

Chapter 5 Development Effectiveness

The bottom line for the World Bank is its development effectiveness. The independent Operations Evaluation Department (OED) tracks the Bank's development performance, analyzing the effectiveness of Bank projects, programs, and processes; draws lessons of operational experience; and provides advice to the Board based on evaluations at the project, country, and sector levels. OED also guides evaluation capacity development in client countries. Each year, evidence from these evaluations is marshaled to produce a summary report on the Bank's development effectiveness.

This year's *Annual Review of Development Effectiveness (ARDE)* confirms that the Bank's development performance has improved significantly over the past five years. This improvement is clearly evident at the project level. In particular, the quality of IDA's work in the poorest countries has improved, though further gains are necessary.

PROJECT PERFORMANCE IS IMPROVING

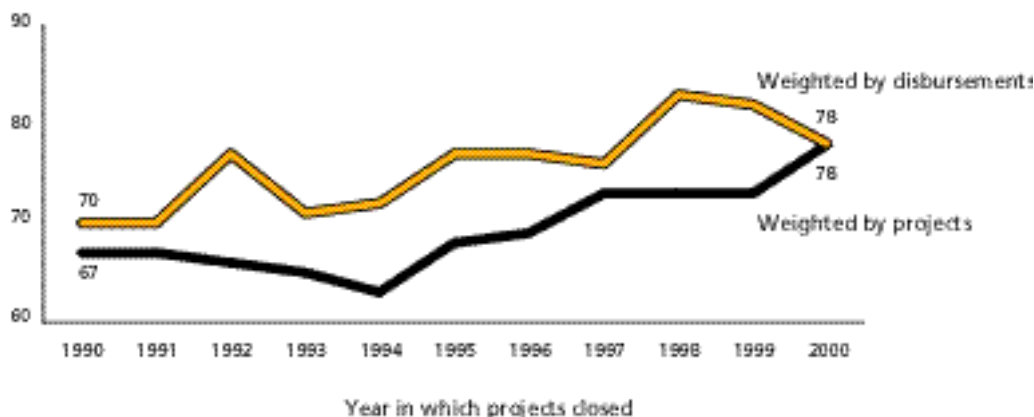
The performance of Bank-supported projects has improved markedly and contributed to better development results, as reported in the *ARDE*. Preliminary results show an increase from 73 percent of closed projects with satisfactory outcomes in fiscal 1999 to

78 percent in fiscal 2000, when weighted by the number of projects (figure 5.1). In addition, 43 percent of the projects resulted in substantial institutional development impact—an increase from 31 percent in 1990–94—and projects with benefits sustainable over the long term rose to 57 percent from 48 percent just two years earlier.

The quality of adjustment lending improved steadily and markedly throughout the 1990s, as measured, inter alia, by OED ratings for outcome, sustainability, and institutional development impact (figure 5.2); the poverty and social focus of adjustment lending has also increased substantially over time. A retrospective undertaken in fiscal 2001 also found that adjustment lending has become an important developmental instrument that has evolved in tandem with countries' broader reform agendas, focused increasingly on long-run structural, social, and institutional issues. Further work is under way, including on social impact, conditionality, and fiduciary framework.

Overall, the increased share of closed projects with satisfactory outcomes reflects the steady improvement in the quality of ongoing projects, as reported by the Quality Assurance Group (QAG). Created in 1996, QAG has played a key role in improving the development effectiveness of Bank operations by providing managers and staff with real-

Figure 5.1 Trends in Project Outcomes
(percent of projects with satisfactory outcomes)

