

III. IDA'S ROLE AT THE COUNTRY LEVEL

26. This Section deals with the role of IDA at the country level, taking external perceptions of IDA's role, importance, and effectiveness as its starting point; this is the object of subsection III.A. It then goes on to review the strengths that IDA brings to support the country-based model, particularly in the context of a more complex aid architecture. This is the focus of subsection III.B.

A. EXTERNAL VIEWS OF IDA'S SUPPORT

27. **Surveys of IDA beneficiaries and stakeholders provide important perspectives on IDA's comparative advantages and place in the international aid architecture.** The World Bank carries out client surveys, often as an input to the design of IDA's Country Assistance Strategies. These client surveys solicit structured feedback from a wide range of stakeholders familiar with IDA's work in a specific country, regarding the role and effectiveness of IDA in supporting countries' development efforts. While the World Bank's client surveys only provide information on IDA's performance, assessments carried out by other organizations often allow a comparison of IDA's performance with that of other bi- and multilateral development agencies. Recent assessments have been carried out by the Multilateral Performance Assessment Network (MOPAN), Oxfam International, Debt Relief international, and ODI.²¹

28. This subsection briefly summarizes the main messages of these surveys on key dimensions of IDA's performance and comparative advantage. A more complete discussion of the findings of these surveys can be found in Annex I.

29. **IDA is widely regarded as having a positive influence in achieving development outcomes, both in absolute terms as well as when compared to other development agencies.** This message emerges consistently from all surveys covered in this paper. Some of the key specific findings from the surveys include:

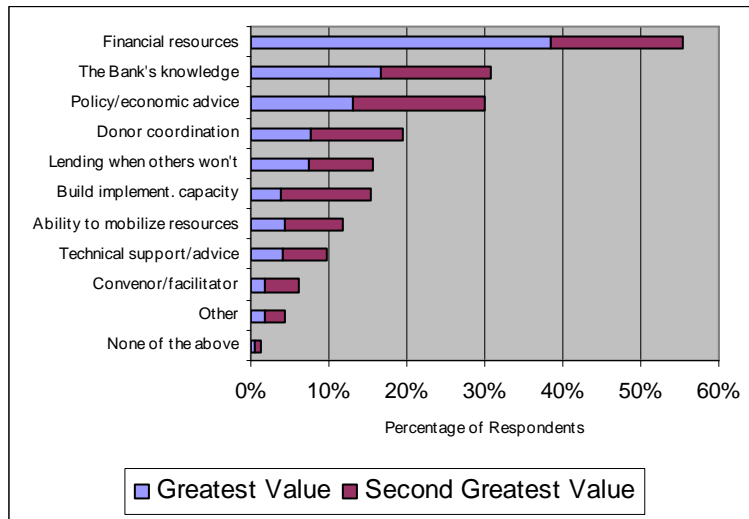
- **The volume of financial resources, knowledge base, and policy advice are the areas where IDA brings the greatest value-added.** Refer to Figure 6 below. According to responses to the MOPAN 2005 assessment, the key comparative advantage of the Bank lies in the financing of large programs and projects, budget support, and policy dialogue.
- **The Bank is ranked as the most effective both among multilateral development banks and vis-à-vis the EC,** according to DFID's 2005 assessment of multilateral organizational effectiveness.
- **IDA is perceived as being highly effective in assisting countries in their efforts to reduce poverty,** according to the Bank's client surveys. These surveys also positively evaluate IDA's overall effectiveness, relevance, and alignment with development priorities.

²¹ The Multilateral Organizations Performance Assessment Network (MOPAN) is a group of like-minded donors which in 2003 began to jointly survey the partnership behavior of multilateral organizations at country level.

- **There are still some areas in need of improvement.** For example, the client surveys indicate that more progress is needed in terms of IDA’s consideration of political realities, its operational policies and procedures, and its willingness to explore alternative policy formulations. Most of the surveys see room for improvement in terms of IDA’s alignment with the local context and the use of local knowledge.

Figure 6. World Bank Client Surveys: Greatest Value of IDA (FY05 and FY06)

“In broad terms of economic and social development, what is the greatest value brought to your country by IDA?”
(in percent)



B. A REVIEW OF IDA’S MAIN STRENGTHS

30. **The client surveys indicate that IDA’s core strengths²² reside in its financial resources, knowledge base and the quality of its policy advice.** Other strengths often cited include IDA’s **global reach combined with local presence**, its **multi-sectoral perspective**, and its **convener power**. IDA’s strengths can also be grouped in somewhat different, albeit related, ways. For instance, the Strategic Framework for IDA’s Assistance to Africa (SFIA)²³ considers that IDA’s central strengths are its multilateralism, expertise, and financial resources.

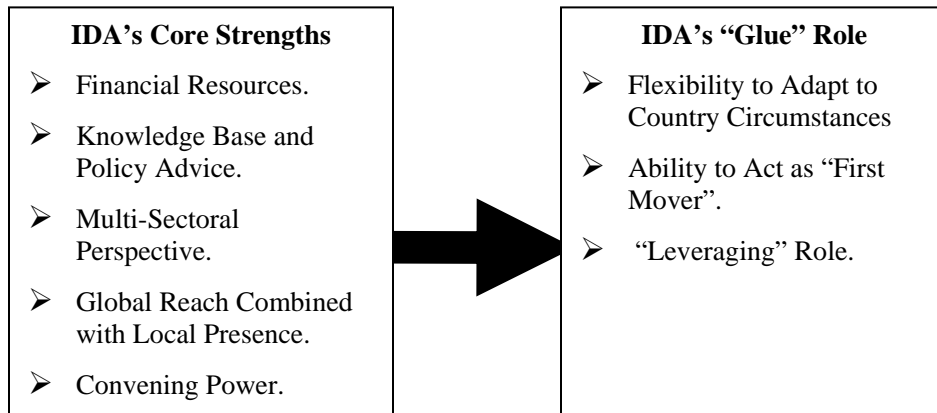
31. **These core strengths enable IDA not only to provide direct support to client countries but to also provide a platform, or “glue”, for development assistance.** IDA’s “glue” role materializes as a combination of other “derivative” strengths. They include: **flexibility** to adapt to country circumstances; preparedness to act as a **“first mover”** when appropriate; and **ability to leverage** other funding and scale-up poverty reduction interventions

²² The various attributes listed here can only be considered strengths if possessing them facilitates the implementation of some agreed approach. In the case of IDA, such attributes become strengths insofar as they facilitate the implementation of the country-based development model.

²³ See World Bank (2003). *Strategic Framework for IDA’s Assistance to Africa: The Emerging Partnership Model*. Africa Region, June 24, p. 5.

by other partners.²⁴ Figure 7 below provides a schematic view of IDA’s “primary” and “derivative” strengths:

Figure 7. A Schematic View of IDA’s Strengths and “Glue” Role



32. **In this role, IDA brings greater strategic coherence in development assistance programs at the inter- and intra-sectoral levels.** This helps counterbalance the adverse effects of donor proliferation, aid fragmentation, and earmarking. For example, IDA’s flexibility to adapt to country circumstances helps address distortions in resource allocations potentially associated with earmarking and verticalization. IDA’s ability to provide a platform for others does not mean that it systematically plays a leading role among donors in every sector.

33. **The “glue” factor allows IDA to play a central role in enhancing alignment and harmonization as well as in achieving sustained results at the country level.** IDA’s performance in meeting the Paris Declaration targets is well above average, and IDA has made good progress in the roll-out of the results framework agreed during IDA14.²⁵ Still, more work needs to be done to enhance alignment and harmonization, a topic which will be taken up again in Section V, and addressed in more detail in subsequent papers to be discussed in the context of the IDA15 Replenishment.

34. **The remainder of this subsection will review IDA’s core strengths and the various attributes that underpin IDA’s “glue” role.** It will draw on the work of the IDA Impact Task Force – and on the IDA at Work retrospective put together by the Task Force – as well as on other sources. The different strengths will be reviewed sequentially in B.1 – B.8 below.

