

OED REPORT
MULTI-PARTNER EVALUATION OF THE COMPREHENSIVE
DEVELOPMENT FRAMEWORK: SYNTHESIS REPORT

MANAGEMENT RESPONSE

OPERATIONS POLICY AND COUNTRY SERVICES

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I.	Introduction	1
II.	Recommendations	2
	A. Long-Term Holistic Vision.....	2
	B. Country Ownership.....	3
	C. Country-Led Partnership.....	5
	D. Results Focus	8
III.	The Road Ahead	9
Annex		
	Management Action Record.....	11

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MANAGEMENT RESPONSE

I. INTRODUCTION

1. President Wolfensohn introduced the Comprehensive Development Framework (CDF) in January 1999 as a means to focus the efforts of all development actors on poverty reduction and sustainable development. The development community has embraced the four CDF principles—long-term holistic vision, country ownership, country-led partnership, and results focus—and they form the basis for developing, implementing, monitoring and updating Poverty Reduction Strategy Papers (PRSPs) in low-income countries. The CDF principles underpin World Bank work in all client countries, including middle-income countries, as the strategy update paper for FY04-06 confirmed.¹

2. **Implementation Progress.** In the four years since the CDF was introduced, the following progress has been made:

- Fifty low-income countries have prepared a PRSP (27) or Interim PRSP (I-PRSP) (23). A recent review of progress in 48 of these countries found at least some elements of CDF implementation in all of them.² The PRSPs are proving effective in facilitating CDF implementation; in 12 countries that have completed a PRSP there is good progress. Eleven countries have made a promising start. They have completed, or nearly completed, PRSPs and, if they maintain a steady course, can be expected to make better CDF implementation progress relatively soon. In the remaining 25 countries, progress has been slower. Most of the countries in this group have not yet completed PRSPs, and about half are affected by conflict or are characterized by the traits of Low Income Countries Under Stress (LICUS). As discussed with Executive Directors, the Bank—in partnership with other donors—has recently stepped up its engagement with these latter countries, notably by using knowledge instruments to help them promote change toward better policies and institutions.³
- A series of roundtables in middle-income Latin American countries show that the CDF approach is highly relevant in these countries, and is being used.⁴

3. **The OED Report.** Management welcomes this review of the CDF prepared by the Operations Evaluation Department (OED) and the Development Economics Research Group under the aegis of a 30-member multi-partner steering committee. It helps take stock of what has been learned over the last four years. The report's conclusions and recommendations reflect good

¹ *Strategy Update Paper for FY04-FY06, Implementing the World Bank's Strategic Framework* (R2003-35), March 11, 2003.

² "Comprehensive Development Framework Progress Report," OPCS, forthcoming. The 48 countries are those that had completed a PRSP or I-PRSP before end-October 2002, and Eritrea, which was monitored for a pilot period following the introduction of the CDF.

³ See *Report on the World Bank Group Task Force on Low Income Countries Under Stress* (SecM2002-0367), July 8, 2002.

⁴ *Roundtables on Latin American Middle-Income Country Experience: Lessons and Implications*, CDF Secretariat, OPCS, September 2002.

practice and are relevant for all countries. However, the evaluation must be placed in context. First, it is based primarily on six case study countries, five of which are in the group that has made good progress in implementing CDF principles.⁵ Consequently the findings draw less on the CDF experience in countries with slower CDF implementation, or from a representative sample of middle-income countries. Second, development is a long-term process, and the findings are based on a medium-term review (from five to ten years) of development experience in the case study countries. The CDF principles can only be implemented fully over the long term.

4. ***Multi-stakeholder Nature of the Evaluation.*** Given that partnership is central to the CDF, Management commends the multi-stakeholder nature of the evaluation and its implications beyond the work of the Bank. However, this Management Response reflects solely the views of World Bank Management, not those of the Bank's development partners in other agencies or client countries, whose response OED and its partners may also wish to seek.

