
APPENDIX E: MANAGEMENT RESPONSE

Introduction

The *2005 Annual Report on Operations Evaluation* (AROE) focuses on the country as the unit of account for monitoring, managing, and evaluating performance. The report takes stock of how well key Bank instruments and M&E procedures are linked to country goals and capacities, as well as to core elements of results-based management within the Bank and at the country level.

Management not only agrees with this focus, but has, in fact, been proactive in helping to lead the development community in that direction—internationally with the Comprehensive Development Framework and Poverty Reduction Support Paper (PRSP) concepts and leadership on the results agenda; internally in the gradual strengthening of the Country Assistance Strategy (CAS), including work on the country business model (Development Committee 2000), leading up to the Results-Based Country Assistance Strategy (RBCAS); and in its support to countries.

This year's AROE (which comes slightly more than six months after RBCASs were mainstreamed in the Bank) reviewed 24 CASs submitted to the Board in fiscal years 2004 and 2005 and reflects interviews with a sample of 26 country directors. The questions posed in this AROE are relevant to management's views of strategic priorities. The findings confirm management's sense of the advantages and obstacles to strengthening both Bank and country-level will- ingness and capacity to manage for results.

Recent Progress

Although the RBCAS approach is new, a careful review by management of seven pilot country cases has shown that it constitutes a significant step forward in taking results more seriously

(World Bank 2005a). The new approach helps distinguish between long-term country development goals and intended outcomes to which the CAS program directly contributes; strengthens the use of lessons learned from the last CAS; improves alignment of the Bank's program with the country's priorities; sharpens the design of the Bank program; and mobilizes country teams around a common vision of delivering results on the ground.

Another notable recent development is self-evaluation of the country assistance program in a CAS Completion Report (CASCR). The focus of the CASCR is on the achievement of CAS outcomes and on Bank performance in furthering CAS outcomes. It includes a discussion of projects and analytic and advisory work and is prepared at the end of the CAS period in time to deliver useful lessons for the next CAS. All CASCRs are independently evaluated by IEG, and each IEG assessment is submitted to the Bank's Board in advance of the Board's discussion of the next CAS document for the country.

AROE Analysis

The AROE reviews the use and efficacy of M&E for country program management. It also catalogues the measures taken to strengthen the results-orientation in M&E at the country, sector, and product levels within the Bank, updating the overview in the 2003 and 2004 AROEs. The analysis is a timely input for the next steps in the evolution of the country business model and internal implementation of the Results Agenda.

Measuring and Managing Performance at the Country Level

For the most part, the AROE uses the same concepts for measuring and managing performance

at the country level that management has used in setting out the RBCAS and the Results Agenda. These concepts are: strategic planning, performance measurement, and performance management. Management welcomes the finding that of the 24 CASs reviewed for the AROE, 19 attempted to establish causal linkages between country development goals, CAS outcomes, and Bank operations. It also welcomes the finding that the Bank's internal information systems, such as the Business Warehouse, allow Bank managers and staff to monitor budget use, product deliveries, and the quality of the portfolio at the country level.

IEG's Country Program Rating Methodology

The AROE cites an IEG review that found that one-third of country programs were rated unsatisfactory. Management notes that one-third unsatisfactory outcomes in country programs do not translate into an unsatisfactory Bank performance in one-third of country programs. IEG's methodology distinguishes between the performance of a country program and the performance of the Bank in support of that program. In IEG's methodological framework, the outcome of the Bank's assistance program is determined not only by the Bank's performance but by the joint impact of four agents (a) the client, (b) the Bank, (c) partners and other stakeholders, and (d) exogenous shocks (including events of nature and international economic shocks).

Also, despite extensive discussions, management and IEG have until recently not found agreement on the country program rating methodology, in part because before RBCASs were introduced, country programs were not designed to be evaluated. IEG has long rated the achievement of objectives, but objectives and strategies to achieve them change from one CAS to the next in response to changing country circumstances, and it was not clear to management *which* objectives IEG rated. Management and IEG are working to establish a clear understanding on the basis for ratings in the context of RBCASs and CASCRs, and management expects greater convergence of views in the future.

Baselines and Targeted Performance Measures in CASs

The AROE points out that lack of baselines and targeted performance measures limits the effectiveness of the Results Matrix as a monitoring, management, and evaluation tool. The report appropriately recognizes that the absence of baselines and performance measurement most often reflects lack of capacity and systems at the country level.