²⁴ This suggested classification is not meant to provide a rigid taxonomy of IDA’s strengths, and is presented here as an expositional tool. In addition, it is not always possible to demarcate precisely which strengths are “core” and which are “derivative”. For example, IDA’s multi-sectoral perspective can only be made possible as a result of the breadth and depth of the Bank’s knowledge base, which combines staff expertise in a wide variety of development issues, in-house research & development, and access to both global and local knowledge. As one additional example, IDA’s global reach ultimately derives from its multilateralism.

²⁵ That an appropriate platform is critical for the success of individual assistance initiatives can be illustrated with respect to the philanthropic activities of the Bill and Melinda Gates Foundation. As recently reported in the *Seattle Times* (April 30, 2007), Melinda Gates noted that “they [those working for the Gates Foundation] thought they could start an education revolution by spending money to improve thousands of schools across the country. But they learned that without working up the administrative ladder in school districts and with state and federal policy makers, they couldn’t make the changes stick.”

B.1. Financial Resources: Volumes, Quality, and Predictability

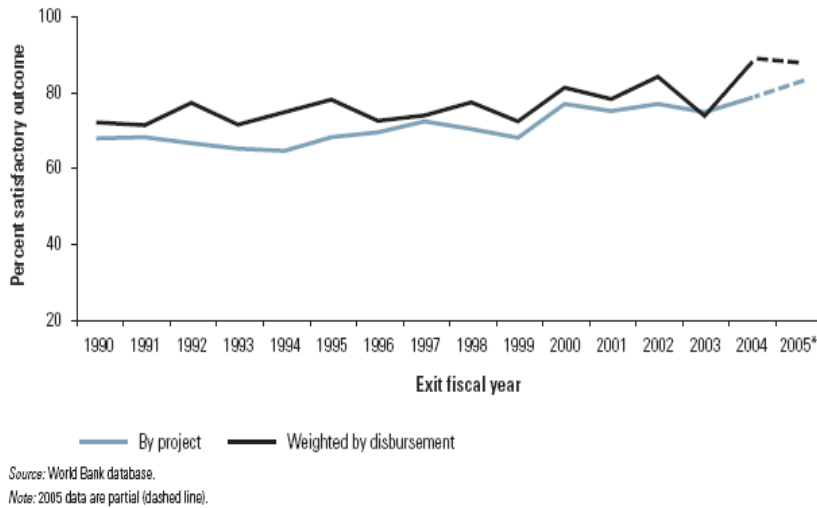
35. **IDA is the largest provider of multilateral ODA to IDA-eligible countries, with cumulative gross disbursements in the order of US\$80 billion during 1994-2005.** On a net basis, after deducting credit repayments, cumulative IDA disbursements over the same period amount to about US\$66 billion. Resource transfers from IDA to client countries have involved the use of credits, grants and, more recently, debt relief, through the Heavily Indebted Poor Country (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI). *The scale of IDA's financial assistance is central to the achievement of the MDGs, since low-income countries continue to rely on ODA as a major source of external funding.* Beyond volumes, IDA also attaches great importance to the *quality and predictability* of its financial assistance to low-income countries.

36. **IDA's delivery of large volumes of development finance is underpinned by a strong focus on the quality of its assistance.** Improving delivery, quality and results is at the core of Bank's strategic objectives and is the focus of its management systems. Assessments by the Independent Evaluation Group (IEG) show a continuous improvement of the impact of the Bank's operations measured in terms of project outcomes (see Figure 8), sustainability, and contribution to institutional development. Particularly noteworthy is the strong improvement in the sustainability of development outcomes and contribution to institutional developments. Furthermore, the Annual Report on Portfolio Performance prepared by the Bank's Quality Assurance Group (QAG) provides real-time feed back on the quality of IDA's portfolio, project preparation and supervision, as well as IDAs analytic and advisory activities. Since the mid-1990s, QAG has monitored the quality of the preparation of IDA operations through its annual quality at entry reviews. The latest Quality at Entry Assessment (QEA VII), which sampled projects that went to the Board in FY04-05, rates 91 percent of IDA operations as satisfactory. These are the highest results for IDA projects in seven assessments of quality at entry, a key determinant of successful project outcomes. In addition, QAG's assessment of the quality of IDA's supervision of its portfolio shows a significant improvement during the past decade. In FY05-06, for almost 100 percent of the assessed projects the quality of supervision is rated as being at least moderately satisfactory, compared to only 50 percent of projects in FY97.

37. **IDA's focus on quality and country-level effectiveness led it to become the first international financial institution (IFI) to introduce a results measurement system that systematically tracks key country outcomes as well as IDA's contributions to those outcomes.**²⁶ Building on lessons learned from the IDA13 results measurement system, a two-tiered results measurement system (RMS) was introduced in IDA14 to track: (i) trends in 'big picture' outcomes at the country level; and (ii) IDA's focus on results. The first tier monitors aggregate progress on fourteen selected country outcome indicators in growth and poverty reduction, public financial management, investment climate, infrastructure and human development. The second tier monitors IDA's contribution to country outcomes using indicators for country programs, projects and aggregate outputs. IDA also committed to implementing results frameworks for all IDA projects and programs.

²⁶ IDA's Results Monitoring System was discussed during the IDA14 Mid Term Review and a detailed update on the RMS will be provided during the 3rd IDA15 replenishment meeting.

Figure 8: Project Performance as Assessed by IEG²⁷



38. **Stability and predictability of funding – in addition to volumes – are also key ingredients for the design of realistic public expenditure programs in aid recipient countries, and IDA fares comparatively well in that regard.** IDA’s disbursements are far less volatile than both domestic fiscal revenues and the total official development assistance (ODA) disbursements. Table 1 below indicates that the volatility of IDA’s disbursements – as measured by the latter’s standard deviation – is consistently lower than the volatility of disbursements from other ODA sources across different time periods.

39. **Predictability of funding – due to continued funding from donors and internal resources – has enabled IDA to support countries to tackle development problems that cannot be resolved overnight.** For example, predictable and sustained support are key factors explaining the recent expansion in school access: “It takes time to lay the ground for education results. Much of the accelerated progress of the past five years can be traced to the previous decade of sustained IDA support for training teachers, updating curricula, building schools, delivering textbooks and improving education governance and management.”²⁸

40. **Predictable, sustained support is also critical for institution-building, a long-term endeavor that requires a multi-year approach to development finance.** Given that results are often slow to emerge, which may lead to the temptation to focus on shorter-term inputs and outcomes. As noted in a recent *Center for Global Development* working paper, “impatience for results leads to reluctance to invest over the long term (and outside the confines of donor-sponsored programs and projects) in local capacity to do budgeting, personnel management,

²⁷ Extracted from Independent Evaluation Group (2006). *Annual Review of Development Effectiveness 2006: Getting Results*.

²⁸ See IDA at Work note “Education: An Impressive Expansion”. March, 2007, p. 4.

auditing, accounting, and other nuts and bolts functions – which require and reinforce institutions, but which do not yield obvious immediate results.”²⁹

Table 1. Volatility of Resource Flows^{1/}

Sources of Funds	Standard Deviations		
	1980-2003	1980-1989	1990-1999
Domestic Revenues	3.65	3.18	2.52
ODA total	6.54	4.91	5.63
ODA multilateral	3.50	2.66	2.87
IDA assistance	1.16	0.75	1.07
Other multilateral assistance	2.77	2.19	2.21

^{1/} All sources of funds expressed as a ratio with respect to recipient countries’ GDP. Country-specific standard deviations are measured and then averaged for the sample, consistent with Bulir and Hamann, 2002 and 2006; Arellano, Bulir, Lane and Lipschitz, 2005; Prati and Tressel, 2006. The sample consists of 53 current IDA countries.

B.2. Knowledge Base and Policy Advice

41. **IDA’s knowledge base – its technical expertise – is widely recognized as one of its core comparative advantages, and underpins IDA’s financial assistance.** This growing body of development knowledge benefits directly from IDA’s global reach (see B.4 below).³⁰ This is reflected not only in IDA’s research and analytical products, such as Economic and Sector Work (ESW), but also in project design and implementation. In fact, knowledge and financing are often integrated as a package of services.