II. RECOMMENDATIONS

5. The OED report includes recommendations for recipient countries, for all donors including the World Bank, and for the Bank specifically. This note welcomes the recommendations for recipient countries, but addresses itself only to those that affect donors and are most relevant for the Bank. These comments, as in the OED review, are grouped according to the CDF principles. Also attached is an annex containing Management's responses to specific recommendations for the Bank provided by OED.

A. Long-Term Holistic Vision

1. Provide long-term assistance for capacity strengthening

6. Management agrees with this recommendation, in particular with the links among capacity building, institutional development, and reform of public sector governance (PSG). The underlying thrust of the CDF principles is that capacity is needed at all levels and in all sectors of society, including across the public sector—the executive, the legislature, the judiciary—as well as civil society and the private sector. Improved PSG provides the framework for building that capacity. The Bank is deepening its PSG activities by improving its own capacity to understand the politics of reforms, specifically through improved sociopolitical analysis. Additionally, Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs), and Country Procurement Assessment Reports (CPARs), part of core economic and sector work (ESW) in borrowing countries, are increasingly being brought together under one framework with capacity building as the central objective.

7. ***Capacity-Building Activities.*** Effective capacity building requires taking into account each countries' present institutional capacities and governance characteristics. The Bank builds capacity in individuals through education, skills development, and work conditions; in organizations through management, leadership, and incentives; and in institutions through PSG

⁵ The sixth is Romania, which the CDF Secretariat last monitored in August 2000 at the end of the pilot period for monitoring CDF implementation progress in an initial group of countries, including all six of the OED report's case study countries.

reform and systems development. In most borrowing countries, the Bank is now pursuing broad PSG reforms by strengthening public financial management, public administration and accountability, and institutional checks and balances.

8. ***Role of WBI.*** The World Bank Institute (WBI) provides sustained country-level support to ensure that knowledge, learning, and capacity enhancement are integrated into the Bank's Country Assistance Strategy, project and program preparation, supervision and evaluation missions, and analytical and advisory services. WBI assistance includes capacity enhancement needs assessments, country capacity enhancement strategies, and country program briefs.

2. Provide predictable and reliable financing

9. This recommendation was made to all donors, and Management supports it. On the basis of the PRSP, the Bank has been working to provide more predictable multiyear financing. One instrument that is useful in this regard is the poverty reduction support credit (PRSC) program, which normally consists of a series of programmatic adjustment operations that have clear performance criteria under the medium-term PRSP framework. PRSCs recognize the central importance of country ownership and predictable resource flows. Experience suggests that PRSCs reconcile the promise of coordinated donor support for the country's PRSP with the flexibility to modify the program, timing, and amounts according to country performance, transparently measured against clear criteria.

3. Improve cross-sectoral programming and implementation

10. The Bank is beginning to develop and implement a results-management framework to ensure that its programs are more effectively aligned with the cross-sectoral objectives of its strategy and of the Millennium Development Goals. Programs are increasingly focused on themes rather than on a single sector; and more products, such as PRSCs and programmatic loans, require substantial contributions from multiple sectors. During the January 2003 Implementation Forum, a detailed review showed that Bank Management is committed to ensuring effective support for thematic or multi-sector products. A follow-up action plan is tackling: (a) staff incentives and training; (b) management recognition of sectoral content of multi-sector tasks; (c) budget process changes to support multi-sector tasks; and (d) ways to increase collaboration among sector boards. (See the attached matrix.)

B. Country Ownership

1. Work with the government in devising an approach for consultations with elected officials and non-government representatives

11. Management agrees that an open-ended process of consultation with all stakeholders may not provide effective outcomes. If elected representatives do not participate, existing institutions can be undermined; if civil society does not participate, existing institutions with top-down policymaking and planning processes can be perpetuated. The PRSP process encourages national governments to involve parliaments and local governments in policymaking and monitoring. However, progress on this front clearly depends on the maturity of national political systems. Many countries are also carrying out extensive consultations with the poor and women as an

input to the PRSP process. Efforts are being made by many countries to broaden the reach of the PRSP process by simplifying the PRSP and translating it into local languages, and, in some cases, holding extensive consultations in districts and villages concerning implementation. However, more support from external partners is required, and the Bank is documenting and circulating good practice as part of its capacity-building efforts.

