

Opportunities to Scale Up Delivering on commitments



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But one year after the Gleneagles promise, the international community is at risk of falling short on its commitments to increase aid to Africa. African countries cannot build on a foundation of hollow promises. If the rich countries abandon their commitments to double aid to Africa by 2010, we will have failed to serve the best hope for Africa's future: its people. Paul Wolfowitz, Path to Prosperity, 2006 Annual Meetings Address

Global agreements Country-level implementation

Poverty reduction strategies (PRS) provide a framework for low-income countries to articulate their development priorities and to specify the policies, programs, and resources needed to meet their goals. The approach redefines the relationship of aid—empowering governments to set their priorities (and holding them accountable for results) and encouraging donors to provide predictable, harmonized assistance that is aligned with country priorities.

In the Paris Declaration, the international community reaffirmed the centrality of a country-based development model as the cornerstone for accelerating development results. Success requires joint efforts aimed at:

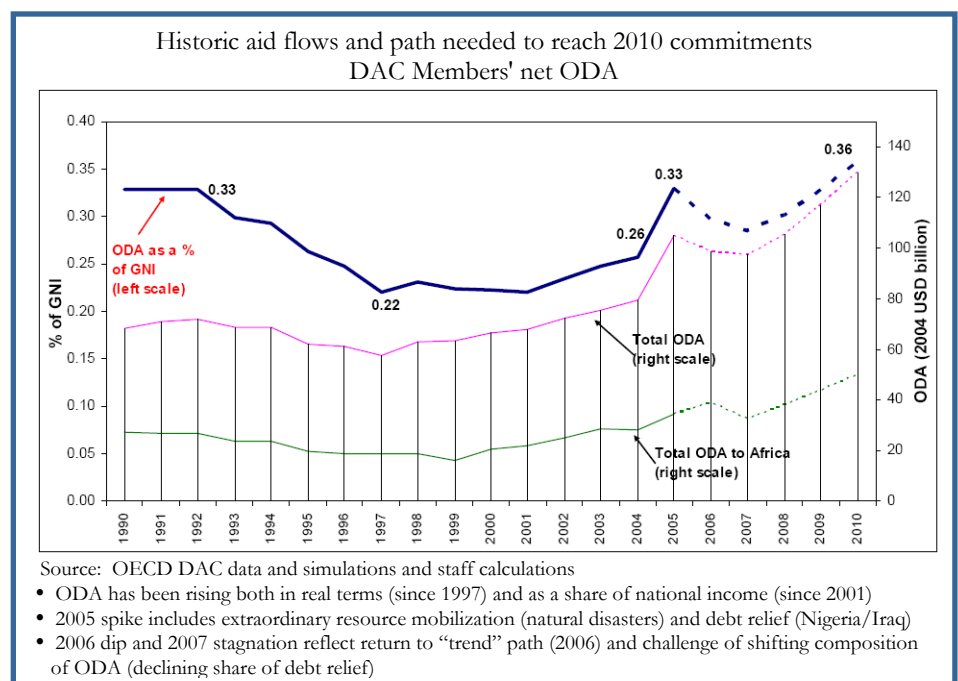
- i. Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).
- ii. Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- iii. Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- iv. Eliminating duplication of efforts and rationalizing donor activities to make them as cost-effective as possible.
- v. Reforming and simplifying donor policies and procedures to encourage collaborative behavior and progressive alignment with partner countries' priorities, systems and procedures.

Robust actions are needed both from the top down (e.g., delivering on aid commitments, clarifying aid allocation criteria, and improving the predictability

of aid) and from the bottom up (e.g., strengthening national development strategies and improving aid effectiveness at the country level through better harmonization and alignment). While there are broad global agreements, the challenge is to consistently turn these commitments into concrete actions at the country level. ■