42. **IDA’s value added often comes from its ability to integrate finance and knowledge through programs and projects.**³¹ This means developing policy advice based on learning from previous investment operations, and supporting policy and institutional change with complementary investment and policy-based lending. For example, mechanisms for community management of water supply (as e.g. in the cases of Sri Lanka and India) which resulted in faster construction, and better maintenance were based on observations of what worked and what did not in previous water supply projects and Community-Driven Development (CDD) projects.

43. **Providing advice and financing in a package also provides IDA with a strong integrating role and enables IDA to effectively transfer experience from one country to another.** IDA’s Second Road Rehabilitation and Maintenance Project (1998-2005) for

²⁹ Birdsall, N. (2005). “Seven Deadly Sins: Reflections on Donor Failings”. *Center for Global Development Working Paper No. 50*, p. 5, December.

³⁰ “IDA has also technical knowledge, including its analytical and project design capacity, that draws from experiences and knowledge throughout the world.” World Bank (2003). *Strategic Framework for IDA’s Assistance to Africa: The Emerging Partnership Model*. Africa Region, June, p. 5.

³¹ See e.g. Ngozi Okonjo Iweala’s Op-ed in the *International Herald Tribune*, May 25, 2007: “In these days, it is too easy to overlook how much we need the World Bank. Developing countries are diversifying their sources of finance and aid; that is common sense, and the Bank will have to ensure it is competitive. *However, what is not as widely available is the knowledge and experience the Bank bundles with its finance.* Many emerging economies with access to capital markets still turn to the bank for help because its staff has tremendous experience in addressing problems that have no regard for national borders.” (Emphasis added).

Nicaragua shows how IDA can transfer global knowledge to a country-specific context through financial assistance. Originally designed to improve transportation in Nicaragua by rehabilitating key roads, strengthening road maintenance, and developing the planning capacity of the Ministry of Transport and Infrastructure, the project was quickly amended to focus on emergency reconstruction program in the wake of Hurricane Mitch (1998). A main adjustment to the project design involved switching to a very simple, yet effective and lasting paving technique. The project piloted the use of adoquins—small, cement blocks—in a simple technique which is both inexpensive and labor intensive (rather than gravel or asphalt). In so doing, IDA adapted global knowledge to specific country conditions: “While the adoquin method was known in Nicaragua and used to pave streets in small urban centers, no other donor had ever used it in projects”.³²

44. **The quality of IDA’s policy dialogue with client countries is closely associated with the relevance and quality of IDA’s analytical work and knowledge products.** Analytical work has become increasingly grounded in the practical needs of advancing the policy dialogue at the country level. A recent review of IDA’s Economic and Sector Work (ESW) program notes that “analytic work is increasingly building on issues identified in CASs or PRSPs, and that it is feeding into the design of programs, policy actions, and operations.”³³ Box 3, using Armenia as an example, illustrates how knowledge plays a key role in IDA’s engagement with client countries.

Box 3: Using Knowledge Effectively in Armenia

In 1993, shortly after Armenia became independent, IDA prepared a *Country Economic Memorandum* which was used by the Government, the Bank and other donors as a key strategic document from which to begin reforms. Since then, IDA has prepared about 40 analytic (AAA) studies including Public Expenditure Reviews, Poverty Assessments, Financial Sector Assessments, Procurement and Financial Management Assessments and specific sector reviews.

“Analytical work was very important to help anchor the decisions of inexperienced officials just waking up from the ‘Soviet sleep’,” said Vahram Nercissiantz, Armenia’s Chief Economic Advisor to the President, in an interview with the IDA Impact Task Force in January 2007. “Without this analytical foundation, arbitrary decisions would have caused many problems down the pike.”

IDA’s analytical work provided the necessary foundation for highly successful development policy operations. For example, the technical assistance provided by the Bank was a key element in enabling the Government to introduce a modern direct trader input (DTI) system in customs administration.

IDA’s analysis of rural development provided analytic underpinning for the US\$235 million United States Millennium Challenge Corporation Compact with Armenia. IDA also provided analytic and logistic support to the Asian Development Bank, which has recently opened operations in Armenia.

But beyond providing this foundation for policy making and donor support, IDA’s analytic work in Armenia has played a central role in building the capacity of the Government. For example, the Central Bank of Armenia has used the recommendations in the Financial Sector Assessment to strengthen corporate governance in banks.

The hands-on training and assistance under the Poverty Assessment has enabled the national statistics agency to conduct an annual household survey and publish a high quality annual social and poverty snapshot. And as per the recommendations in IDA’s Country Procurement Assessment, the Government has strengthened its public procurement laws and begun to roll out an e-Procurement program to increase transparency. These efforts help all public investments, not just those of IDA or other donors, to be used effectively.

³² See IDA at Work note “Rebuilding Nicaragua’s Hurricane Damaged Roads”, March 2007.

³³ IDA(2006a). *Economic and Sector Work (ESW) Progress Report*. Operations Policy and Country Services. Paper prepared for the IDA14 Mid-Term Review, November, p. 16.

Box 3 (cont'd)

A 2006 review of a sample of 14 analytic tasks over the past five years by the Bank's Quality Assurance Group (QAG) found that it had a notable impact on the Government's decision-making and consensus-building. The panel particularly praised the Poverty Assessment and the Public Expenditure Review for *being highly integrative* across health, education, social protection, and rural development. In the latest client survey, stakeholders felt that while IDA's greatest contribution continued to be financial, its role as a knowledge provider was on the rise.

45. **IDA is also uniquely well-placed to provide policy advice – often combined with financial assistance – to help countries improve their macroeconomic performance and to strengthen the micro-macro linkages in the development process.**³⁴ IDA works closely with the IMF, helping ensure coherence between short-term macroeconomic stability goals and long-term development objectives, and to make sure that IDA's assistance is anchored on a sustainable macroeconomic framework. A recent example of this collaboration is the implementation of the joint Bank-Fund Debt Sustainability Framework (DSF) for low-income countries. IDA Deputies agreed during the IDA14 replenishment that eligibility for IDA grants should be based on rigorous debt sustainability analyses carried out using the DSF methodology.³⁵ IDA's contributions to help countries achieve and maintain debt sustainability will be addressed in a forthcoming paper for the third meeting of the IDA15 Replenishment discussions. At the same time, IDA supports a broad country dialogue – often accompanied by financing in the form of budget support or investment operations – that promote consistency between macro- and micro-level reforms support to structural reforms. It should be noted that IDA's support to investment climate reforms – covering banking and finance, trade, private sector development, etc – also contribute to achieving and maintaining macroeconomic stability. Finally, IDA supports strengthening of the micro-macro linkages through knowledge products such as Country Economic Memoranda and Development Policy Reviews (see discussion below).

46. **Knowledge products and analytical work also help inform the design of new policies as well as new financial operations.** A clear example can be found in Poverty and Social Impact Analyses (PSIAs), which assess the potential impact of economic reforms on different social groups, particularly the poorest and most vulnerable ones. Recent Poverty Reduction Support Credits (PRSCs) – such as in Benin and Mozambique – have benefited from the insights of PSIAs.

47. **IDA conducts two main categories of analytical report in its client countries: *core reports*³⁶ which are national in scope and carried out for most countries, and *sector- or issue-specific reports*³⁷ which are done only in selected countries.** The portfolio of analytical

³⁴ See *IDA at Work* note “Macroeconomic Performance: Stabilization, Recovery, and Growth”. March 2007.

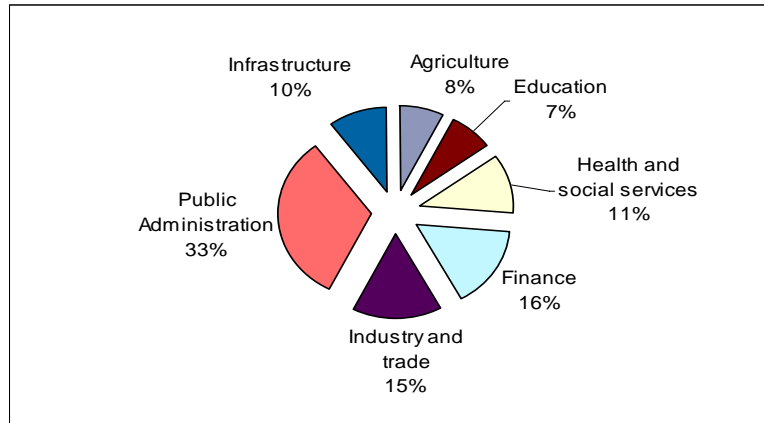
³⁵ IDA(2006b). *Debt Dynamics and Financing Terms: A Forward-Looking Approach to IDA Grant Eligibility*. Resource Mobilization Department. Paper prepared for the IDA14 Mid-Term Review, November.

