attention to its recommendations. With this in mind, the Bank seeks government input into the design of its AAA program and seeks out relevant partners within the government and outside, such as national universities and research organizations and other development assistance agencies, to participate in the AAA.²³

22. See SWAPs website at <http://swaps.worldbank.org>.

23. See AAA website at <http://esw>.

The Bank and other partners can avoid inefficient duplication of efforts by improving the sharing of information about individual analytic work. A website on country analytic work facilitates the exchange of information and enables partners to identify potential opportunities for cooperative efforts.²⁴

34. *Providing coordinated support for national capacity enhancement.* Effective partnership is especially critical to efforts to build national capacities in the various domains of government. In many developing countries, support for capacity building has been fragmented and has often contributed to unsustainable institutions. A strong national development strategy includes an integrated strategy for capacity building, that provides the framework for development assistance. The Bank supports such comprehensive capacity building strategies and encourages other partners to support them.

35. *Harmonizing processes and practices with those of the country.* Under the auspices of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and on a country-by-country basis, the Bank has been working closely with other development assistance agencies to harmonize processes and practices with respect to public financial management, procurement, disbursements, loan administration, and reporting with those of individual countries.²⁵ Consistent with the principle of country-led partnership, the goal is to agree on a set of appropriate standards, to support government efforts to

24. See the country analytic work website at www.countryanalyticwork.net, and the DAC good practice paper on *Country Analytic Work and Preparation of Projects and Programmes* in *Harmonising Donor Practices for Effective Aid Delivery* at www.oecd.org/dataoecd/0/48/20896122.pdf.

25. See set of good practice notes at www.oecd.org/dataoecd/0/48/20896122.pdf.

achieve those standards in national institutions, and then to channel development assistance via those national institutions.²⁶ Bank guidelines for procurement²⁷, expenditure eligibility²⁸, and financial management²⁹ have been revised to reflect these efforts.

36. *Using country systems whenever possible to ensure application of Bank safeguards.* When a country's laws, regulations, and institutions related to the Bank's safeguard policies, such as for environmental impact assessments and resettlement, are judged consistent with or equivalent to Bank standards, the Bank seeks to rely on these assessments.³⁰ Among all of its borrowing member countries, the Bank seeks to support strengthening of the relevant laws, regulations, and institutions so that eventually all of the standards associated with Bank loans and grants can be achieved through reliance on national processes.

37. *Supporting in-country public-private partnerships.* There is broad scope for governments in developing countries to build more effective partnerships with the private sector in

26. See the aid harmonization and alignment website at www.aidharmonization.org/.

27. See *Procurement Policies and Procedures* at <http://worldbank.org/procurement>.

28. See *Eligibility of Expenditures in World Bank Financing* at <http://opcs.worldbank.org/eligibility/>.

29. See *OP and BP 10.02 Financial Management* <http://opmanual.worldbank.org>.

their countries and with CSOs involved in service provision, especially to the poor.³¹ Such partnership is especially important in areas in which the government's own capacities are weak. The process of preparing a national development strategy can be a useful vehicle for identifying possible public-private partnerships. In its dialogue and in making loans and grants, the Bank actively advises governments to enter into such partnerships when they are viable. To do so, the Bank, often through the World Bank Institute, may also seek to provide technical assistance and training to enhance the capacity of civil society organizations to play a stronger role in public-private partnerships.

38. *Supporting partnership in LICUS and conflict-affected countries.* The need for effective partnership is particularly acute in LICUS and conflict-affected countries, in which the institutional capacity of the government to deal with many external partners is especially weak. In these cases, the Bank needs to give special attention to assessing the comparative advantages of various external partners in providing leadership in their work in the country. In some circumstances, the Bank may advise the Government that other partners may be prepared and situated better than the Bank to take on key roles. The JAM provides a good framework for external partners to engage with each other and with the government and national stakeholders.

31. For example, such partnership may involve creating a public-private commission to identify means to improve the investment climate or contracting with an NGO to manage rural health clinics.

Results Focus

Lessons of Experience

39. Critics have long argued that development assistance agencies have been excessively focused on increasing their inputs and outputs to development efforts, especially disbursements of funds, without adequate regard to “results-on-the-ground”, i.e., outcomes in terms of the quality of life and economic productivity of people in developing countries. Attention to inputs and outputs and especially disbursements is understandable. They are easier to measure than outcomes and more subject to control by the provider. And, to the extent that development assistance agencies believe that a key contribution to development efforts is the transfer of financial resources, disbursements are an important measure of that contribution. However, counting inputs, outputs, and disbursements alone is not an appropriate measure of the effectiveness of development assistance.