12. ***Strengthening Ownership.*** It is not possible for all stakeholders to participate directly in the strategy formulation process. To continue to build ownership even after strategy formulation, it is important to increase participation in the implementation, monitoring, updating and governance of programs identified in the poverty reduction strategy. This will require greater investment to increase access to information and communication, and greater interaction among those working on institutional reforms and poverty reduction programs. Bank support for capacity building (see below) takes into account these needs.

13. ***Capacity Building.*** Management agrees on the need to strengthen the capacity of elected officials, civil society, and the private sector to participate in strategy processes. It is also important to work with governments to strengthen their capacity to manage participation, and to develop mechanisms to sustain it, including by disseminating information in intelligible and useful formats, and to work with elected bodies, in particular, national parliaments, to strengthen accountability. The Bank provides capacity-building support for parliamentarians, local governments and civil society focused on enabling them to better participate in PRSP formulation and monitoring through WBI/Network learning activities and analytical work. In addition, guidance on current practice is provided through: the PRSP Sourcebook; WBI/Network/LCR civil society team participatory monitoring activities; the PREM/SDV work program on operationalizing empowerment; and analytical work on promoting accountability for public expenditure management and service delivery in the context of Medium-Term Expenditure Frameworks (MTEFs) and PRSCs in specific countries. The Bank is working to make this support demand-driven and to tailor it to individual country circumstances.

2. ***Clarify the Bank's openness to alternative PRSP-consistent development strategies***

14. Management agrees with the thrust of this recommendation. Indeed, several low-income countries have used their existing strategies as the basis for their PRSP (Bolivia, Ghana, Mozambique, Uganda). Clearly the PRSP should facilitate the convergence of country strategic efforts into a single comprehensive approach, including infrastructure, with the CDF principles underlying the process. Relevant work in this area includes country-led poverty and social impact analyses that examine and evaluate the distributional impacts of alternative policy options.

3. ***Differentiate more clearly the Board's roles vis-à-vis the PRSP and the CAS***

15. Differentiating between the Board's role in the PRSP and the CAS is important. The Board has been clear in emphasizing that it does not approve PRSPs, but reviews and discusses the CAS and approves projects and programs in the Bank's program of assistance in support of

the PRSP.⁶ However, Management acknowledges that some misunderstanding may still exist outside the Bank and is evaluating actions to address this concern. Actions might include adding clarification on the PRSP website and the PRSP Q and A's, the public information that is provided about CASs, or on the wording of press releases on Board discussions of PRSP/JSAs and CASs.

C. Country-Led Partnership

1. *Step back from micromanaging the aid process at the country level*

16. Management agrees with the OED report that external partners should encourage governments to lead the coordination of strategy implementation, including the coordination of external partners. This is happening, notably in many countries where the Bank has traditionally led Consultative Groups, but external partners are still leading donor coordination in most countries. The preparation of PRSPs has strengthened country-led strategy alignment. Of the 27 countries that have prepared PRSPs, more than half now have CGs or roundtables that are either chaired or co-chaired by the government. These meetings are increasingly being used to discuss PRSP implementation, and held in-country, enabling broader participation of national stakeholders.

2. *Give the recipient country voice and oversight over aid quality*

17. Management agrees that sustained action at the institutional and country level is required to address the long-standing issue of multi-donor harmonization. Bank staff have contributed substantively to the development of good practice principles or standards, working closely with the Organization for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) Task Force on Donor Practices and in the MDB working groups. This body of work, together with ongoing country experience, formed the substantive basis for the agreements reached and commitments made at the February 2003 High-Level Forum on Harmonization in Rome.⁷ The Rome Declaration stressed that country harmonization programs geared toward improving aid effectiveness need to be framed within the country context, support country priorities, be country-led, and be supported by a critical mass of in-country external partners. External partners committed to provide support for country analytic work to strengthen government leadership and ownership of development results. Bilateral and multilateral agencies also committed to support harmonization at the country level and to facilitate it through reviewing—and, if necessary, identifying ways to amend—institutional policies, procedures, and practices, and providing support from headquarters for, and delegating increased flexibility to, country-based staff.