³⁶ Core reports include: poverty assessments, country economic memoranda/development policy reviews, public expenditure reviews, country financial accountability assessments, and country procurement assessment reports.

³⁷ Examples of sector or issue reports include: institutional and governance reviews; rural development assessments, country gender assessments, country environmental analyses, financial sector assessments, investment climate assessments, diagnostic trade integration studies, and country infrastructure framework reports.

work is decided on a country-by-country basis. IDA's economic and sector work spans a wide range of sectors (see Figure 9). In addition, as discussed in section IV, IDA also produces regional reports and policy documents underpinning regional programs.

Figure 9. IDA Economic and Sector Work by Sector, FY06*



* Includes blend countries, and excludes all ESW tasks that cover more than one country, such as regional and global ESWs. Beginning FY05 ESW classification excludes Conferences/Workshops and Consultations/Country Dialogue.

** Infrastructure is defined as including water and sanitation, energy and mining, information and communication, and transportation.

*** The sectoral classifications for most core ESW such as Country Economic Memoranda typically span a large number of sectors.

Source: Business Warehouse database, May 6, 2007 and OP 3.10 Annex D, April 18, 2007, for country eligibility criteria.

48. **Analytical work that cuts across sectors is a critical pillar of IDA's policy dialogue in support to the country-based model, which acknowledges the multi-dimensional nature of the development process.** Country Economic Memoranda (CEMs) and Development Policy Reviews (DPRs) are the Bank's staple multi-sectoral analytical products: "In most cases, the CEM/DPR adopted a multi-sectoral approach to growth, incorporating recommendations concerning a variety of sectors such as infrastructure (including transport, power, water, and telecommunication) and human development, in particular education."³⁸ Public Expenditure Reviews (PERs) also play an important role in strengthening countries' ability to implement sound public expenditure programs both across and within sectors. A cross-sectoral approach is not restricted to such economy-wide studies. For example, water resources management activities provide a clear case in which a broad, cross-sectoral approach is required to push the sector development agenda forward: "Analytical work has demonstrated linkages between water and almost all types of economic activity – including farming, manufacturing, energy and transport – as well as the business climate."³⁹ Similarly, recent analytical work focusing on water supply and sanitation has increasingly dealt with cross-sectoral issues, including

³⁸ IDA (2006). "Economic and Sector Work (ESW) Progress Report". Paper presented at the IDA14 Replenishment Mid-Term Review, November, p. 7, fn. 19.

³⁹ See IDA at Work note "Water Resources: Managing a Scarce, Shared Resource", p. 3, March 2007.

community participation, local government reform, capacity building, and public sector reform more generally.⁴⁰ The next subsection further discusses IDA's multi-sectoral perspective.

49. **IDA's research is widely disseminated and extensively relied upon by many important audiences.** A survey of 271 high-level policymakers (mainly senior civil servants) in 36 developing and transition countries found that 84 percent of respondents used Bank analytical reports; respondents rated the Bank their most important information source out of a list of 17 domestic and international organizations; and the majority of respondents considered the Bank's work "technically sound, relevant and objective".⁴¹

50. **IDA's knowledge products and analytical work are in fact a positive externality for the international community.** "IDA's analytical and institutional support that can be viewed as 'public good' for other donors, i.e., by performing these tasks IDA also increases the benefits of other donors' activities."⁴² The public goods nature of IDA's knowledge products is also manifested at the regional and global levels, as discussed in Section IV.

B.3. Multi-Sectoral Perspective

51. **IDA's ability to operate on a multi-sectoral basis allows IDA to support an integrated approach to development.** This approach acknowledges that development is a multi-faceted phenomenon that needs to be tackled from a multi-disciplinary perspective. In fact, identifying and removing cross-sectoral constraints is an important ingredient in ensuring that IDA-financed operations have a strong positive impact at the sectoral level. For example, in Bangladesh, IDA support for female secondary education has helped reduce child mortality in Bangladesh, while rural electrification led to improvements in health outcomes by raising incomes, improving the quality of health care and expanding access to health care information through the media.⁴³ Box 4 illustrates the cross-sectoral nature of IDA's work in the case of Madagascar.

Box 4. Working Across Sectors: The Example of Madagascar

For several decades, Madagascar's primary forest was disappearing under pressure from slash-and-burn agriculture, which in turn was due to low agricultural yields, rapid population growth, and lack of alternative sources of income. The ensuing degradation of Madagascar's environment had negative effects on other sectors (for example, through the drying up of rivers, silting of ports, destruction of roads due to mud slides, soil erosion, etc.).

In response, IDA has been supporting a large environment program since the early 1990s. In this context, a broad coalition of bilateral and multilateral donors and international NGOs— including Conservation International, the World Wildlife Fund for Nature, and the Wildlife Conservation Society—has been working along with IDA to support Madagascar's National Environmental Action Plan.

⁴⁰ See *IDA at Work* note "Water Supply and Sanitation: Improving Services for the Poor", p. 3, March 2007.

⁴¹ See, for example, World Bank (2000) "The influence of World Bank research policy in the Developing World". In: *The World Bank Research Program*, p. 101.

⁴² Hoftijzer, M. and L. Cord (2007), *op. cit.*, p.13.

⁴³ "(...) a child born to a mother with secondary education is around 80 percent less likely to die than one born to a mother with no education.". Independent Evaluation Group (2006). *Annual Review of Development Effectiveness 2006: Getting Results.*, p. 27.

Box 4 (cont'd)

It soon became clear that focusing on environmental protection alone would not produce sustainable results unless the decline in per-capita incomes— a key driver of slash-and-burn practices—was reversed. Reducing such practices would require a multi-pronged approach such as: improving agricultural productivity and land titling, developing eco-tourism (to transform preservation of the environment into a source of income for the local population), and more generally creating alternative sources of income through growth.

The development of eco-tourism involved a range of interventions. In addition to making agriculture and infrastructure investments, the government partially liberalized air transport (allowing charters to land) to increase competition and reduce costs. The government also decided to grant visas at the airport, thus removing the constraint imposed by the very small number of Malagasy embassies around the world.

These efforts were buoyed by increased private investment, which resulted from a complementary program of macroeconomic stabilization, current account liberalization, and structural reform. Tourism – and eco-tourism – grew quickly, albeit from a low base. Recent evidence shows that the rate of deforestation has declined from 1.95 percent on average per year for the period 1990-2000 to 1.28 percent on average per year between 2000 and 2005.

52. IDA’s multi-sector perspective, combined with its ability to focus on several cross-cutting themes, enables IDA to provide countries with support on a wide range of development issues. While *sectors* refer to the part of the economy that receives support (e.g., education, health, finance, transportation, etc.), *themes* correspond to the goals of IDA’s activities. The themes supported by the Bank are: economic management; public sector governance; rule of law; financial and private sector development; trade and integration; social protection and risk management; social development, gender, and inclusion (see Box 5 on IDA’s support to gender issues); human development; urban development; rural development; and environment and natural resources management.

Box 5. Mainstreaming Gender⁴⁴

IDA resources have helped many countries integrate gender issues in development policies and projects. In FY04-05, most credits approved for IDA countries included attention to at least some gender issues in project design. One example is the Bangladesh Female Secondary School Assistance Project, which provided incentives to keep girls in school, and as a result increased girls’ enrollment by over 3 million and allowed Bangladesh to meet the related MDG well ahead of target. Another is the Microfinance Sector in Afghanistan where 75 percent of both the beneficiaries and the loan officers are now female.