40. Most importantly, excessive focus on inputs and outputs has weakened the incentives among both development assistance agencies and the recipients of external financial assistance to ensure that resources are used in ways that will achieve sustained developmental results. More generally, the pressures to disburse have weakened the willingness of development assistance agencies to discriminate between countries with institutions and policies such that external financial support will be well used and those in which funds are likely to be wasted. In other words, it has reduced the incentive for selectivity in the allocation of development assistance resources.

41. Attention to inputs and outputs rather than outcomes has also contributed to the under-development of institutions in developing countries for financial accountability, for measuring economic and social conditions, and for monitoring and evaluation of public programs and policies. There has been a vicious circle in which the attention to inputs and outputs has prevented growth of capacity to measure outcomes, thus reinforcing dependence on input and output measures. All these concerns make it especially important to shift the focus of measurement to results, and to build the capacity to do so.

42. The need for increasing the results focus of development assistance as a whole and of the Bank's work in particular has been widely recognized within the international development community. In response to guidance from IDA Deputies during the IDA13 replenishment, IDA has designed a set of "country outcome indicators" to measure the developmental progress of IDA-eligible countries and also a set of indicators to assess IDA's contribution to development results. This system is being refined over time.³²

Understanding the Principle

43. Focusing on development results is intended to break this vicious cycle and to change the incentives facing governments, country stakeholders, and development assistance

32. See the DAC good practice paper on *Reporting and Monitoring in Harmonising Donor Practices for Effective Aid Delivery* at www.oecd.org/dataoecd/0/48/20896122.pdf and the IDA Results Measurement System at www.worldbank.org/ida.

agencies. However, this does not mean abandoning any attention to inputs and outputs; indeed in some dimensions, capacity to control inputs and outputs, for example, public financial management (PFM) systems of recipient governments, must be strengthened. But results focus requires extending attention farther down the “results chain” from inputs and short-term outputs to medium-term outcomes. It also requires expanding attention to circumstances and behaviors beyond the institutional boundaries of individual development assistance agencies and even beyond the boundaries of the recipient government and individual projects, to the intended final beneficiaries of development assistance.

44. A results focus is facilitated by clarity about goals and objectives. The process of defining a long-term vision and a national development strategy therefore includes identifying desired goals in terms of quality of life among potential beneficiaries of development assistance and setting realistic, monitorable, time-bound and preferably quantitative targets, and progress indicators related to those goals. A results focus also requires concerted efforts to disseminate information about results among stakeholders in the development process to promote accountability and to create feedback loops so that information can be used to adjust strategies and to improve projects, programs, and policies.

45. The implementation of a results focus is difficult. Measuring outcomes (for example, household income levels and health status) is costly and can only be done over a relatively long period. Indeed, even though the institutional capacity for such measurement in developing countries can be improved, there will always be limitations on data availability. There are usually time lags between inputs, outputs and outcomes that make it difficult to create information feedback loops so that a better understanding of results can lead to

improvements in inputs and outputs. Because most outcomes are affected by many factors and take time to be realized, it is difficult to attribute outcomes to particular inputs and outputs. More specifically, it is difficult to know whether or not certain development assistance inputs and outputs are the primary, or even an important, contributor to measured outcomes. This attribution problem is especially difficult because money is fungible: it is often not clear that development assistance funds actually lead to incremental financing of the activities for which they are intended. These intrinsic problems in results focus can be reduced but never eliminated. Nevertheless, persistent efforts to improve the results focus of development assistance are essential to improve its effectiveness.

Applying the Principle in the Bank's Work

46. *Promoting better public financial management (PFM) systems among borrowing country governments.* One dimension in which it remains important to monitor inputs is public expenditures. Given weak PFM systems among most client countries, development assistance agencies have typically relied on separate project management units to protect the financial integrity of their disbursements. However, this has led to fragmentation of institutional capacity within developing countries and failure to create permanent national institutions. Furthermore, given the fungibility of the financial resources that external partners provide, monitoring the likely results of financial assistance in many cases depends on monitoring the overall public expenditure program of a government. The feasibility and credibility of such monitoring depends on strengthening PFM systems. With a view toward greater reliance on government institutions for implementation of programs and projects financed by development assistance agencies, increasing attention is being given to

strengthening PFM systems within client countries. The Bank has been promoting better PFM systems in several ways:

