

Chapter 1

Evaluation Essentials

- The objective of this evaluation is to inform decision making about the selection of public sector reform programs based on what is likely to work.
- The scope of the evaluation is Bank support between fiscal 1999 and 2006 for country programs to enhance the rule-based operation of governments.
- The evaluation focuses primarily on the effectiveness of country programs.



City government building in Guayaquil, Ecuador. Photo © Damon P. Coppola.

Objective, Scope, and Method of Evaluation

The main objective of this Independent Evaluation Group (IEG) evaluation is to help the World Bank learn how to contribute more effectively to public sector reform (PSR) in its member countries.

Objectives and Framework

The intended audience also includes government officials and other stakeholders that want to see what lessons are available for improving project and program design and for better using the Bank's support for PSR.

In other words, the evaluation seeks to provide country directors or finance ministers with knowledge of what sort of PSR program is likely to work in their country, based on what has been learned from the 1999–2006 experiences.

Foremost, this evaluation considers the design of country programs for PSR—not only the content and sequence of reforms within the key thematic areas, but also the coordination and sequence of the overall program. Based on interviews with Bank managers and the experiences in a sample of countries, the evaluation also considers how the Bank organizes its PSR work and resources.

Support for improving the operation of the government has long been part of the Bank's work with countries. The rationale for this work has evolved and its centrality has grown. Since the late 1980s, it has become one of the most prominent items on the reform agenda, as will be detailed in chapters 2 and 3.

The attention to PSR has emerged from two considerations. First, the quality of the public sector—accountability, efficiency in service delivery, transparency, and so forth—correlates strongly with—and is thought by many to contribute to—long-term growth and poverty reduction, although causality probably runs both ways (Bates 2001; Kaufmann, Kraay, and Mastruzzi 2005; Przeworski and colleagues 2000; van de Walle 2001).

Second, the World Bank works primarily with government counterparts and intermediaries. Improving the efficiency of and public support for their work contributes to the effectiveness of the Bank's support to development, because 38 percent of total Bank lending during 1999–2006—amounting to \$62 billion—went directly to budgets without project earmarks (policy reform lending, budget support, and so forth), and the majority of investment lending is executed by core government agencies.

The quality of the public sector has a strong relationship with growth and poverty reduction.

In 2000 the Bank produced and discussed with its Executive Board a strategy document—*Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*.¹ The strategy aimed to help build efficient and accountable public sector institutions in addition to providing discrete policy advice. The strategy noted that a

main lesson from experiences in the 1990s was that “neither good policies nor good investments are likely to emerge and be sustainable in an environment with dysfunctional institutions and poor governance” (World Bank 2000, p. vii).

The PSR strategy “focuses primarily on core public sector institutions and their interface with sectoral institutions. It touches only lightly on institutional concerns within specific sectors... and it does so primarily to point out generic issues that concern many sectors” (World Bank 2000, p. 12).

A Bank-wide strategy for PSR was published in 2000.

The strategy identified eight areas of public sector reform in which Bank activities could contribute:

- Public expenditure analysis and management
- Administrative and civil service reform
- Revenue policy and administration
- Anticorruption
- Decentralization
- Legal and judicial reform
- Sectoral institution building
- Public enterprise reform.

Concerning tactics to work in these areas, the strategy also said that PSR support should avoid trying to make “one size fit all” and should aim to ensure that basic reforms were done first, before attempting more sophisticated ones.

Scope

PSR is part of the agenda for improving governance, which includes three broad areas: rule-based operation of the government itself to improve the supply of public goods, voice and accountability for citizens to demand better public services, and more efficient and effective regulation of the private sector to improve its competitiveness.² PSR in this document refers mainly to the first area and to the aspects of the second that deal with transparency and access to information. It does not deal with regulation of the private sector.

