4. Framing the Structure: Formulating Country Strategies

<table>
<thead>
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<th>Highlights</th>
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<tbody>
<tr>
<td>❖ The Bank’s country strategies have been broadly consistent with its poverty diagnostics and oriented toward poverty reduction.</td>
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<td>❖ Poverty diagnostics often provided strong technical analysis, but the lack of actionable guidance limited their direct relevance for strategy and policy design.</td>
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<td>❖ When serious poverty challenges combine with weak government commitment to poverty reduction, the Bank often faces a dilemma: to disengage or engage in areas tangential to poverty priorities. Political factors and uncertain opportunity then complicate the country assistance strategy.</td>
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<td>❖ When the Bank is relatively small financially, coordination with development partners and selectivity should help focus the Bank’s role toward areas of comparative advantage.</td>
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Poverty diagnostics play a key role in identifying characteristics of the poor and the constraints they face. This chapter examines the factors that condition the poverty focus of the Bank’s country strategies. It explores the extent to which country strategies and planned operational portfolios, as indicated in the Country Assistance Strategy (CAS) and Country Partnership Strategy (CPS) documents, are consistent with the poverty diagnostics discussed in chapter 3, and discusses the role of coordination and collaboration. The evidence is drawn primarily from the country case studies and a review of Country Assistance Strategy Completion Report Reviews (CASCRRs) and Country Partnership Strategy Completion Report Reviews (CPSCRRs), triangulated by findings from the staff survey, stakeholder survey, and focus group meetings.

Factors that Condition the Poverty Focus of Country Strategies

**Actionable Policy Recommendations of Poverty Diagnostics**

Poverty diagnostics better inform the formulation of poverty-focused country strategies when they provide actionable policy recommendations. The Lao PDR 2010 PA, for example, was of high technical quality and was closely tailored to country conditions. It produced a consolidated list of poverty-reduction measures that were mapped to, and consistent with, the government’s National Socioeconomic Development Plan. Based on the analysis, the PA recommended construction of complete primary schools and emphasized raising schooling completion and continuation rates, expanding education access to disadvantaged groups, and
increasing funding for recurrent expenditures. These suggestions were addressed in the CAS through the 2010 Education for All—Fast Track Initiative, which focused on primary education for “the most educationally disadvantaged students.” Similarly, the PA’s recommendation to target Priority Districts (despite their lower populations) was addressed by the 2011 Poverty Reduction Fund 2 project, which focused on 38 districts (many or most of them Priority Districts).

However, few PAs reviewed provided policymakers with adequate information about the costs and benefits of particular recommendations. For example, the Guatemala PAs (2003 and 2009), despite providing specific, prioritized, and time-bound recommendations, lacked a clear results chain and quantitative links between recommended measures and reduced poverty. In much of the diagnostic work, it was possible to predict the impact of certain interventions on particular outcomes (such as increased spending on education or health). But the results chain linking Bank operations to social indicators and then to poverty had a large element of uncertainty. There is clearly a need to better prepare consolidated and prioritized summary lists of recommendations and to better define costs, timing, administrative responsibilities, and funding sources for those recommendations.

**Government Commitment**

Government commitment to poverty reduction is a key determinant of the focus on poverty in strategies and project selection. Of the staff survey respondents, two-fifths perceived government disinterest as a major obstacle to translating diagnostic work into Bank strategy. This result is also supported by the country studies. In Romania, Bank diagnostics found high geographic income disparities across urban, rural, and regional groups in the 2000s. The Bank’s Rural and Regional Development Loan is focused on social and economic regeneration and is based on poverty diagnostics. However, country fragmentation and delegation of power to subregional entities complicated the efforts. The loan was not prepared due to the lack of Romanian counterparts to champion it, though it was listed in the 2006 CAS.

In Egypt, despite some progress toward the Millennium Development Goals, substantial regional disparities and high concentrations of poverty persist. Public Expenditure Reviews or Public Investment Reviews would have been highly relevant to poverty-reduction strategy formulation and related policy design. Yet prior to the 2010 revolution, the government did not allow the Bank to do such analytic work on a regular basis. The Bank tried to maintain a working relationship and engage a strategically important client. Egypt did not prioritize borrowing from the Bank for poverty reduction or social sector development. Although the strategy formulated by the Bank over the years attempted to include some focus on poverty, governments in Egypt during the evaluation period (FY2004–2012) generally
resisted these efforts. There needs to be better selectivity in terms of the Bank’s engagement in poverty reduction.