Gender issues are also increasingly integrated into Country Assistance Strategies (CAS), poverty assessments (PAs) and other ESW. The Pakistan CAS proposes gender-responsive operations to increase girls’ school enrollment and reduce maternal mortality, and to reduce the spread of HIV infections among sex workers; the Cambodia Poverty Assessment analyses poverty-related gender issues in education, health, decision-making, household work and labor market participation, and highlights the country’s widespread domestic violence.

Gender progress has been greater in health and education than in agriculture, infrastructure, private sector and finance. In FY03-05, over 85 percent of all World Bank health and education projects integrated gender design, compared to 69 percent of projects in these other sectors. This discrepancy mirrors overall progress in development indicators for women, for whom social indicators have improved faster than economic ones. While average life expectancy for women has increased by 15 to 20 years in developing countries since 1970, women’s formal labor force participation still trails men’s by 37 percent.

⁴⁴ Based on See *IDA at Work* note “Gender: Working towards Greater Equality”, March 2007, *op. cit.*

Box 5 (cont'd)

In an effort to better integrate gender concerns in the lagging sectors, a new World Bank Group Gender Action Plan – *Gender Equality as Smart Economics* – was launched during the Annual Meetings in September 2006. It will guide the Bank's Gender Equality work in the coming four years, with most of the operations under the plan expected to occur in IDA countries.

53. IDA's multi-sector approach to development is also reflected in multi-sector operations. IDA's expertise in a wide range of sectors means that it can effectively bring together knowledge and financing in multi-sector operations to simultaneously pursue an array of development goals. Sectors supported under multi-sector operations range from infrastructure to social sectors. For example, almost half of IDA lending to water supply and sanitation has been provided as part of multi-sector operations targeted at urban and rural development as well as social protection.⁴⁵ IDA is also well-placed to support multi-sector community driven development (CDD) projects, such as the Kecamatan Development Program (KDP) in Indonesia, the world's largest CDD program. Through KDP, IDA has supported dramatic improvements in terms of basic infrastructure, clean water supply units, more health posts, and rehabilitated schools in more than 30,000 poor villages across Indonesia. Multi-sector projects – typically for community driven development – also account for nearly half (about US\$475 million) of total annual IDA funding for rural roads (about US\$1 billion). A number of economic studies and audits confirm that infrastructure built through community participation, cost as much as 50 percent less than traditional methods for equal or better quality. High levels of community engagement not only bring enthusiasm and satisfaction to poverty reduction, but less money is lost to corruption and other forms of malfeasance, with a greater share of benefits going to the poor.⁴⁶

54. Poverty Reduction Support Credits⁴⁷ (PRSCs) are the centerpiece of IDA's efforts at providing coordinated funding to support Poverty Reduction Strategies. Introduced in 2001, PRSCs are aimed at countries where IDA has reasonable confidence in the government's budget process and capacity in other areas of government. In Ghana, IDA provided four PRSCs over the 2003-2006 period, amounting to US\$515 million. The PRSC series for Ghana supported a multi-donor budget support mechanism which “has become an important forum for policy dialogue on strategic reforms”.⁴⁸ By providing sustained financing through five Poverty Reduction Support Credits (PRSCs), IDA has played an instrumental role in supporting a platform for a continued policy dialogue between Government counterparts and an increasing number of donors in Vietnam. Through the PRSC series, IDA provided policy advice and supported reforms in several areas, including trade integration, financial and state-owned enterprise reform, infrastructure, social sector issues, natural resource management, and governance.⁴⁹ Besides their economy-wide impact, PRSCs often provide much-needed financial

⁴⁵ See *IDA at Work* note “Water Supply and Sanitation: Improving Services for the Poor”, p. 3, March 2007.

⁴⁶ See *IDA at Work* note “Rural Roads: Linking People to Markets and Services”, March 2007. The note also points out that “research shows the synergies among sectors and the strengths of an integrated approach at the local level.” (p. 3).

⁴⁷ Poverty Reduction Support *Operations* can be in the form of credits and/or grants. The more commonly used term Poverty Reduction Support *Credit* is retained here for ease of exposition and, depending on the context, could refer to either credits or grants.

⁴⁸ See *IDA at Work* note “Ghana: Accelerating Growth to Halve Poverty”, p.4.

⁴⁹ See *IDA at Work* note “Vietnam: Laying the Foundation for Steady Growth”. March 2007.

support at the sector level. In the agriculture sector, support through PRSCs – under the sub-sectoral heading “general agriculture” – accounted for about 34 percent of total IDA funding for agriculture during the FY02-06 period.⁵⁰ In the health sector, PRSCs have complemented investment lending operations by helping finance recurrent costs, including those related to human resources, and which are often the main constraint to expanding health services coverage.⁵¹ PRSCs may not be appropriate in some country settings – for example, in countries with weak governance and public financial management systems. This is discussed in further detail in subsection B.6 below.

55. Going forward, however, there is still room for improvement in IDA’s cross-sectoral work. IEG has pointed out that Bank assistance could have a greater sector impact if more attention is paid to cross-sectoral synergies and complementary effects.⁵² The 2006 ARDE stressed the importance of identifying and removing cross-sectoral constraints as a key ingredient in ensuring a strong positive impact at the sectoral level for Bank-financed operations.

B.4. Global Reach Combined with Local Presence

56. IDA’s global reach allows it to draw lessons from experiences in different parts of the world and adapt them to specific countries. IDA also leverages the research and broad resources of the World Bank Group to transfer global knowledge, experience and technical expertise from one country to another, while using its in-country presence to adapt them to country needs (refer to the Nicaragua example in subsection B.2). In fact, IDA’s role in supporting private-sector-led growth is complemented and effectively enhanced by its partnership with IFC and MIGA (see Box 2 as well as Box 6 on the Mozal Aluminum Smelting Project).⁵³ Furthermore, knowledge transfer occurs not only *within* the group of IDA countries, but also across the entire Bank Group membership. Having staff that work with and have experience in both IDA and IBRD countries also facilitates an exchange of knowledge and the adaptation of technology from countries that may have similar development experiences. For example, knowledge and experience acquired through IBRD’s work with middle-income countries can be transferred and adapted to low-income countries as well (and vice-versa). Ultimately, it is the Bank Group’s staffing mix that enables IDA to combine staff with international experience and expertise *and* staff with a deep understanding of local conditions.

⁵⁰ See *IDA at Work* note “IDA at Work: Agriculture”, p. 3, March 2007.

⁵¹ See *IDA at Work* note “Health: Supporting Systemic Change in a New Global Context”, p. 5, March 2007.

⁵² See Independent Evaluation Group (2006). *Annual Review of Development Effectiveness 2006: Getting Results*.

⁵³ Recent examples of IDA-IFC-MIGA collaboration include the Bujagali Hydroelectric Power Project (Uganda; IDA/IFC/MIGA); Local Initiatives Project I and II (Bosnia and Herzegovina; IDA/IFC); GrameenPhone I and II (Bangladesh; IDA/IFC); Mozal Aluminum Smelting Project (Mozambique; IDA/IFC/MIGA); Société Cottonnière du Gourma (Burkina Faso; IDA/MIGA); Foreign Investment and Export Facilitation (Armenia; IDA/MIGA); Phu My BOT Power Company Ltd. (Vietnam; IDA/MIGA); and the West African Gas Pipeline Company (multi-country; for Ghana, IDA/MIGA).

Box 6. The Mozal Aluminum Smelting Project

The joint efforts of IDA, MIGA and IFC helped restore macroeconomic stability to Mozambique, and encouraged investment and economic growth after a difficult period of civil strife.

IFC and MIGA were financing catalysts for Mozal, the largest foreign investment in Mozambique's history, which has generated significant economic growth and employment for the local economy, as well as substantial tax and foreign exchange revenues.

IDA's indirect support for public administrative reform, and direct support in upgrading infrastructure and energy supply and supporting private sector development, were critical to creating the environment needed to attract a major foreign investment project. IDA's contributions were especially significant in following areas: (i) infrastructure development; (ii) privatization of transportation; (iii) energy supply upgrades; and (iv) private sector development.