To assess the relevance and effectiveness of the PSR strategy, the evaluation focuses on projects in the period between fiscal 1999 and 2006, and it also looks back to the previous decade to see

the long term of countries’ PSR programs. The evaluation focuses on the four areas outlined in the Bank’s 2000 public sector strategy that pertain to the way the core government organizes itself:

- **Public financial management (PFM)** concerns the management of money through the entire budget cycle. This includes budget planning and execution, in particular, financial management information systems and medium-term expenditure frameworks (MTEFs), procurement, auditing, and monitoring and evaluation. It also includes the implementation of reforms arising from country financial accountability assessments (CFAAs) and country procurement assessment reviews (CPARs) and the strengthening of key budgetary accountability institutions, such as public accounts committees of the legislature and supreme audit institutions.
- **Civil service and administrative (CSA) reform** involves all aspects of the management and organization of personnel. It includes programs to downsize the civil service and reforms to the personnel information system (including civil service censuses), career paths, pay grades (decompression), other aspects of the incentive system, and the organization of ministries.
- **Tax administration reform** includes the key aspects of revenue administration, particularly the institutional setting and development of operational processes, including automation and interaction with taxpayers (actual and potential).³
- **Anticorruption and transparency (ACT)** reforms are involved in the first three areas; going further, many recent operations support specific activities to combat corruption and improve transparency across the public sector.⁴ Box 1.1 explains how the Bank support evaluated here relates to the full spectrum of work on anticorruption.

The evaluation recognizes the interdependence of these components of PSR and recognizes that the Bank’s PSR programs have sometimes worked across these dimensions. This evaluation does not delve into sector-specific issues or the reform

Box 1.1: Scope of Review on the Bank's Anticorruption Activity

This IEG evaluation reviews only part of the World Bank's work on anticorruption, dealing with cross-cutting systems (IEG evaluated the full range of the Bank's anticorruption work in 2004; IEG 2004b). The Bank's Anticorruption Strategy, endorsed by the Board in 1997, contained four principal pillars:

- *Mainstreaming anticorruption in country analysis, country strategy, and lending decisions.* This includes the CPIA for the International Development Association resource allocation and anticorruption in country assistance strategies (for example, Indonesia, Bangladesh, and Albania).
- *Helping countries that request assistance in curbing corruption.* This includes support for cross-cutting public management systems and transparency reforms, as well as anticorruption in key sectors, such as extractive industries, health, education, and transport.
- *Preventing fraud and corruption in Bank projects and programs.* This includes fiduciary controls (financial management, procurement, risk mapping, and mitigation) and investigation of fraud and corruption by the Bank's Department of Institutional Integrity.
- *Contributing to international efforts to fight corruption.* This includes collaboration with donors, the Development Assis-

tance Committee of the Organisation for Economic Cooperation and Development (OECD), and support for regional and global conventions such as the OECD Convention against Bribery of Foreign Officials.

This review primarily covers anticorruption aspects in the second pillar, focusing on cross-cutting public management systems but not on anticorruption reforms in individual sectors.

The 2007 Governance and Anticorruption Strategy (GAC) consists of three broad levels:

- (i) *Country level:* Helping countries build more capable and accountable systems (including core public management systems, demand-side institutions, and sectoral institutions)
- (ii) *Project level:* Combating corruption in Bank operations
- (iii) *Global level:* Global partnerships and collective action.

This IEG evaluation primarily focuses on the country level of the GAC strategy dealing with strengthening core public management systems, but covering projects and activities undertaken before the launch of the 2007 strategy. The GAC strategy has just commenced implementation, and an IEG evaluation on the GAC is planned in due course.

of state-owned enterprises, which are important but deserve separate treatment.

The present evaluation considers all types of Bank activities to support PSR in countries, including development policy and investment/technical assistance loans, institutional development fund (IDF) and other grants, and the major institutional pieces in all types of analytical and advisory activities (AAA), such as Public Expenditure Reviews (PERs), Institutional and Governance Reviews (IGRs), and others. Consideration of AAA has been coordinated with IEG's ongoing evaluation of economic and sector work (ESW).

The evaluation covers the period mainly from fiscal 1999 through 2006. Thus, it does not evaluate the 2007 Governance and Anticorruption (GAC) strategy, which could address some of the issues

raised in this evaluation; whether that strategy does so will depend on the implementation. The Board approved the strategy in April 2007 and the implementation plan in October 2007.