The Bank operates in a complex environment in which the poverty focus of government strategy conditions the Bank’s ability to focus its country strategy on poverty. In cases where there is weak government commitment to poverty-reduction objectives, the Bank faces a challenge in promoting a poverty focus. Weak commitment can arise for several reasons: for example perceived risks to political support arising from ‘pro-poor policies’, elite capture and cronyism, or even ideological commitment to ‘trickle-down’ theories of development. Politically feasible opportunities for Bank engagement in such cases will depend critically on country context. There is no recipe book. But tools to strengthen engagement include high-quality and timely diagnostics, sustained policy dialogue, and technical assistance to better orient the country program toward addressing principle constraints to poverty reduction. The Bank can remain prepared through piloting projects, and identifying windows of opportunity to scale support when circumstances permit.

The Philippines provides an example of this point. It is a middle-income country with challenging political economy issues and deeply rooted vested interests, and it has been challenging for the Bank to appropriately balance supporting government priorities and institutionalizing difficult reforms needed to foster more sustained and inclusive growth. During periods of low government commitment to poverty reduction, the Bank focused its support on key interventions (see paragraph 4.16) and helped to identify appropriate areas for additional interventions, laying the ground work for reform. The Bank used Discussion Notes and formal and informal dialogue as vehicles to provide sectoral and thematic analyses that identified key challenges and prioritized actions to help shape and inform policy discussions. The political changes that occurred after the 2010 presidential election opened new space for reforms and improvements in the political and institutional environment of the Philippines, enabling the Bank to bring greater poverty focus to the country program and scaling up the successfully piloted conditional cash transfer (CCT) programs.

Obstacles to focusing on poverty can also include conflicting objectives in the Bank strategy. In Bangladesh, for example, the 2011 CAS had a broad sectoral mix of investments, including assistance to the transformative $1.2 billion Padma bridge project, which clearly addressed the regional integration highlighted in the 2008 PA. After the project’s approval, allegations of corruption involving a senior government official led to a review and renegotiation. The Bank then cancelled the project.² It also withdrew from other infrastructure and energy investments, including the
proposed Poverty Reduction Support Credit. In this case, the Bank made a tough choice and sacrificed its poverty-reduction objective for its governance objective.

**Consistency between Formulated Country Strategies and Poverty Diagnostics**

Overall Bank strategies (CASs and CPSs) have been broadly consistent with underlying poverty data and diagnostics, though the priorities, mode of intervention, and instruments used vary across countries. A majority of respondents to the staff survey (72 percent) believe that the Bank’s country strategies address the causes of poverty, although to varying degrees.

Growth, employment/poverty reduction, and social service delivery (specifically for health and education) or modest variants on these are typically the main pillars of the Bank’s country strategies (box 4.1). The Bank’s program in Romania consistently used the same three pillars of Bank assistance throughout the past decade: growth/employment, public sector development/reform, and poverty reduction/inclusion. During the 2000s, the Bank’s strategies in Nigeria focused on similar issues such as human development (particularly social service delivery in health and education), agricultural productivity, growth, and governance. In Malawi, the 2006 CAS objectives addressed poverty through vulnerability, agriculture, education, and nutrition after the 2006 poverty assessment.

In supporting a government’s poverty-reduction strategy, the Bank’s country strategies link achievement of country priorities to lending and analytical activities by the Bank. The Bank can influence country priorities related to poverty reduction by using high-quality and timely diagnostics to underpin its policy dialogue with the government. The Bank can also deploy its resources to support the elements of country strategy that will have the greatest impact on poverty reduction.

