

# COUNTRY ASSISTANCE STRATEGIES: RETROSPECTIVE AND STRATEGIC DIRECTIONS

## I. INTRODUCTION

1. Country Assistance Strategies (CASs) are at the heart of the Bank's country-based model. In IDA countries, the CAS is the Bank's key document to align Bank activities and results with country outcomes—IDA15 discussions emphasized CASs as the anchor for IDA support at the country level,<sup>1</sup> and the CAS can serve as an instrument for donor harmonization.<sup>2</sup> In IBRD countries, CASs now reflect the Bank's renewed efforts to develop partnerships with middle-income clients, as well as the fact that demand is more difficult to anticipate, as middle-income countries have a broader variety of sources for financing. As a result, IBRD CASs are more indicative and their implementation more flexible.<sup>3</sup>

2. **CAS Retrospectives.** Since 1998, retrospective reports have assessed CAS products and set out recommendations for their next stage of evolution. The third retrospective report on the Bank's CAS products (discussed by the Board in May 2003) recommended that CASs focus on poverty reduction, building on the country's own strategy; address implementation issues, including capacity building and risks; and focus on realistic and monitorable results by taking a results-based approach. These reforms were to be supported by preparation of CAS Completion Reports reviewed by the Independent Evaluation Group (IEG) (formerly the Operations Evaluation Department, OED) and more uniform CAS frequency. The 2003 report's recommendations emerged from the examination of the 28 CASs, 11 CAS Progress Reports, and 11 Transitional Support Strategies discussed by the Board during FY00 and the first half of FY01. Most significantly, the 2003 Retrospective launched the results-based approach to CASs, a significant transformation of the Bank's main country strategy product. In March 2005, a "stocktaking" report assessed the FY03-04 pilot phase of the results-based CAS (RBCAS), advising on how new thinking on the CAS was being applied in different country contexts and providing lessons and next steps for mainstreaming the results-based approach. That review found that a results-based approach can improve the alignment of the Bank's program with the country's priorities; help distinguish between long-term country development goals and intended outcomes to which the CAS program directly contributes; strengthen the use of lessons learned from the last CAS; and mobilize country teams around a common vision of delivering results on the ground.

3. **Developments in Aid Architecture and Development Effectiveness.** Over the last half decade, developments in the international development community, as well as within the World Bank, have influenced the Bank's approach to country programs and the strategy documents that reflect them. In particular, five issues have shaped the design and content of CAS products since the last retrospective.

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<sup>1</sup> "A results-based CAS, which links IDA programs and projects to country priorities and systems, is one of the key instruments for IDA to ensure and monitor its contribution to country outcomes." *Additions to IDA Resources: Fifteenth Replenishment: IDA: The Platform for Achieving Results at the Country Level*, December 2007, p. 5.

<sup>2</sup> *Paris Declaration on Aid Effectiveness*, March 2, 2005.

<sup>3</sup> *Strengthening the World Bank's Engagement with IBRD Partner Countries* (DC2006-0014), September 7, 2006.

- The spread of the poverty reduction strategy (PRS) approach across IDA clients and synchronization with the CAS, now almost completed. The commitment to alignment and harmonization that was integral to the PRS **approach has been** integrated in Paris Declaration commitments and reinforced in the 2008 Accra Agenda for Action statement.
- The 2005 Paris Declaration on Aid Effectiveness, through which the international development community committed to deliver and manage aid more effectively so as to increase development impact. Particular emphasis was attached to country ownership, donor alignment and harmonization, and mutual commitment to delivering results. The Paris Declaration encouraged more collaborative preparation of country strategies.<sup>4</sup>
- Implementation of the Bank's results agenda, launched in 2002 and aimed at ensuring that Bank's activities contribute to country-level development results. This led to the design of results-based CASs.<sup>5</sup>
- The Bank's middle-income country (MIC) agenda, which recommended improvements in the quality and flexibility of country strategies to meet the needs of middle-income countries and improve the customization and delivery of the Bank Group's expertise and finance to client countries.<sup>6</sup>
- The Bank's governance and anticorruption (GAC) strategy, which recommended that CASs give greater upstream attention to governance and anticorruption issues, considering in each country whether governance is central to achieving government and CAS objectives, and whether governance improvements feature among the country's own priorities.<sup>7</sup>