Criteria for Evaluation

In terms of IEG's three standard evaluation concerns—relevance, efficacy, and efficiency—this evaluation is mainly about efficacy, that is, seeing what the Bank-supported programs have done and figuring out what was **effective** and why.

The evaluation concurs with the public sector strategy: in essentially all the borrowing countries, the objective of PSR is **relevant**, generally and in the four areas of evaluation focus. The proper management of those resources must be a key determinant of development because core

Table 1.1: Results Framework for Public Sector Reform

Ultimate desired impacts	PSR areas and outcomes	Outputs in the countries	Inputs from the Bank's country programs
Economic growth Reduced poverty Security of life and property Participation and empowerment of people Improved quality of and access to public services (water, health, and so forth)	Public expenditure and financial management Fiscal discipline, allocation of resources consistent with policy priorities, and good operational management	Comprehensive budget; transparent budget planning, approval, and execution; robust and timely accounting and audit; cost-effective and transparent procurement (CPIA 13)	Development policy lending Technical assistance/ investment lending IDF and other grants AAA (PERs, PRSPs, IGRs, other)
	Civil service and administrative reform High-performing public service that attracts, retains, and motivates competent staff; transparent, nondiscretionary pay regime appropriate to local labor market; wage bill within budget constraint	Adequate personnel information system; reduced salary compression and turnover; adequate training; effective business processes and interministerial coordination (CPIA 15)	
	Tax administration Improved revenue performance; more equitable and efficient tax system, reduced tax evasion; more open to citizen feedback	Improved information system; well-paid staff; reduced arrears; reduced cost of taxpayer compliance; reduced collection cost (CPIA 14b)	
	Anticorruption and transparency Executive branch and personnel are held accountable for use of funds and other actions; accountability enhanced by audit institutions and public access to information; accountability and transparency help discourage use of public office for private gain	In addition to anticorruption measures in the three areas above, clear rules about conflict of interest; sanctions enforced through effective laws, audits, prosecution, and judiciary; public has access to information and protection for whistleblowers (CPIA 16)	

Note: AAA = analytical and advisory activities; CPIA = Country Policy and Institutional Assessment; IDF = institutional development fund; IGR = Institutional and Governance Review; PER = Public Expenditure Review; PRSP = Poverty Reduction Strategy Paper.

public sector spending accounts for 15 percent to 30 percent of gross domestic product in the Bank's borrowing countries. In another view, 38 percent of total Bank financing during 1999–2006 went directly to budgets without project earmarks (development policy lending, budget support, debt relief, and so forth), and the great majority of investment lending is executed by core government agencies. Therefore, improving the core public sector is essential for the

overall effectiveness of the Bank's support to development.

The World Bank's results framework for PSR in table 1.1⁵ shows how PSR can contribute to the goals of poverty reduction and growth, as well as accountability of government to citizens. This evaluation takes the potential connection as a given and examines the extent to which programs achieved the objectives of PSR.

Obviously, programs are **efficient** only if they are effective. Coordination of Bank staff and donor support, or its lack, would qualify as an efficiency issue. To what extent were staff skills, internal organization, incentives, and relations with external partners aligned for effective support to the country? By and large, however, the Bank and others are still trying to figure out what works; fine tuning for efficiency can come afterward.

The question of how effectively the Bank's strategy was implemented at the country level implies several more specific questions:

- Was Bank support at the country level based on sound analysis and adequate knowledge of institutional and political realities?
- To what extent was the Bank-supported program tailored to fit the needs of the country and to take account of institutional and political realities? To what extent did the Bank use a prioritized and phased approach? Did the program address basics first?
- Which entry points for the PSR agenda worked best?
- To what extent did the Bank use lending and AAA instruments appropriate for country conditions, including the degree of reform commitment?

In assessing results, the evaluation draws lessons on whether the Bank has achieved better results in some areas of PSR than in others or whether it has generated better results in some types of country situations than in others. The question has

two parts regarding to what extent the Bank contributed to PSR in client countries:

- To what extent did PSR succeed in countries where the Bank was providing support?
- What aspect of the Bank support, if any, contributed to the success?