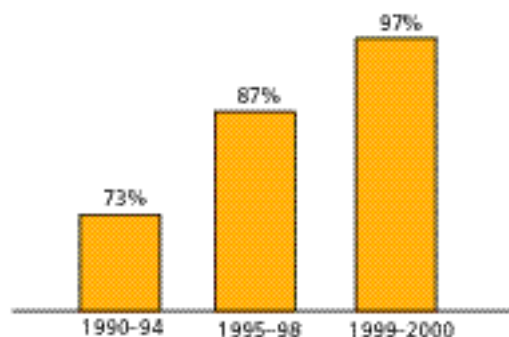


Box 5.1 Building Partnerships for Project Supervision

Strong partnerships in project supervision pay rich dividends: greater likelihood of development impact, better chance for success of complex project designs, and lower cost of supervision for project financiers. Building effective alliances among the client, stakeholders, and donors has become a growing priority. In the Peru Rural Roads Rehabilitation and Maintenance Project, for example, teams from the Bank and the Inter-American Development Bank (a cofinancier) furnish complementary skills and coordinate their field visits. The supervision teams also interact extensively with local government and communities, which play a significant role in the project's successful implementation.

Increasing development effectiveness through partnerships is a process of continuous learning. Key factors are a willingness to listen, establishment of common goals and roadmaps to achieve them, and adjustment of work processes in the interest of compatibility. Greater progress in harmonizing donor procedures remains an important challenge in this regard.

Figure 5.2 **Quality of Adjustment Lending**
(percent of operations with satisfactory outcomes)



Note: Weighted by disbursements.

time information on projects' quality and risk. With sustained effort, the Bank's portfolio of active projects is now healthier than it has been since the early 1980s. At the end of fiscal 2001 only 12 percent of projects were "at risk" of not achieving their development objectives, compared with more than double that ratio in fiscal 1996. The quality of project preparation and supervision has also improved significantly, as has the Bank's analytical (economic and sector) work. The improvements over the five-year period, moreover, have been broad-based, and have benefited from heightened efforts to work in consultation and partnership with others (box 5.1).

The Bank has made other advances in improving

development effectiveness. The dollar amount of active projects supporting public sector governance and institutional reform—which strongly affect how aid funds are used—has doubled over the past five years; about half of all adjustment loans have had fiscal transparency and anticorruption components. The Bank has also substantially strengthened compliance with safeguard and fiduciary policies—which promote project sustainability when applied pragmatically—and improved projects' financial management, with a near quadrupling of financial management specialists and substantial reliance on new Country Financial Accountability Assessments. In another crucial yet difficult area, the Bank has launched new efforts to improve monitoring and evaluation of development outcomes; sustained efforts will be required, over several years, for results to become evident. Finally, decentralization of Bank staff to the field is believed to be beneficial. As the number of field offices, country directors in the field, and operations being prepared and supervised by staff in the field have increased, key quality indicators have improved, with strongly supportive client feedback.

ASSESSING COUNTRY PROGRAM PERFORMANCE

To ascertain whether the Bank's Country Assistance Strategies (CASs) have delivered results on the ground, OED uses three complementary evaluation methods: aggregating performance information on individual lending and nonlending activities; relating the inputs to country assistance programs to their outputs, outcomes, and impacts; and assessing the performance of the Bank against its own policy benchmarks and procedures along with the performance of other actors.

This approach has allowed OED to identify the most important determinants of country program outcomes: borrower commitment and the extent to which Bank strategies, programs, processes, and partnerships have been adapted to the country setting. These findings demonstrate that instruments for assessing ownership, such as stakeholder analysis, should be used more widely than they have been in CAS formulation as well as in the design and execution of policy reforms and development programs.

Analysis of OED data suggests that sound macroeconomic policies and high-quality institutions increase the effectiveness of development investments. The Bank's research confirms that country

policies have improved during the 1990s, and that overall bilateral and multilateral aid was better targeted to countries endowed with policies that provide a suitable framework for effective development assistance. Conversely, countries with poor enabling environments received less aid (see figure 5.3).

IMPROVEMENTS HAVE BEEN MADE IN IDA COUNTRIES

The performance of IDA over recent years has improved. OED conducted a review of the implementation of undertakings under IDA-10, IDA-11, and the first year of IDA-12. These undertakings included: (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 effectiveness through more selective, more thorough, and better-coordinated CASs.