The project's success has also attracted other major projects to the country. In addition, a subsequent MIGA guarantee has helped improve electricity distribution for the Mozal facility and the surrounding area, and IFC has helped the company improve its sustainable contribution to the local community through small business and community health initiatives.

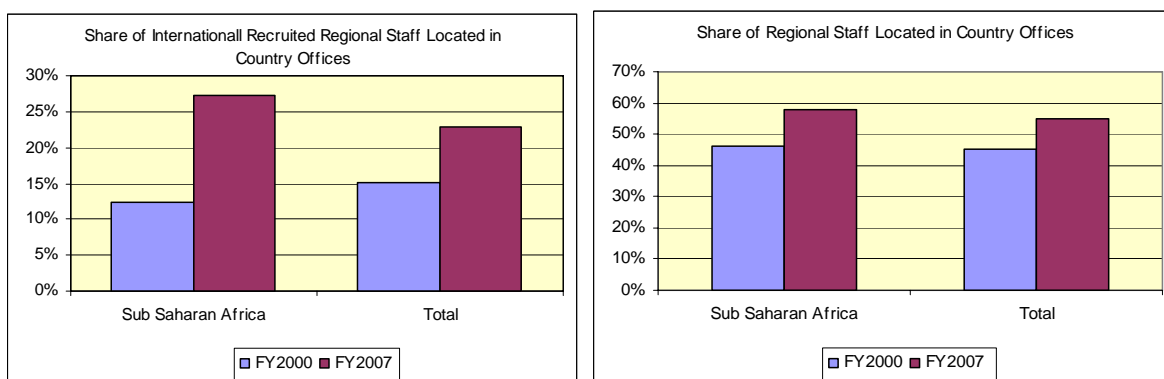
57. With a field presence in 64 out of 82 eligible countries, IDA provides assistance to a large number of diverse country settings. IDA-eligible countries are located in four continents and comprise 2.5 billion people. IDA's local presence has been reinforced by the Bank's decentralization program, facilitating a greater alignment with the local context and better use of local knowledge.

58. The World Bank maintains Country Offices in most IDA countries.⁵⁴ Since 2000, the World Bank has continued to significantly strengthen its field presence in all Regions. While the overall number of staff in the Regions has declined between FY00 and FY07 by 3.8 percent, the number of staff located in Country Offices has increased by 16 percent between FY00 and FY07. At the same time, the number of Regional staff located at headquarters declined by 21 percent between FY00 and FY07.

59. As a result of decentralization, the share of Regional staff located in country offices has increased from 45 percent in FY00 to 55 percent in FY07. See Figure 10. In most Regions, including Africa, East Asia and Pacific, Eastern Europe and Central Asia and South Asia more than 50 percent of staff are located in the World Bank's Country Offices. The share of internationally recruited staff located in Country Offices has also increased significantly from 15 percent in FY00 to 23 percent in FY07, with the Africa, East Asia and Pacific, and South Asia Regions having decentralized the largest number of positions from headquarters to the Country Offices. In the Africa Region, for example, 9 of 10 Country Directors are now based in Country Offices.

⁵⁴ IDA-eligible countries with no World Bank Country Office representation as of April 2007 include Cape Verde, Sao Tome and Principe, Somalia, Kiribati, Myanmar, Samoa, Solomon Islands, Tonga, Vanuatu, Montenegro, Dominica, Grenada, St. Lucia, St. Vincent, Djibouti and Bhutan.

Figure 10. Bank Staff Located in Country Offices



60. **An important element of IDA’s decentralization effort is to bring decision making closer to the client, while maintaining the strength of IDA’s fiduciary controls.** This has been achieved by locating more Country Directors in Country Offices, transferring internationally recruited technical staff to the Country Offices, recruiting more professional local staff to assume task management responsibilities, and adjusting Bank policies in order to facilitate the transfer of decision making authority from Headquarter to the Country Offices. The share of Country Directors located in Country Offices has increased from 53 percent in FY00 to 61 percent in FY07, at which time 22 of 36 Country Directors were based in Country Offices. The next phase of decentralization will focus more strategically on leveraging skills mix across development partners.

B.5 Convening Power

61. **IDA’s multilateral ownership provides it with the convening power needed to help coordinate development assistance efforts at the country level.** IDA’s role as a convener is greatly facilitated by its long development experience, untied aid programs, and neutrality.⁵⁵ The *IDA at Work* retrospective series describes several instances in which IDA’s convening power helped advance the development agenda, both at the sector and the country levels.

62. **At the sector level, IDA’s convening power has helped establish common donor approaches in designing and implementing sectoral strategies at the global and country levels.** The *IDA at Work* retrospective series shows how IDA’s convening power has helped move the development agenda forward in sectors such as education, environment, roads, and water resource management. On education, IDA’s convening power was instrumental in establishing the Education for All/Fast Track Initiative (EFA/FTI)⁵⁶ in 2002. IDA’s role as a convener has also been critical for regional and global transport-related initiatives, such as the Global Facilitation Partnership for Transportation and Trade, the Global Road Partnership, and the Sub-Saharan Africa Transport Program.⁵⁷

⁵⁵ “As an international institution, IDA brings a global perspective and can use its convening power to provide leadership.” See World Bank (2003). *Strategic Framework for IDA’s Assistance to Africa, op. cit.*, June, p. 5.

⁵⁶ See *IDA at Work* note “Education: An Impressive Expansion”, p. 5, March 2007.

⁵⁷ See *IDA at Work* note “Rural Roads: Linking People to Markets and Services”, p. 7, March 2007.

63. **IDA's convening power has been put to effective use in countries at very different stages of development.** In Armenia, a country with per capita income well above IDA's operational cutoff,⁵⁸ "IDA's convening power was particularly helpful in building partnerships between the government and the donor community as well as facilitating participation by local communities in this initiative."⁵⁹ In Afghanistan, a conflict-affected country eligible for 100 percent grant assistance from IDA and with a per capita GDP of about US\$300 in 2006, IDA's convening power was instrumental in establishing the Afghanistan Reconstruction Trust Fund (ARTF) in 2002. The ARTF provides fiduciary and administrative oversight for multi-donor contributions to support recurrent public expenditures as well as public investments.⁶⁰

B.6 Flexibility to Adapt to Country Circumstances

64. **IDA is able to respond flexibly to country-driven needs, priorities, and performance.** Because it is able to deliver support in the form of both financing and advice in a range of different sectors and through a range of different instruments (e.g., investment or development policy credits and/or grants), IDA can adapt its support to different country situations, and within the context of predictable long-term support can adapt its support to changing needs over a period of time. Furthermore, IDA's performance-based allocation (PBA) system implies that IDA's assistance volumes reflect countries' needs (as determined by population and per capita gross national income) and performance (as measured by IDA's Country Performance Rating, or CPR).

65. **The mix between finance and advice varies from country to country and sector to sector, depending on conditions in the sector/country and the availability of other sources of funds.** Box 7 illustrates how IDA's interventions in post-conflict countries and in faster growing, well-performing countries are quite different on a number of dimensions. In India, for example, although IDA is the main source of ODA,⁶¹ its primary role is that of a trusted advisor: "Because India has substantial financial resources of its own, IDA's impact has been less financial than intellectual. The policy dialogue and knowledge linked with IDA lending, IDA's influential analysis and non-lending technical assistance in the areas of revenue and expenditure reforms, agriculture market liberalization, water resources, civil service reforms, and regulatory reforms, have all been instrumental in introducing international best practice to India and promoting well-informed policy reforms."⁶² The *Africa Action Plan*⁶³ (AAP) provides another example of IDA's ability to provide differentiated assistance to distinct types of countries, under the general principle that IDA country allocations are governed by the PBA system.

⁵⁸ The operational cutoff for eligibility for regular IDA terms in FY07 is a per capita GNI of US\$1,025. Armenia's per capita GNI at the outset of FY07 was US\$1,470.

⁵⁹ See *IDA at Work* note "Small Projects Target Poorest, Most Isolated Armenians", March 2007.

⁶⁰ See *IDA at Work* note "Afghanistan: Supporting State-Building and Development", p. 7, March 2007.