Management agrees that baselines and targets are central for managing for results, but notes that the RBCAS has only recently been mainstreamed, and that RBCASs are increasingly drawing attention to capacity gaps at the country level. It will take time before the Bank and our partners develop the systems necessary to ensure that baselines and targeted performance measures are in place—probably a whole RBCAS cycle for most countries, or longer. In the early stages of the RBCAS more attention has been focused on overcoming conceptual difficulties, such as identifying those outcomes to which the Bank could contribute, but not exclusively, and distinguishing between longer-term country objectives and CAS outcomes. A key issue has been striking a balance between choosing relevant outcomes to be monitored and availability of baseline data to monitor outcomes. Management agrees with AROE's observation that "availability of data, however, should not be a main reason for selecting measures. It may be necessary to include indicators for which data collection systems will need to be developed during the CAS period." Management does not want to create incentives for outcomes to be chosen only because baseline data are available, or for the goal to become meeting targets—as opposed to achieving results.

Capacity and Interest in Countries to Manage for Results

Helping country partners develop the interest and institutional capacity needed to manage for results is one of the three pillars of the results agenda, and central to the success of the entire agenda. Since RBCASs are based on the client country's own objectives as articulated in PRSPs

or similar documents, they reflect country ownership. The Bank has also actively supported countries in strengthening their national strategic planning (including for poverty reduction strategies) and in building results-based public sector management, statistical capacity, and M&E systems. Specific country-level activities by the Bank include the following:

- Strengthened advice from the Poverty Reduction and Economic Management Network on the design, monitoring, and evaluation of poverty reduction strategies.
- Demand-driven support from the Bank's Monitoring and Evaluation Improvement Program for countries to assess their institutional readiness and strengthen results-based approaches to public sector management.
- Development of the Statistical Capacity Building Program—approved by the Board in March 2004—which provides a sectorwide approach to building capacity based on a national statistical plan for providing reliable and timely data on countries' core development outcomes as articulated in their PRSPs or national development strategies. By the end of fiscal year 2005, five countries had accessed this program. In addition, the multidonor Global Trust Fund for Statistical Capacity Building, managed by the Bank, has supported the completion of National Statistical Development Strategies in 13 out of 56 countries with a PRSP, and a further 19 are in preparation.
- Development of a system for measuring statistical capacity at the country level. Starting in fiscal 2006, this measure is a key performance indicator in the Regional Strategic Performance Contracts (SPCs), signaling to staff the importance of working with clients to build country-level capacity.
- Mainstreaming of RBCASs, which also aim at strengthening client countries' capacity for managing for results and their monitoring and evaluation systems. The Development Economics Vice-Presidency in the Bank surveyed 50 recent CASs for IDA countries with the aim of identifying concerns about statistics and strengthening statistical capacity (IDA 2004).

Compared with conventional CASs, the five pilot RBCASs for IDA countries paid more attention to deficiencies in statistics and proposed more concrete plans to address those deficiencies. Both pilot CASs for IBRD borrowers proposed strengthening of monitoring and evaluation capabilities.

Country Ownership and the RBCAS

While the Bank can and should play a supportive role in developing capacity, the AROE tends to downplay the role of the country in managing for results. Management views performance measurement and management by countries themselves as central to the results agenda, because unless countries themselves manage for results, neither the Bank nor other donors can effectively manage for results. The most appropriate place to “(a) determine the information needed to monitor progress toward country goals and manage the Bank country program; (b) set targets and establish baselines; (c) identify the sources of information; and (d) establish responsibility for collection and analysis of the data” is not the RBCAS but countries' own growth and poverty reduction strategies. The RBCAS can, however, “determine areas where additional capacity building and assistance may be required and addressed through the CAS.” One of the commitments in the March 2005 Paris Declaration by partner countries was that they would “[e]ndeavor to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available” (box 2.3).

Monitoring at the Sector Level

The Sector Strategy Implementation Update (SSIU) provides an integrated assessment of the implementation of all sector (and thematic) strategies, trends in analytic and advisory services, lending commitments, and partnerships by sector/thematic areas. It draws on Implementation Completion Reports to pull together selected output-level results, such as kilometers

of urban roads built/rehabilitated and the number of rural facilities built/rehabilitated, organized by thematic area. Central elements of the results reporting and learning system that is under development will likely include progress on sectoral outcomes in countries where the Bank is active (or has focused its strategy), and lessons learned on (a) best practice in achieving results, (b) measurement issues, and (c) approaches to strengthening capacity for managing for results at the sector/country level (including analysis of the incentive environment that determines demand for information and statistical capacity building).