4. ***Purpose of this Paper.*** This, the fourth retrospective report on Country Assistance Strategies,<sup>8</sup> takes stock of current practice in CAS products, analyzes the evolution of the CAS over the past few years, and summarizes future developments in CAS products. The specific objectives of the FY09 retrospective are as follows:

- **to review recent developments in CAS products in applying the main elements of the country-based development model to strategy formulation, with particular attention to those aspects most influenced in recent years by major developments in aid architecture, international finance, and the Bank's corporate priorities;**

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<sup>4</sup> *Paris Declaration on Aid Effectiveness*, March 2, 2005.

<sup>5</sup> *Better Measuring, Monitoring, and Managing for Development Results* (DC2002-0019 and SecM2002-0437), September 2002

<sup>6</sup> *Strengthening the World Bank's Engagement with IBRD Partner Countries* (DC2006-0014), September 7, 2006.

<sup>7</sup> *Strengthening World Bank Group Engagement on Governance and Anticorruption* (DC2007-0005); and *Implementation Plan for Strengthening World Bank Group Engagement on Governance and Anticorruption* (SecM2007-0425/1), November 19, 2007.

<sup>8</sup> *Country Assistance Strategies: Retrospective and Outlook* (SecM98-242), March 30, 1998; *Country Assistance Strategies: Retrospective and Implications* (R99-228/2), May 22, 2000; and *Country Assistance Strategies: Retrospective and Future Directions* (CODE2003-0010), March 14, 2003. The 2003 report will be called the 2003 Retrospective in this paper. An additional report, *Results Focus in Country Assistance Strategies: A Stocktaking of Results-Based CASs*, was prepared in 2005.

- **to identify examples of good practice to guide country teams in preparing and implementing future country strategies; and**
- **to outline directions that will help the Bank further customize its support to the needs of different client countries and improve the strategic value and operational effectiveness of future CAS products.**

5. ***Scope of the Review.*** Since mid-FY01 (the end date for analysis in the third CAS retrospective) through the first half of FY08, there have been 340 CAS products. It would not have been useful to undertake a review of this entire set, given the significant evolution of CASs and, in particular, the discontinuity caused by the shift to the results-based approach. Even with a growing set of results-based CASs, lessons from implementation of results-based CASs remain in the early stages: at the time of completion of this report, only nine CAS Completion Reports had been prepared for results-based CASs. Thus, this retrospective, while aiming to learn from implementation experience, is based on a review of more recent CAS products—all those discussed at the Board during FY06m, FY07, and the first half of FY08: 42 full CASs, 25 Progress Reports, and 22 Interim Strategy Notes (see Annex A for a full list of CAS products up to end-FY09). The retrospective also reviews a small set of FY09 CAS that offer examples of good practice in key areas, particularly results.

***Organization of the Report.*** Chapter II examines broad trends in CAS products delivered since the sample reviewed by the last retrospective report. Chapters III, IV, and V follow the CAS cycle, dealing with CAS design, implementation, and completion in turn. Chapter VI reviews the Interim Strategy Note, the country strategy used when a full CAS is not possible. Chapter VII then turns to experience in customizing CAS products to country circumstances and demands in two country segments at the opposite ends of the Bank's client spectrum—IBRD-eligible countries and, in particular, emerging market economies; and fragile and conflict-affected states—illustrating the flexibility of the CAS instrument to accommodate very different Bank clients. Chapter VIII provides overall conclusions and discusses next steps for CAS products.