Delivering on more and better aid

More aid. DAC members have committed to increasing ODA from US\$80 billion in 2004 to US\$130 billion in 2010, including a doubling of aid to Africa, reaching US\$50 billion. While there was a sharp “increase” in ODA to US\$106.5 billion in 2005, the overwhelming bulk of this increase was due to one-time, exceptional debt relief and special purpose grants mobilized for disaster relief. However, to date, a typical “good performing” developing country is likely to have seen only modest increases in aid which it can use for development programs. Delivering on commitments to deliver more aid will require sustained, high-level international engagement (see box). ■



Better aid. Donor support for development translates worldwide into over 60,000 ongoing projects, with some partner countries having over 1,000 donor-funded activities, hosting over 1,000 missions each year, and preparing as many as 2,400 progress reports annually. While some countries can manage these requirements more readily than others, everywhere they burden and erode administrative capacities, weaken country ownership and domestic accountability, reduce the attention to strengthening countries' own policies and systems, and divert financial and human resources away from addressing real development goals. High level commitments to do better at aligning and harmonizing assistance need to be translated into practice consistently at the country level.

In addition, aid predictability remains a serious challenge. While there are a few positive indications that some donor agencies are moving towards multi-year budgeting and planning with partner countries on forward aid levels, these efforts need to be accelerated and good practices encouraged. ■

In Ghana, an additional US\$300 million for rural electrification over 4 years (about US\$75 million per year) would increase access to power for an additional 2,500 communities, raising the portion of the population with access to power from 54% to 72%. In 2005, only US\$26 million was spent on rural electrification, despite the capacity to absorb significantly more.

A Sequenced Approach at the Country Level

There is broad agreement that development assistance should be channeled through a country-based development model. Consequently, scaling up requires efforts to further strengthen country-driven, results-oriented poverty reduction strategies that are ambitious and linked to medium-term budget processes. This support will need to help meet the dual challenges of:

- facilitating early demonstration effects from improved aid effectiveness and current (albeit limited) scaling up; and
- effectively using the time lag before significant new resources come online to help countries develop credible, scaled up poverty reduction strategies that are grounded by the capacity, policies and institutions needed to effectively implement them.

At the same time, governance issues which are likely to arise in some countries will need to be addressed through mutual accountability agreements between national governments and donors. In many instances, revamped Consultative Group/Roundtable meetings could provide a useful mechanism for brokering country-specific agreements as to

actions needed—both by countries and by development partners—in support of both of the above dimensions. ■

Exploiting Opportunities for Early Scaling Up and Accelerated Results

While aid projections by the OECD-DAC show that significant increases in new aid are not expected in the short-term, to sustain momentum, it is imperative to demonstrate the viability of scaling up. This calls for identifying immediate opportunities for scaling up and building a portfolio of success. It also calls for complementary measures to improve the effectiveness of all development assistance through further progress on alignment and harmonization.

- *Identify, at the country and regional levels, areas where additional aid could be effectively used now.*
- *Build a portfolio of success in utilizing a viable resources and results approach with monitoring mechanisms.*
- *Continue to press on harmonization and alignment issues, with a focus at the country level.*
- *Aggressively leverage emerging experiences and lessons.* ■



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Preparing at the Country Level for Significant Aid Increases

Over the past six years, impressive progress has been made at the country level in strengthening nationally-owned, poverty reduction strategies. In general, there has been increased focus on: setting clear goals and targets that are linked to public actions; improving budget and monitoring systems; opening the space for discussing national priorities

and policies for poverty reduction and growth; filling country-specific analytic gaps; and aligning and harmonizing donor assistance with national priorities. All of these areas provide the core elements needed to scale up results through a country-based development model. And good practices abound. There is encouraging evidence that with the right support now, many countries will be well positioned to articulate and implement credible, scaled up development scenarios.

Needed support includes ongoing assistance to strengthen country-specific analysis that can help inform the design and prioritization of the policy actions and programs needed to meet ambitious goals and targets. Such analysis can also help identify absorptive constraints—whether they be macroeconomic, human or physical capital, or institutional in nature—and be used to develop sequenced plans to alleviate them. When coupled with systems and processes that support evidence-based decision making and strong domestic accountability, this can foster more effective use of domestic resources and aid flows and assist in efforts to scale up results.