18. ***Country-level Review Panels.*** In the Rome Declaration the Forum participants also committed to monitor progress on implementing harmonization through qualitative and quantitative indicators. Whenever possible, existing mechanisms will be used to report on progress in applying good practices, and on the impact of such practices. Such reports will also be made available to the public. In this context, Management agrees that regular country-level

⁶ See Guidelines for Joint Staff Assessment of a Poverty Reduction Strategy Paper, available at www.worldbank.org/poverty, and *Poverty Reduction Strategy Papers (PRSPs)—Progress in Implementation* (DC2002-0016), September 13, 2002.

⁷ *High-Level Forum on Harmonization* (SecM2003-0088), February 28, 2003.

review panels staffed by independent donor and partner country representatives could be a useful mechanism if they have strong country ownership, they are representative of all key donors, and the monitoring process is conducted with quality and integrity. In this respect, such panels should be careful not to neglect the mandate of national legislatures, supreme audit institutions, and ministries of finance, or to report only to Consultative Groups rather than to national authorities. Management proposes that OED's recommendation for a country-level independent oversight panel for monitoring progress on country-level harmonization be considered by the new DAC Working Party on Aid Effectiveness that began its work in May 2003 on developing a framework of indicators of effectiveness of delivery of aid and peer review mechanisms that can support implementation of country-level harmonization.

3. *Decentralize staff and delegate more authority to the field/Continue decentralization and delegation of authority to field offices*

19. Bank experience with decentralization confirms OED's conclusion that decentralizing staff, functions, and authority can foster country leadership of aid coordination, increase responsiveness to clients, improve country ownership, achieve stronger partnerships, and better integrate local and global knowledge. The OED report acknowledges that the Bank has made considerable progress in decentralization over the last five years. The proportion of Country Directors in country offices increased from 6 to 66 percent between July 1997 and December 2002, and the proportion of Regional staff in country offices at Grade E and above increased from 28 to 42 percent. Within these Bankwide numbers, there are significant and well-justified variations among Regions and countries. Smaller country programs, which need to share technical support from Regional hubs or from Washington, continue to innovate to find the right decentralization model. In addition, Management is exploring a mechanism to decentralize sector staff to better support Country Directors in all Regions. The next update to the Board on decentralization will be provided in FY04.

4. *Plan for phase out of PIUs*

20. Management agrees with the rationale behind the OED report recommendation to phase out project implementation units (PIUs) within the life of projects or programs. However, there are trade-offs; and the phase-out would need to be linked to the speed with which local capacities can be developed over the life of a project. The potential for phase-out would depend on initial capacity and might not be possible in all situations without impairing a project's development effectiveness, even with training and capacity building. Management agrees that the pace of public service reform, including pay reform, would also be a factor. Management will disseminate PIU phase-out as good practice.

5. *Select, train, and reward staff—in part—on the basis of their partnership performance*

21. In selecting staff for country office assignments and Washington positions that service country programs (e.g., sector specialists), Management now gives increased priority to proven partnership and relationship-building skills in addition to subject area expertise. Management is also considering how to put greater attention on partnership performance through incentives and

performance management. As a training priority, Management is establishing a new curriculum for staff learning on client engagement, partnership, and capacity enhancement.

6. *Practice what the Bank preaches regarding harmonization and simplification, program or budget support, and selectivity and “stepping back”*

22. Management is fully committed to lead, partner, or follow to implement the commitments in the Rome Declaration. Management is committed to strengthen its efforts to harmonizing with development partners and progressively with partner country’s own systems and procedures, as they improve, and related simplification of its procedures including program or budget support and procurement. It is also committed to broadening disclosure and to increasing the selectivity of Bank interventions on the basis of comparative advantage.

