



FAST TRACK BRIEF

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Based on IDA's *Partnership for Poverty Reduction (FY94-00): An Independent Evaluation*, to be presented to CODE on May 16 and to the Board on May 29, with simultaneous transmission to the Deputies for discussion in Addis Ababa on June 7.

The IDA10-12 Partnership for Poverty Reduction

- Over the past seven years, IDA has strengthened its poverty reduction mission, repositioned its country assistance programs to better respond to development priorities, introduced new lending instruments, and accelerated its efforts in aid coordination.
- Over this period IDA committed \$42 billion to some 77 low-income countries.
- IDA project performance has improved steadily. Outcomes of completed projects have risen to over 70 percent satisfactory, and institutional development impact and sustainability have also improved, albeit from low levels (see figure, below).
- To deepen and broaden the gains from the existing policy framework, IDA should concentrate on implementation, aligning resources to strategic priorities, and consolidating its mandates in keeping with CDF principles and country poverty reduction strategies. This calls for a strong focus on IDA's areas of comparative advantage and capacity building, greater monitoring of results, and taking on a more proactive role in aid coordination at the country and global levels.

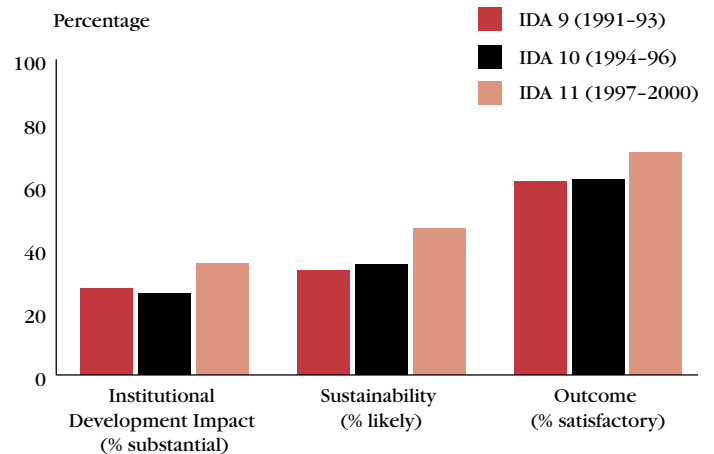
The Study

At the request of IDA's donor governments and its executive directors, OED carried out a review of IDA's implementation of its replenishment undertakings during IDA10, 11, and the first year of IDA12. The undertakings include: (1) sharpening the poverty focus of support for country development; (2) expanding access to social services, fostering broad-based growth, promoting good governance, and integrating gender and environmental considerations into development efforts; and (3) increasing its development effectiveness through more selective, more participatory, and better-coordinated CASS.

IDA in Context

IDA is only one among many external assistance agencies, accounting for 14-18 percent of official development assistance in the 1990s. The performance of borrowers and other development partners, as well as changes in the global economic environment, all play a role. IDA can and should be held accountable, however, for how well it makes hard choices and necessary tradeoffs in deploying its concessional resources in fulfillment of corporate commitments, including both its lending and nonlending

Project Outcomes, Institutional Development, and Sustainability Improving



advisory services, and how effectively it shapes its assistance to the priorities and circumstances of borrowers. It is largely in these terms—of IDA's relevance (that is, whether IDA “did the right things,” taking into account the actions of others) and its efficacy and efficiency (that is, did it “do things right”)—that this review evaluates IDA.

IDA's Performance

The replenishment undertakings have been highly relevant and timely. They have encouraged IDA to move in step with the evolving consensus of the international development community. But they have been extraordinarily demanding for both IDA and its borrowers. Overall, OED finds IDA's implementation of the undertakings to be satisfactory, but with qualifications; and finds the development outcomes of IDA programs—influenced by exogenous factors and borrower and partner performance, as well as IDA performance—to be partially satisfactory, with notable improvement over the period.