⁶¹ See e.g., OECD's *Aid-at-a-Glance* Figures for India: <http://www.oecd.org/dataoecd/62/30/1877912.gif>.

⁶² See *IDA at Work* Note "India: Using IDA Effectively in a Large Country", March 2007, p.4.

⁶³ World Bank (2007b). *Accelerating Development Outcomes in Africa: Progress and Change in the Africa Action Plan*. Discussed at the April 15, 2007 Development Committee Meeting.

Box 7: IDA's Adapted Role in Different Country Circumstances

Immediately after the conflict in **Sierra Leone**, IDA's post-conflict assistance program supported: (i) the creation of a multi-donor trust fund to support the disarmament and demobilization of 72,000 ex-combatants, and trained 56,000 to support their re-integration into society, (ii) the recovery of communities most effected by the war – through 397 community identified programs (implemented by NGOs) to restore schools, sanitation facilities, markets and clinics (which eventually reached 1 million people), (iii) priority reforms to kick-start the economy while financing the import of essential food, petroleum and raw materials, and working with other partners to implement a debt relief package and in so doing helping to bring the growth rate up from -8 percent to +7 percent per annum, inflation down from 34 percent to 12 percent, and debt down from 194 percent to 132 percent of GDP over five years; (iv) the re-establishment of basic financial management, budgeting and procurement systems – with some improvement in all governance rankings, (v) getting almost 1 million additional children back to school.

IDA's support to **Burkina Faso** from 1995 to 2005 helped its per capita income rise from US\$240 to US\$400 and its poverty rate fall from 55 percent to 42 percent. In contrast with IDA's post-conflict program for Sierra Leone, the main challenge in Burkina was to support its transition to a market economy, in a small landlocked country with a very harsh Sahelian environment and few opportunities. Given the strong commitment to, and capacity to move on a broad and comprehensive reform package – a core element of IDA's support comprised 10 budget support operations, including six PRSCs which together with related analytical work supported the restructuring of the cotton sector, a framework for infrastructure public private partnerships and a strengthening of the investment climate. This has simultaneously allowed sustained attention to longer term reforms in agriculture (restructuring of the cotton sector, doubling of the irrigated surface area, and expanded production of high value dry season crops) while providing a vehicle for channeling predictable support from 10 key donors – against a common monitoring framework and strengthened public financial management supported by IDA. This was complemented by related investments in infrastructure, decentralized community based development (providing services in 26 of 45 provinces and covering 40 percent of Burkina's 8,000 villages) and harmonized donor support for the social sectors (increasing gross primary enrollment rates from 42 percent in 2001 to 60 percent in 2006, and completion rates from 19 percent to 40 percent over the same period.) With additional resources available from debt relief and the PRSCs, child vaccination and prenatal care are now free in Burkina and child mortality has begun to fall as a result – from 219 to 184 per 1000.

66. The flexibility and adaptability of IDA's approach can also be seen in the context of IDA's assistance to fragile states.⁶⁴ While peace-building and state-building are often common elements across fragile states and situations, IDA has adopted a differentiated assistance strategy framework for different types of fragile states and situations. In many such contexts, IDA plays a key role in strengthening state capacity and accountability. In post-conflict situations, IDA supports the achievement of peace-building goals. The companion IDA15 paper "Operational Approaches and Financing in Fragile States" discusses in detail how IDA tailors its support to fragile states.

67. At the same time, because of its long term engagement, IDA's role and interventions within particular countries has evolved over time. For example, the nature of IDA's support has changed considerably in response to emerging challenges and opportunities in Mozambique. In the years preceding the signature of the 1992 peace treaty, IDA focused on laying the groundwork for Mozambique to shift from a socialist to a market economy and from humanitarian to development assistance. Since 1992, IDA has supported Mozambique with 55 projects amounting to US\$2.3 billion and more than 30 major pieces of analytical work. In recent years, Mozambique's economy has been one of the fastest growing in the world. Per

⁶⁴ The companion IDA15 paper "Operational Approaches and Financing in Fragile States" defines fragile states as follows: "Fragile states is the term used for countries that are facing particularly severe development challenges such as weak institutional capacity, poor governance, political instability, and frequently also on-going violence or the legacy effects of past violent conflict." (p. 5).

capita incomes have risen from US\$150 to US\$310 and the percentage of people considered to be extreme poor has declined from 75 percent to 54 percent (see Box 8 below).

Box 8. The Evolution of IDA's Role in Mozambique Over Time

IDA's support to Mozambique precedes the signature of the peace treaty in 1992. Early support focused on putting in place a financing and reform package, in collaboration with the IMF, to assist Mozambique's transition from a socialist to a market economy and from humanitarian aid to development assistance. The first economic recovery credit included support to redeploy government expenditures to the social sectors, to support smallholder agriculture (including by investing in roads), and financial sector reforms aimed at the creation of a market-based banking system (e.g., through the separation of the commercial and central bank functions of Bank of Mozambique). This was followed by a series of policy-based operations that broadened and deepened the reform agenda (revenue mobilization, fiscal management, private sector development, etc).

In the early years, IDA financed significant amounts of technical assistance (which were phased out as capacity increased when graduates financed by an innovative scholarship program joined the government). Notably, IDA, together with DFID, funded an innovative customs modernization program which involved the private management of customs on a temporary basis until government officials were trained to take it over.

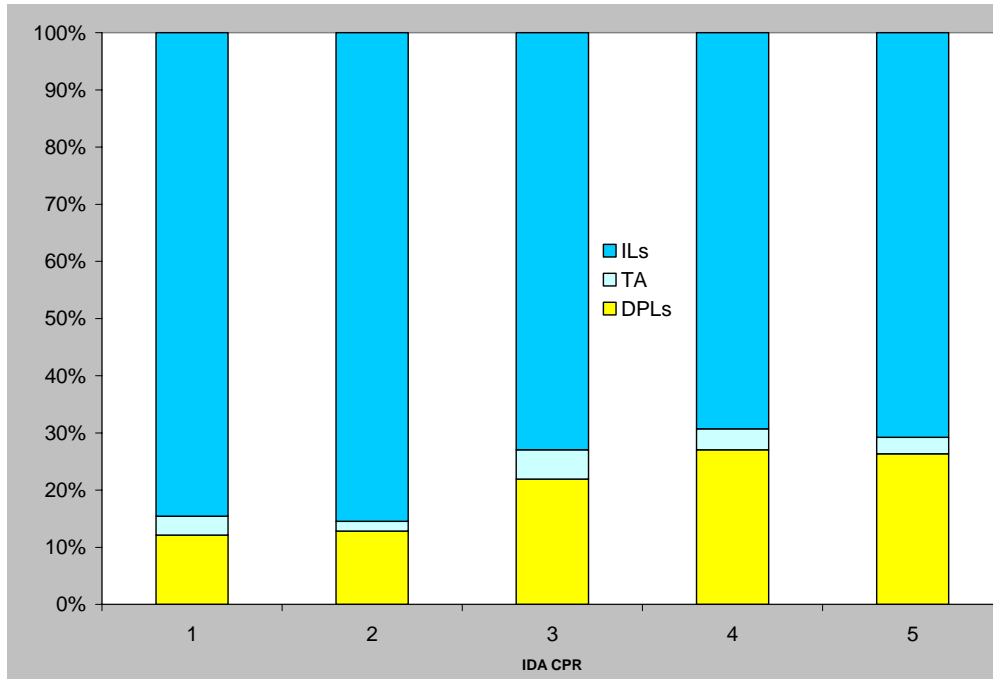
In the mid-1990's, IDA led the first sector-wide approach operation in the roads sector – in coordination with other development partners. The program initially focused on funding road maintenance (until a road fund could fully cover maintenance needs), institutional building and training of construction engineers. Sector wide programs were also developed in other key sectors (health, education, agriculture) aimed at addressing national priorities and harmonizing large flows of external aid. As a result, the share of impassable roads fell from 50 percent to 5 percent and road maintenance increased from 0 percent to 75 percent of target, child mortality fell from 235 to 152 per 1000, and net primary school enrollment increasing from 45 percent to 95 percent, with almost 2 million more children in school. Support to the water sector provided 3.5 million people with access to improved water supplies (up from 20 percent to 32 percent) and sanitation (up from 36 percent to 43 percent).