23. ***Harmonization and Simplification.*** Over the past two years, the Bank has increased its flexibility to harmonize. The Bank is working with partner countries to apply emerging good practice principles on harmonization, including supporting enhanced harmonization efforts in Ethiopia, Vietnam, and Jamaica and several other countries. Bank Management is disseminating good practice principles or standards on harmonization throughout the institution and has dedicated resources (human and financial) to support mainstreaming of harmonization in interested countries. It has completed policy reforms in loan administration and reporting, pooling of funds in Sector Wide Approach support, PRSP/CAS alignment, and audit reform⁸ and it is working on reforms in expenditure eligibility, investment lending, and disbursement and procurement. It is piloting new approaches to safeguards. Increasingly the Bank is collaborating with partners to undertake CFAAs, CPARs, PERs, and poverty assessments and is expecting other partners to lead in several cases. Furthermore the Bank and other external partners are discussing harmonization of legal documents, including those relating to fiduciary requirements, safeguard requirements, and project implementation.

- ***Program or budget support.*** Management and staff are working in several countries, including Bangladesh, Ethiopia, and Niger to resolve operational issues related to harmonization of sector/budget support operations.
- ***Procurement.*** Procurement reform is part of ongoing harmonization and document simplification. Higher thresholds for prior reviews based on borrower capacity and risk assessment have been initiated to provide additional flexibility to partner countries. The Bank is leading by example in harmonizing with other MDBs on policy, procedures, and standardized bidding documents. Management is consulting external partners, borrowers, industry, and civil society on proposed modifications to Bank procurement guidelines—facilitating the use of e-procurement systems, and supporting simplified procedures and harmonized policies—that will be submitted for Board approval in November 2003. These guidelines, along with the higher thresholds and increased use of national competitive bidding, will lower transaction costs for partner countries. The Bank is also working more intensively, notably by

⁸ See: *Loan Administration Change Initiative: Changes in Implementation* (AC2001-0039), June 28, 2001; *Fiduciary Arrangements for Sectorwide Approaches (SWAs)* (AC2002-0017), April 3, 2002; *Poverty Reduction Strategy Papers (PRSP)—Progress in Implementation* (DC2002-0016), September 13, 2002; and *Audit Policies and Practices for World Bank-Financed Activities* (R2003-0007, IDA/R2003-0013), January 27, 2003.

following up on CPAR findings, to help countries strengthen their own procurement systems in preparation to eventually harmonize Bank procedures with them.

- **Disclosure.** Management is working to improve access to Bank documents by implementing recently revised policies. In August 2001 the Board approved revisions that strengthen and deepen the disclosure of Bank documents: staff documents, including for adjustment operations, documents related to Board discussions, and historical documents. Management has issued the information disclosure policy in six languages.⁹ Management also has issued a handbook to staff that outlines workflow arrangements to disclose operational documents.¹⁰ Further, as promised, Management is exploring ways to enhance outreach through voluntary disclosure learning pilots, a proposal to upgrade the Bank's Public Information Centers (PICs),¹¹ and a framework for document translation.¹² A progress report on implementation of the disclosure policy was issued in June 2003.¹³
- **Selectivity.** Management fully agrees on the importance of rationalizing and increasing the selectivity of Bank involvement. During the CAS process, Management systematically reviews the contributions planned by other partners in the context of setting priorities for Bank assistance. Selectivity is expected to improve further with progress on making CASs more results-based.

D. Results Focus

1. *Strengthen and utilize country-led M&E systems*

24. Management agrees with this recommendation, and notes that while it is difficult, and of limited value, to attribute increasingly complex development outcomes to a single agency's interventions, each agency should try to demonstrate how its programs contribute to country-level development outcomes. In this regard, the Bank is piloting a more results-based CAS to show the linkages between the results of Bank-supported activities and country-level development outcomes.