Over the past seven years, IDA has repositioned and enhanced the relevance of its country assistance programs, strengthened its field presence, and diversified its lending instruments. At the same time, it has improved its portfolio performance. Recently, it has intensified its aid coordination efforts in the context of the Comprehensive Development Framework and Poverty Reduction Strategy Paper initiatives. But disappointing progress in aggregate poverty reduction points to the need to continue the transformation of IDA's partnership for poverty reduction.

A Strengthened Poverty Orientation. IDA has sharpened the poverty focus of its analytical work, policy dialogue, and lending. Broad-based growth, human resource development, and protection of vulnerable groups have become common objectives of IDA CASS. IDA has made a major contribution to poverty analysis and data. It has established a strong presence in the social sectors, introducing new lending instruments and approaches to better deal with complex institutional development issues. It has also implemented its commitment to improve the poverty and social dimensions of structural adjustment operations. Still, the linkages between country assistance programs and poverty outcomes need to be better articulated.

The Challenge of Broad-Based Growth. IDA has helped many borrowers move into position to direct greater efforts toward poverty reduction goals than at the beginning of the review period. In countries committed to reform, IDA's support has contributed to increased economic stability, fewer distortions, and improved infrastructure development. But acceleration of broad-based, job-creating growth remains a major challenge.

A lag in private sector development has been a major contributing factor to weak broad-based growth. As efforts to stabilize macroeconomic conditions took hold in the 1990s, IDA increased private sector development (PSD) activities, supporting improved business environments, private provision of infrastructure, and microfinance. A sharper focus on the investment climate and support for small and medium-size enterprises and rural finance is needed.

The Critical Factor of Governance. Good governance is a critical factor that affects all other areas of program emphasis. IDA was slow to comply with its IDA10 governance undertakings, but over the past four years it has

given priority to public sector reform in country assistance programs. Lending for public sector reforms has increased; and institutional development issues are addressed in analytical work and lending. Public sector capacity-building and accountability remain major tasks; and greater coordination among external agencies is needed to consistently cover the broad governance agenda.

Gender and Environmental Mainstreaming. IDA has made limited progress in integrating gender and environment, in part because of a lack of country interest. But IDA has also lacked clear accountability for gender and environmental mainstreaming. Where IDA's assistance has contributed to strong results—notably in girls education—there has been significant country ownership, effective partnerships, and rigorous analytic work underpinning lending. In similar circumstances, environmental assistance has helped to increase public and government interest, reversed land degradation, improved incomes from arid lands, and strengthened environmental capacity.

More Effective Partnerships. To further increase IDA's development effectiveness, IDA10-12 strengthened the link between building more effective partnerships through participation and aid coordination. Their progress was moderate during IDA10-11, but the CDF and PRSP initiatives introduced after the IDA12 negotiations have given significant impetus to this aid reform agenda. Greater aid coordination at the country level and increased policy and procedural harmonization at the agency level are necessary.

Next Steps

IDA should focus on implementing its existing policies, aligning resources with strategic priorities, and consolidating its mandates. IDA should concentrate more on its comparative advantage; working at the strategic level in support of economy-wide, sector-wide, and government-wide reforms; and putting capacity building at its core. IDA shareholders should become more proactive in fostering aid harmonization and coordination at the global and country levels to reduce the high transaction costs of aid for borrowers. This requires greater country and program selectivity; expanded work in the critical areas of governance and institutional development; and a joint commitment with partners to move from ad hoc to structured coordination of aid programs. Internally it will also require reinvestment in IDA's analytical work; strengthened accountability for policy compliance; and full, multi-year funding of Country Assistance Strategies.

IDA would also benefit from adjusting the replenishment process. Three changes would improve the process: developing a longer-term vision, focused on results; engaging developing countries in setting priorities and monitoring IDA performance; and defining commitments in terms of monitorable and achievable objectives, with realistic costing, focused on agreed indicators of development progress.



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