IDA's analytical work has underpinned lending operations. Over time, focus has shifted towards helping the government to develop its own PRSP and to working with a group of 18 donors to provide uniform financing support to an integrated government-led program, including through PRSCs.

68. Finally, IDA adapts the choice of instruments to country situations, including the quality – and trends in improvement – of countries' public financial management systems. Available evidence indicates that IDA has been considerably selective in its use of policy-based operations. In fact, as noted in a paper presented at the Mid-Term Review of IDA14 “selectivity considerations are even more evident for IDA countries, where less than 14 percent of IDA policy-based commitments during FY98-06 have been made to the bottom 40 percent of the CPIA distribution.”⁶⁵ A similar pattern can be observed with respect to IDA's Country Performance Rating (CPR). Figure 11 shows the average share of different types of lending instruments – investment operations (ILs), technical assistance (TA) and development policy lending (DPL) – in total IDA commitments for different CPR levels, for the period FY02-06. The chart clearly shows that share of DPLs in total commitments increases with CPR ratings, being on average 6.7 percent for the low-end of the CPR spectrum and 26 percent for the upper-end CPR spectrum.

⁶⁵ IDA (2006). *Development Policy Operations. A Framework to Assess Country Readiness for Making Productive Use of Development Policy Operations*. October, p. 5.

Figure 11. IDA instruments: FY02-6 Average Shares in Total Commitments ^{1/2/3/4/}



Source: World Bank staff calculation.

Notes:

1/ The sample is the current 80 IDA countries and excludes Kosovo and Timor-Leste whose CPR ratings are unavailable.

2/ Countries are grouped by their FY02-06 CPR average (rounded): the number of countries per CPR group is as follows: 9 countries for the CPR rating 1 group, 16 for 2, 32 for 3, 20 for 4, 2 for 5 and 1 (Bhutan) for 6 rating.

3/ For share of each instrument in commitments, first a country-specific share of an instrument in the country's FY02-06 total commitment and then a group-specific average share is computed.

4/ CPR rating 6 group is not plotted, since Bhutan is the only country with 6 rating.

B.7 Ability to act as “First Mover”

69. IDA’s strengths have enabled it to act as the “first mover” to tackle critical development challenges. In this role, IDA has engaged with countries on emerging issues or in areas when others either cannot or will not. IDA has often been one of the first of the major development partners to operate and provide significant support in post-conflict and crisis environments where risk mitigation is important⁶⁶; on new and difficult issues, such as HIV-AIDS⁶⁷; in addressing longer term development issues quickly after natural disasters⁶⁸ (see Box

⁶⁶ For example, in North East Sri Lanka, Afghanistan, and Timor Leste. When government capacity is severely constrained or non-existent, other partners such as the UN system are more likely to be able to act as the first mover.

⁶⁷ IDA was one of the first partners to put significant funding into addressing issues of HIV/AIDS – especially into prevention and later into treatment as well. See Section IV.B for more details.

⁶⁸ Its flexibility has enabled IDA to respond very quickly to unpredictable emergencies and natural disasters by reallocating funds from existing portfolios, quickly committing new funds in the form of both project and budget support financing and using existing implementation capacity to deliver such assistance. This has been clearly demonstrated in a number of countries – including the response to the 2004 floods in Bangladesh, the 2004 Tsunami in South East Asia, the 2005 Earthquake in Kashmir and earlier in flooding in Mozambique and hurricanes in the Caribbean.

9 on the case of Pakistan); and in areas where new concepts need to be established. IDA has also been a first mover and catalyst in developing responses to tackling global issues.⁶⁹

70. **IDA has also designed, piloted and implemented policy innovations that have often been adopted by other development partners.** Examples of such initiatives are the PRSP approach, the performance-based allocation system as well as the Debt Sustainability Framework (together with the IMF). IDA's ability to act as a first mover and to introduce policy innovations benefits from a continuous learning process, both from experience and through internal and external assessments of IDA's programs and projects, such as, for example, through IEG evaluations.

Box 9: Rapid and Flexible Response to the 2005 Earthquake in Pakistan

Within two weeks of the October 2005 earthquake, IDA delivered an initial package of US\$470 million in support to Pakistan. This included: (i) reallocating funding from suitable existing credits, (ii) topping up projects with quick supplemental finance, (iii) processing an emergency fast disbursing credit for US\$200 million. Within a month, together with AsDB and JBIC, IDA provided a preliminary damage and needs assessment that was the basis of the Pakistan Government-led donor conference. IDA followed up with a further US\$400m emergency recovery credit to finance the import of raw materials, the government's housing reconstruction program and cash grants to households who had lost family members and livelihoods. By December 2006 housing reconstruction grants had been issued to 435,000 families and 217,000 families had received livelihood support grants.

A key part of IDA's ability to respond quickly, in close co-ordination with other donors was: (i) its pre-existing relationship with a number of agencies in Pakistan; (ii) its strong understanding of government financial management in Pakistan; (iii) its strong local presence to enable a "stick with it" team; (iv) its flexibility to deploy resources from within the IDA envelope and (iv) its ability to draw on expertise used in the Sri Lanka Tsunami – where 100,000 families had received targeted cash grants within three months of the December 2004 Tsunami – and on low cost earthquake resistant housing technology from Japan.

B.8. Platform for Leveraging Other Funding and "Scaling up" Poverty Reduction Interventions

71. **The impact of IDA assistance on the ground is magnified by IDA's role as a platform to leverage funding from other sources.** As noted in the *Medium-Term Strategy and Finance* paper, "the Bank Group's reputation, knowledge and global reach enable it to leverage resources from other donors as well as to catalyze and manage trust funds (...) that focus on the world's most pressing problems."⁷⁰ In fact, this ability can be seen both at the global level – in the establishment of global programs – as well at the country and sector level. This subsection focuses on the latter two.

72. **At the country level, Vietnam provides another good example of IDA's leveraging role.** Vietnam receives approximately US\$3 billion a year from more than 30 bilateral and multilateral donor institutions. IDA "serves as the coordinator and, often, a catalyst for foreign aid to Vietnam not only because of the funds it mobilizes but also because of its recognized

⁶⁹ See discussion on IDA's role in addressing global priorities and issues in subsection IV.B.

⁷⁰ World Bank (2007), *op. cit.*, p. 4.

technical expertise. It co-chairs Consultative Group meetings with the Government, leads the PRSC process, and increasingly fosters multi-donor credits and initiatives.”⁷¹

73. **The impact of IDA’s assistance on Senegal’s water supply and sanitation sector further illustrates IDA’s role as a platform for leveraging other funding.**⁷² Through two successive projects, IDA leveraged financing from both donors and commercial banks in an effort to expand access to water in Senegal’s cities, with great success: the access rate rose from 74 percent in 1996 to 98 percent in 2006.⁷³

74. **Besides leveraging funding, IDA has often been instrumental in scaling up poverty reduction activities piloted by IDA or other partners.** Sri Lanka’s Gemi Diriya (“village strength”) project has benefited 100,000 households in the poorest districts from local investments (water, roads, credit, income generation activities), with greater cost efficiency, and strengthening village associations while building synergies with the private sector. It builds upon lessons learned during the Village Self-Help Learning Initiative, a four-year pilot financed by IDA. The already-mentioned Indonesia’s Kecamatan Development Project (KDP) places block grants with local councils for investments, scaled up from a 25 village pilot in 1997 to 34,000 villages in 2006, by which time it covered 35 million people. Countries such as Ethiopia, Afghanistan, Guinea, Kyrgyz Republic, Laos, Timor Leste, and others have adapted this model to their own conditions, while in Indonesia the government is scaling it up to cover the entire economy, adding more than US\$1 billion per year from their own budget.

⁷¹ See *IDA at Work* note “Vietnam: Laying the Foundation for Steady Growth”, p. 4, March 2007.

⁷² See *IDA at Work* note “Water Supply and Sanitation: Improving Services for the Poor”, p. 4, March 2007.

⁷³ *Ibid.*, p. 4.