- *Address analytic gaps.*
- *Identify and tackle binding constraints at the country level.*
- *Forge strong links between national strategies and domestic decision-making processes.* ■

In Tanzania, an additional US\$143 million per year could increase gross enrollment rates in secondary schools from 11% to 26 %.

Results and Resources

Key objectives of the PRS approach include encouraging countries to articulate more results oriented development strategies, aligning development finance around country priorities, and monitoring results in order to make adjustments to development strategies and implementation modalities as needed. However, achieving these objectives requires sustained commitment to medium- and long-term institutional change and capacity strengthening. And continued efforts are needed to better hardwire the link between resources and results.

Resources and results processes can renew our focus on strengthening three cross-cutting processes that are at the core of the country development model: results, resources and mutual accountability. Many countries have moved away from CG and Roundtable processes, and have developed country-specific mechanisms to coordinate aid.

Encouraging these country-specific coordination mechanisms to consistently focus on results, the link to overall development finance, and mutual accountability, can help to strengthen the PRS approach in countries.

Better linking resources and results requires a few key building blocks:

- A national poverty reduction strategy with a results matrix. Developed by government in consultation with national stakeholders and development partners, it includes plans for addressing weaknesses in the strategy's content or implementation modalities.
- A resource matrix including domestic financing and financial support from aid partners which can be matched against the results matrix; and
- A mutual accountability framework to monitor aid flows and aid utilization as well as assess country and donor performance against prior commitments. Periodic assessments of both country and donor performance by independent observers (e.g., Tanzania) could provide even more credibility.

The international community needs to stand ready to support countries in their efforts to continue to strengthen each of these dimensions. For example, in Ghana, a donor meeting in June 2006 brought together: a results matrix (derived from the PRS); a development partner resource envelope (which could be usefully expanded to include other sources of development finance); an aid effectiveness and harmonization action plan; and information on specific opportunities for scaling up results if additional resources could be brought to the table. ■



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Recognizing and Resolving Tensions in the Aid Effectiveness Agenda

Given the wide scope of issues that touch on aid effectiveness, it is not surprising that at times there are inconsistencies in objectives and approaches. However, the fragmented way in which the agenda is approached can mask these tensions. Some of these tensions are highlighted below. Recognizing these tensions is a first step towards more effectively mitigating them.

- Many donors are strongly committed to a **country-based development model** (which calls for aligning assistance around country priorities), yet for many of these same donors, there is a political appeal to provide aid through **vertical funds**.
- To sustain constituent support, **donor countries need to demonstrate that aid delivers quick results**. However, a country-based approach calls for **medium- to long-term commitment to and support for institutional and capacity strengthening**.
- Donors have pledged **substantial increases in resources**, but they are concerned about the **capacity of countries to utilize it effectively**.

- Capacity concerns point to **scaling up first in better performing countries** yet there is a strong interest in **accelerating support in fragile states**.
- There are calls to **increase program support and reduce “conditionality”** while at the same time **building in stronger governance criteria**.
- There is a value in **country-specific, decentralized donor coordination processes**, yet this can impede the **need for central information flows and a mandated focus on results and resources**.
- The emphasis of aid effectiveness tends to focus on **aid of traditional donors**, yet an increasing amount of **development finance comes from other sources**.

Too often, interrelated issues are discussed (in some degree of isolation) at different meetings, in different reports, and among different sets of ‘champions’ within the same organizations. A more consistent recognition of tensions would help lay the foundation to mitigate many of them. For example, while vertical funds are not inherently inconsistent with a country-based approach, in reality they often create distortions. In other cases, agendas may actually be inconsistent. In these cases, being transparent about these inconsistencies would encourage a clearer discussion on tradeoffs and inform better choices.

Noteworthy Dates for 2007

Selected Consultative Groups

Bolivia CG, June 2007

Mauritania CG, Feb/March 2007

Tajikistan CG, March 2007

Upcoming Meetings

Results Roundtable, Hanoi, Feb 5-8 2007

IMF/World Bank Spring Meetings, Washington, April 14-15, 2007



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