Attributing PSR results to Bank support poses a challenge. The evidence for definitive successes generally emerges in the longer term, for which there are only preliminary conclusions. In addition to the World Bank program influences, the review considers the impact of conditions in the country and the programs of other actors, such as international finance institutions (the International Monetary Fund [IMF] and regional development banks) and bilateral donors. Important country conditions include (i) macroeconomic conditions, which are linked (causation is in both directions) to the fiscal situation of the government and therefore its ability to address long-term priorities; (ii) labor market conditions, which affect the challenges for personnel reforms in the public sector; and (iii) political conditions and events, because most authors on the subject identify political support as essential for success in PSR.

The attribution of PSR results to Bank support is difficult.

Methods

The evaluation employs three main ways to answer questions: country case analyses, thematic analyses of the four selected thematic dimensions, and statistical analysis of the pattern of

Table 1.2: Case Study Countries

Region	IDA	IBRD
Sub-Saharan Africa	Burkina Faso, ^a Ethiopia, Ghana, Sierra Leone, Tanzania, ^a Uganda	
East Asia and Pacific	Cambodia ^a	Indonesia (blend)
Europe and Central Asia	Albania	Bulgaria, ^a Russian Fed.
Latin America and the Caribbean	Bolivia, Guyana, Honduras,	Argentina, Guatemala
Middle East and North Africa	Yemen, Rep. of	
South Asia	Bangladesh	India (blend) ^a

a. Countries where the team made field visits.

PSR interventions and outcomes in the full set of countries for which data are available. The evaluation also draws on the previous IEG evaluations of public expenditure reviews (IEG 1998), civil service reform (IEG 1999), anticorruption activities (IEG 2004b), capacity building in Africa (IEG 2005), support to low-income countries under stress (IEG 2006b), and fiduciary instruments—CFAAs and CPARs (IEG 2007)—plus relevant Country Assistance Evaluations and Project Performance Audit Reports (PPARs). All aspects of the evaluation were informed by interviews with task managers and other relevant staff, field visits, and exchange with IEG teams doing country assistance evaluations and relevant PPARs.

The main unit of analysis is the country program, as it is generally recognized that success in PSR depends on a combination of support instruments, which cannot therefore be well appreciated in isolation.

Statistical analysis

For the full set of Bank borrower countries, there are three types of analysis of the pattern of public sector issues, interventions, and outcomes. First, chapter 3 examines the pattern of choices for PSR intervention, particularly how they relate to a country's International Bank for Reconstruction and Development (IBRD) or International Development Association (IDA) status and to the initial quality of the public sector in the country.

Second, the chapter looks at the medium-term change in public sector quality indicators in the countries where the Bank has worked on PSR. Third, it examines the data to see what factors correlate with project success, as measured in IEG reviews of Implementation Completion Reports.

Chapter 4 looks at the evidence on these two questions, organized by country groups. It also discusses the quality of data and the questions of at-

tribution. Chapter 5 examines the evidence on effectiveness according to theme.

Country analysis

With a topic as nuanced and country specific as PSR, country cases are an important complement to statistical analysis. The country reviews contributed to an understanding of how different combinations of interventions work in various country settings. The evaluation team did desk reviews of the Bank-supported programs for PSR in 19 countries, drawing on country assistance evaluation findings and PPARs, where available; for six of the analyses the team also made field visits (table 1.2).

Countries represented different Regions, subregions, and income groups, and all the countries had substantial Bank support in PSR. The selection of countries was also coordinated with the decentralization and legal/judicial evaluations to reduce the burden of the evaluations on client and Bank staff time.

Each country-level review examined the role of PSR within the country assistance strategy (CAS). Each also explored how the strategy was implemented and what contribution Bank support made to achieving the PSR objectives. The evolving economic, political, and institutional capacity conditions in each country affected the outcomes, and the evaluation considers whether the Bank took appropriate account of these conditions in the design and implementation phases of its support.

Thematic analyses

These compare the evolution of Bank practice with the state of the art in the four thematic areas. They begin with a review of the literature on international experience and then pose questions to be covered in the country studies. Then, drawing on the results of the statistical analysis and country studies, they describe the patterns of success and failure of the most common approaches in each thematic area.

The main unit of analysis for the evaluation is the country program.