OED's review found that these undertakings were highly relevant and timely. They encouraged IDA to move in step with the evolving consensus of the international development community. But they also were extraordinarily demanding for both IDA and its borrowers. Overall, OED found IDA's implementation of these undertakings to be satisfactory, but with qualifications. IDA has strengthened the poverty focus of its analytical work, policy dialogue, and lending. In countries committed to economic reform, it has contributed to increased economic stability, fewer distortions, and improved infrastructure development. But broad-based, job-creating growth remains a challenge. Moreover, IDA was slow to comply with its governance undertakings, although its performance has improved considerably over the past five years. Progress in mainstreaming gender, environmental, and private sector development objectives has proven challenging—reflecting a lack of interest by many countries—and led to the design of new thematic strategies.

IDA project performance has improved steadily over the period (see figure 5.4). Outcomes of completed projects have risen to more than 70 percent satisfactory. Sustainability and institutional development impact also have improved. Much progress can be seen in project-level outcomes as well as in quality indicators coming from QAG assessments.

Overall, the OED review found the development outcomes of IDA programs—influenced by exogenous factors and borrower and partner performance,

Figure 5.3 Poor Performers Experience a Decline in Aid

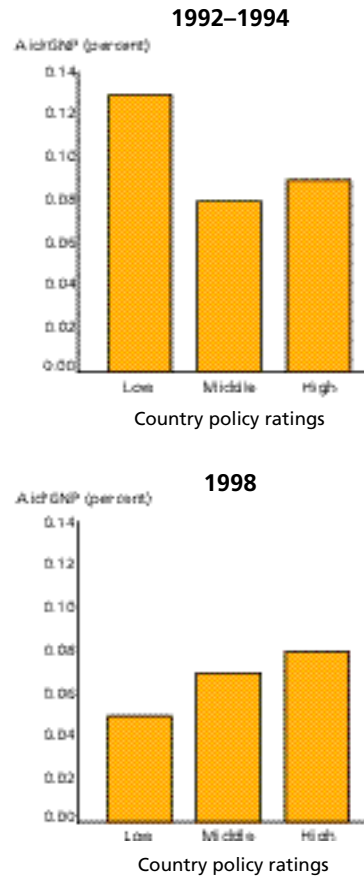
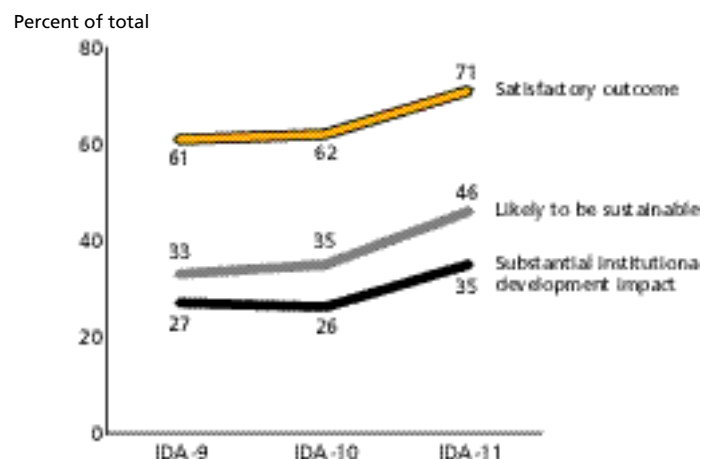


Figure 5.4 Trends in Performance of IDA Projects Closing in the Years Covered by Replenishments 9, 10, and 11



in addition to IDA's own performance—to be partially satisfactory. Of importance, going forward, are recent initiatives geared to improving coordination and harmonization of poverty reduction strategies in IDA countries.

SECTOR AND THEMATIC PERFORMANCE IS STARTING TO SHOW RESULTS

The Bank's move beyond projects toward the higher plane of country strategy has been paralleled by a shift toward improving sector and thematic performance, at both the country and global levels. The challenge has been to strengthen the strategic focus and policy content of services within particular sectors and to integrate crosscutting thematic priorities—including poverty, participation, and gender—into the range of Bank activities.

The *ARDE*'s findings suggest that the Bank's efforts to improve development effectiveness during the past five years are starting to show results, although not uniformly across sectors. OED's analysis of sector and thematic performance suggests that four factors are associated with successful sector strategies: a clear policy framework; an action plan to improve on past performance; a specific program of development assistance at the country and global levels; and a definition of the Bank's role taking account of partners' activities.