Trust Funds and Global Programs

Management has consistently noted that trust funds are a financing vehicle to support activities. What matters is that the activities be evaluated as activities, not as trust funds. There is a well-established agenda for M&E of activities across the Bank. Many trust funds are financing vehicles for partnership programs. Out of 115 partnership programs, 59 are trust-funded and fall under the new business process that requires a description of objectives of the proposed work program, as well as performance indicators. This is part of the new control of Global Program and Partnership (GPP) quality at point of entry. Management is moving toward a situation in which all GPPs will have to be independently evaluated every three to five years, regardless of funding source. A clear and strong differentiation of the Bank's roles as trustee and fiscal agent is important in the context of results orientation and accountability for results. When the Bank is strictly a fiscal agent, it cannot be accountable for program results. For example, the Bank is a fiscal agent for the \$3 billion Global Fund to Fight AIDS, Tuberculosis and Malaria; however, because the Bank is neither involved in the Fund's secretariat nor has a vote on its Board, it cannot be held accountable for the Fund's outputs, outcomes, or impacts.

AROE Recommendations

The AROE has organized its recommendations for management consideration into two sets:

- Incorporate in the CAS a diagnosis of the country's performance measurement capacity and recommendations for action to strengthen that capacity. The diagnosis and actions should be customized to country capacity and focused on critical information needed for the government to implement its program.
- Expand use of the Results-Based CAS as a tool to manage country programs and strengthen the link between the Results-Based CAS and the country program by providing country teams with guidance designed to increase the results orientation of CPPRs.

Management Views

Management agrees that a diagnosis of the country's performance measurement capacity and recommendations for action to strengthen that capacity is appropriate, and already recommends that an assessment of M&E and results capacity be undertaken during CAS preparation. However, management does not agree on the need to mandate a formal document required as a CAS annex for all countries and CASs. There are cases where sufficient knowledge on country performance measurement capacity is already widely available or can easily be gained from work done by partner agencies. Regarding the second recommendation, management has already introduced the RBCAS and CASCR to strengthen country program management. In the RBCAS framework, the CASCR forms a crucial bridge between the downstream assessment of progress toward CAS outcomes and the upstream assessment of what is required in the next CAS to support the achievement of national development goals. Results-focused CPPRs can support country program management as input to the CASPR and CASCR. However, management would prefer to let the pilots now under way go forward and draw on that experience before deciding on new staff guidance on CPPRs.

Conclusions

Management welcomes the AROE and finds its analysis timely for its work on the next step for the results agenda. Management has introduced RBCASs and CASCRs, so the key elements for

“strengthening country program management” are in place. However, management would emphasize the complexity of the changes necessary to significantly improve management for results—in client countries, in the Bank, and across the donor community. As the IEG notes, industrial country governments have struggled with

this agenda. These difficulties are compounded in developing countries, where the requisite data are in short supply and the requisite institutions are far less advanced. Success will require time, money, and persistence; expecting results too quickly risks undermining support for the process.

Matrix: Management Response to the 2005 Annual Report on Operations Evaluation

IEG Recommendation	Management Response
<p>1. Incorporate in the CAS a diagnosis of the country’s performance measurement capacity and recommendations for action to strengthen that capacity. The diagnosis and actions should be customized to country capacity and focused on critical information needed for the government to implement its program.</p>	<p>Management agrees that this is an issue that should be discussed in the context of RBCAS preparation. Management does not agree on the need to mandate any particular approach or standardize reporting in the RBCAS. A formal requirement applied to all countries may lead to duplication of efforts in cases where sufficient knowledge can be gained from work undertaken/planned through other operational work or by partner agencies.</p>
<p>2. Expand use of the Results-Based CAS as a tool to manage country programs and strengthen the link between the Results-Based CAS and the country program by providing country teams with guidance designed to increase the results orientation of CPPRs.</p>	<p>Management agrees with the major thrust of this recommendation. Management is mainstreaming RBCASs and CASCs to improve the management of country programs. CAS results are selected during CAS design, tracked during implementation, and evaluated at the end of the CAS period. A CAS Progress Report allows for midpoint stocktaking and, as necessary, course corrections. The results-orientation of the CAS and the CPPR is strengthened if the projects and analytic work focus on results. For both projects and analytic work, in the last 18 months Management has introduced a series of revised tools and formats to facilitate management of country programs in relation to the CAS. However, Management would wait for the results of pilot CPPR exercises before deciding on new staff guidance on CPPRs.</p>