- The Bank's Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reports (CPARs) have increasingly focused on recommendations for improving PFM systems, including action plans focusing on capacity building that the Bank often supports through loans or grants.
- In the context of the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, the Public Expenditure and Financial Accountability Secretariat, the Bank, and the IMF have developed a standardized assessment tool for measuring the capacities of PFM systems based on a set of benchmarks and identifying areas requiring improvement. This "Public Financial Management Performance Measurement Framework" is now being incorporated into instruments such as PERs, CFAAs, and CPARs, and efforts are under way to integrate these instruments.³³
- The Bank, together with the IMF and others, has also encouraged governments to include a program for improving PFM systems within their PRSPs.
- In revising its guidelines for development policy operations so that disbursed funds are not tied to project specific procurement and hence de facto

33. See *PFM Performance Measurement Framework* at [www.pefa.org/PFM%20framework%20Feb%2012%202004%20with%20procurement%20amendment\(pdf\).pdf](http://www.pefa.org/PFM%20framework%20Feb%2012%202004%20with%20procurement%20amendment(pdf).pdf).

provide general budget support, the Bank has emphasized the need for agreed measures to improve PFM systems.³⁴

- The Bank is providing technical assistance to support improvements in PFM systems.

47. *Supporting capacity enhancement for statistical institutions and for monitoring and evaluation within developing countries.* The principle of results focus cannot become operational unless there is adequate institutional capacity within developing countries to measure results. Consistent with the principle of country ownership, development assistance agencies support capacity building within national institutions rather than within separate entities that are primarily accountable to those development assistance agencies and are dissolved when external financing is no longer available to support them. External partner efforts are directed toward building an integrated national monitoring system rather than disparate unconnected systems. The Bank has therefore given increased emphasis to its efforts to help build such institutional capacity:

- Under the auspices of the DAC, the Bank has joined other development assistance agencies to support the Paris 21 initiative for statistical capacity building.³⁵
- The Bank, together with the IMF and others, is advising countries to include an integrated pro-

34. See *Good Practice Note on Designing Development Policy Operations* at <http://intresources.worldbank.org/INTCOUNTECONOMICS/Resources/Designingdevelopment90204.pdf>.

35. See *Partnership in Statistics for Development in the 21st Century* at <http://www.paris21.org/>.

gram for improving in-country monitoring and evaluation capacity within PRSPs. The Bank offers support to these country-level monitoring and evaluation programs through loans, grants and technical assistance.

48. *Assisting national efforts to disclose and disseminate results information, especially among policymakers.* Building national institutions for collecting data and evaluating public policies depends on sustained demand for such information, especially among policymakers. Expanding ownership of development efforts within a country also requires disseminating information on results more broadly. The Bank is encouraging governments to improve their transparency and disclosure policies and providing assistance to dissemination efforts.

49. *Preparing results-based CASs.* Given that the CAS guides the Bank's work in each country, a results focus is being reflected in the CAS itself. Results-based CASs are defining the expected results to be achieved within the period covered by a CAS and to establish the linkages between those desired results and the Bank's activities.³⁶ They are being followed by CAS completion reports in which Bank staff evaluate results achieved, and draw lessons to improve future strategy design. The key challenges in creating a results-based CAS are to derive the Bank's goals from those already articulated by a country in its national development strategy, thereby increasing country ownership of the Bank's program, and to identify outcome measures for which the Bank's inputs are likely to be of particular importance.

36. See Results -Based CAS website at <http://opcs.worldbank.org/CAS/cs-rsb.html>.

50. *Improving monitoring and evaluation components of loans and grants.* Every Bank loan or grant is expected to support efforts to measure the outcome associated with it by reliance on national institutions rather than the creation of project-specific, ad hoc arrangements.

51. *Promoting pursuit of the MDGs.* Effective pursuit of the MDGs will require enhanced capacities to measure outcomes in the areas targeted by the MDGs. The Bank works closely with the UN in helping governments to build such capacity.³⁷

52. *Strengthening attention to measuring the success of AAA and evaluation results.* A focus on results implies more consistent attention by Bank staff to ensuring that the success of AAA and of the Bank's evaluation programs can be assessed through measurable indicators. In addition to bringing the recommendations from AAA and evaluation to the attention of relevant policy makers, the Bank needs to track more carefully the impacts of its recommendations. This creates a feedback loop so that the Bank can improve the selection, design, implementation, and dissemination of its AAA and evaluation programs, and its own assistance.

37. See United Nations website on the MDGs at www.un.org/millenniumgoals/.