OED's analysis also confirms that the Bank has strengthened the poverty focus of its operations. The considerable growth of poverty assessment activities, the expansion of social sector lending, the increased decentralization of country assistance management, and the increased focus on governance concerns have contributed to this wholesome trend. But more needs to be done to integrate broad-based poverty reduction strategies into macroeconomic and sector programs and to strengthen poverty monitoring and evaluation.

THE BANK IS PROMOTING PARTICIPATION AND INSTITUTIONAL DEVELOPMENT

The World Bank has made participation a central feature of its development efforts since the mid-1990s. It has expanded its work with regional and local governments in borrowing countries, cultivated new development partners and intensified its engagement with existing ones, and opened dialogue

Box 5.2 OED Uses Participatory Approaches in Evaluation

The participatory consultation process for OED's evaluation products has included sharing design formats, eliciting information on performance and processes, and disseminating findings to stakeholders through workshops. Here are the highlights:

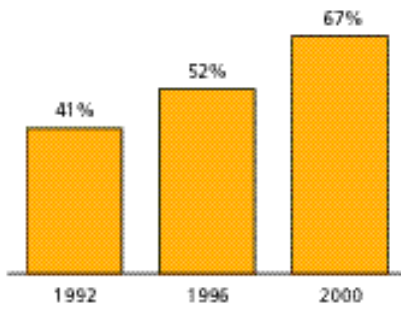
- A joint workshop with the Bank's research arm, the Development Economics and Data Group, brought together donors, country participants, nongovernmental organizations (NGOs), and partners from borrowing countries to discuss the approach and design of an evaluation of the CDF.
- In conjunction with the initiation of a review of global public goods, an entry workshop of 50 participants discussed issues in financing and evaluation in the areas of environment, health, knowledge, and financial stability.
- The Forestry Review conducted workshops at entry, mid-point, and exit that included a wide range of participants from both inside and outside the Bank.
- The Environment and Social Funds Reviews engaged in broad stakeholder participation at entry and mid-point in their evaluations.
- The Gender Review engaged stakeholders from across regions and numerous partners including bilateral donors, NGOs, client country representatives, the United Nations, and the European Union.
- The India Country Assistance Evaluation involved stakeholders across a number of sectors, ministries, and organizations.
- Workshops have been part of OED's dissemination strategy for the *ARDE*, *Aid Coordination Study*, and *Forestry Review*, among others.

with civil society. Participation is the cornerstone of initiatives such as the Comprehensive Development Framework (CDF) and, more recently, of Poverty Reduction Strategies; OED also uses participatory approaches in evaluation (see box 5.2).

The participatory process has involved a wide range of interactions, on many fronts, between the Bank and its clients and partners, but few objectives are more important than institutional development. Institutional development has become a focus of Bank lending in its own right, increasing from 18 percent of total lending in 1996 to 30 percent in 2000.

Community participation has become especially important to the Bank's efforts to build lasting institutions. Since 1992 the percentage of projects with community participation has increased from 41 percent to 67 percent (see figure 5.5). OED has found that this participation helped beneficiaries tai-

Figure 5.5 **Percentage of Projects with Community Participation**



Note: Based on 189 projects sampled.

lor projects to better meet their needs; gave people a sense of pride, control, and ownership; made projects more sensitive to issues such as domestic violence; increased transparency in decisionmaking and contracting; fostered cooperation among people who

had not traditionally worked together; and led to better development results.

MANAGEMENT IMPLICATIONS

The results of OED's studies have three implications for corporate management. First, Bank strategies, programs, and budgeting processes need to be strongly linked to the achievement of results consistent with the Bank's mission and comparative advantage. Second, the Bank needs to strike an appropriate balance between knowledge management and knowledge creation—at both the country and global levels—and establish monitoring and tracking processes to strengthen the quality and coherence of its knowledge activities. Finally, the Bank must continuously assess its comparative advantage so as to improve its development effectiveness and to withdraw from activities better carried out by other development partners.