25. **Country-led M&E Systems.** One of the three pillars of the World Bank action plan for enhancing a results orientation is support, in partnership with other donors, for results-focused national strategies and capacity building. The goal is to strengthen support for results-focused PRSPs, help countries build results-focused public expenditure management systems and monitoring and evaluation capacity, and support the strengthening of statistical systems. The implementation action plan, revised after discussion at the Board's Committee on Development Effectiveness on December 18, 2002, was distributed to Executive Directors in January 2003.¹⁴ It lays out the work program and schedule for reporting to Executive Directors on implementation progress on Bank support to strengthen country M&E.

⁹ *The World Bank Policy on Disclosure of Information* (SecM2002-0311), June 10, 2002.

¹⁰ *Disclosure Handbook*, December 2002, available at www.worldbank.org.

¹¹ *Strengthening Public Information Centers* (SecM2003-0008), January 8, 2003.

¹² *A Document Translation Framework for the World Bank* (SecM2003-0007), January 8, 2003.

¹³ *World Bank Disclosure Policy: Progress Report on Implementation* (R2003-0112, IDA/R2003-0128), June 12, 2003.

¹⁴ *Better Measuring, Monitoring, and Managing for Development Results: Implementation Action Plan* (SecM2003-0038), January 31, 2003.

2. *Enhance the capacity of the World Bank to track and analyze the implementation of CDF principles and their impacts.*

26. The CDF Tracking System is designed to gather qualitative information on actions taken in individual countries toward implementation of each of the four CDF principles. Management uses this information to assess the extent of CDF implementation, focusing largely on development processes. Given the number of countries involved, Management agrees that it may be useful to develop a complementary quantifiable approach, focusing on strategic content, such as relevant MDGs that can be used for regular and systematic updates. Management will explore adapting the CDF Tracking System and will evaluate the need for more quantitative and analytical skills for analyzing the impact of CDF implementation. In collecting information for the CDF Tracking System, the Bank gathers the views of other stakeholders—external partners, governments, key groups—about the evolution, implementation, and impact of the CDF principles through review of documents, country team members closely familiar with stakeholder views, direct interviews and surveys, focused case studies, and roundtables.

III. THE ROAD AHEAD

27. The OED report's suggestions include several important areas that would benefit from expanded learning efforts:

- Establish country-owned monitoring and evaluation systems that bring stakeholders together, building from information and monitoring initiatives in government and among civil society, donors, and the private sector.
- Expand the involvement in CDF processes by marginalized groups in civil society and the private sector.
- Start a debate in donor countries about changing incentives, pooling resources and pooling results, public attitudes to aid and the role of Audit Offices and Treasuries in compounding the problem.
- Expand learning *between* recipient countries—e.g., Uganda's experience with the Medium-term Expenditure Framework (MTEF) and hard budget constraints.

28. Management agrees that these four areas would benefit from expanded learning efforts, particularly through proactive types of engagement such as action learning. It has ongoing initiatives in each of these areas:

- ***Country-owned M&E systems.*** The Bank is developing examples of good practice to disseminate through Network/WBI learning programs. Tanzania provides a good example of a country-owned monitoring system that is being established as part of the PRSP process. In addition, WBI has experience in governance that can be expanded to strengthen country M&E systems. WBI has taken the lead in developing methods and tools to help policymakers assess governance within and across countries,

beginning with the collection and analysis of data and construction of indicators on governance and corruption.

- ***Expanding involvement of marginalized groups in civil society and the private sector.*** The Bank is developing case studies on strong experiences in achieving country ownership to disseminate through Network/WBI learning programs.
- ***Fostering developed country debate on aid.*** With WBI and through ongoing work on harmonization, the Bank will explore ways to expand this debate.
- ***Expanding learning between recipient countries.*** The Global Distance Learning Network is an effective platform, and the Bank plans to support its continued development as a tool for sharing cross-country experience.