Both the general strategy and the planned lending and nonlending instruments appear generally well aligned with the Bank’s poverty diagnostics. That is, the objectives of the strategic plan are consistent with priorities identified by poverty diagnostics. This is clear from country examples. The 2008 Guatemala CPS proposed a project (Expanding Opportunities for Vulnerable Groups) directly mapped to the 2009 PA, and recommended strengthening the country’s CCT program. Extensive nonlending activities were proposed to support its poverty-related loan portfolio, anchored in periodic PAs and PA Updates. In Lao PDR, the 2012 CPS reflected recommendations of the 2006 PA to support lagging regions and districts with concentrated poverty. In Bangladesh, poverty diagnostics emphasized private sector-led growth, human development, and vulnerability with links to climate
change, disaster preparedness, and management—all themes were reflected in country strategies. In Peru, the CPSs are consistent with the main priorities set in the diagnostic work, and the planned portfolio focuses on the main areas identified in the diagnostic, from connectivity and access for the rural poor to improved delivery of social services.

**Box 4-1. Poverty Focus of the Objectives of the Bank’s Country Strategies**

A review of the 66 countries that had at least two CPSCRRs during the evaluation period shows that the Bank seeks multiple objectives, with much variation in specifics. The number of countries pursuing at least one objective directly related to poverty increased over time (see figure, below). Based on analysis of poverty-related pillars and objectives in country strategies—those defined as “poverty,” “education,” “health,” “social protection,” “social development,” “agriculture and rural development,” or “basic infrastructure” (for example, water and sanitation)—education and health objectives tended to dominate, though social development and social protection objectives have become more important over time.

**Percent of Countries Pursuing Objectives in the Indicated Areas**

![Graph showing percent of countries pursuing objectives](image)


*Note: CPS = Country Partnership Strategy*

a. The 66 countries used for this analysis each had two CASCRRs/CPSCRRs during the period of evaluation (FY 2004–2012), the first period was covered by the first CASCRRs/CPSCRRs, and the second by the second CASCRRs/CPSCRRs. The first period and the second period are not the same for every country.

b. There is no a priori judgment whether direct or indirect poverty focus interventions is more effective in poverty reduction. The optimal combination of the two depends on the specific context of each country. To assess the poverty focus of country strategies, a data base was assembled from the CASCRRs/CPSCRRs covering basic country data, with a list of CPS pillars and objectives was obtained from the Bank’s Business Warehouse database. There is no coding that allows the poverty categorization of CAS pillars and objectives. In an imperfect way, poverty-related pillars and objectives were broadly defined as those that directly focused on “poverty,” “education,” “health,” “social protection,” “social development,” “agriculture and rural development” and “basic infrastructure.” See appendix F for details.

The Poverty Reduction Support Program (PRSP) process appeared to be a useful vehicle in aligning the poverty focus of the government’s development priorities and the poverty diagnostics. Strategies in International Development Association countries often directly linked to the country’s PRSP and the government’s
development priorities. In the 2000s the CASs for both Bangladesh and Senegal were closely aligned with their respective PRSPs, incorporating relevant Bank and other donor-produced diagnostic work into strategy formulation (box 4.2). The alignment of the CAS with the country’s PRSP generally helped create a strong poverty focus.

As discussed in box 1.1 in chapter 1, both direct and indirect interventions (growth and security, for example) are relevant to supporting poverty reduction. There is no a priori correct balance that the Bank can apply to individual countries since both are relevant to country strategy. However, where poverty levels are severe and growth is slow to reach poor populations, greater weight on direct interventions is likely needed.

### Box 4-2. PRSP and the Poverty Focus of the Bank’s Country Strategies

World Bank country strategies respond to their authorizing environment and also reflect diagnostic work. Since 2000 the focus has been on linking Bank strategies with country strategies. For International Development Association countries, the strategies are PRSPs. During the period evaluated, the CASs for Bangladesh and Senegal, for example, were directly aligned with the preceding government PRSPs.

In the 2006 and 2010 Bangladesh CASs, the corresponding PRSPs were consistent with the diagnostics of Bank-produced PAs, though government documents did not cite the assessments. Thus, by aligning the CAS with the PRSPs, there was a clear alignment of the CAS, the governments’ strategies, and the Bank’s PA. The 2006 and 2010 CASs supported all four pillars of the PRSPs (macroeconomic stability and sector growth strategies for infrastructure, safety nets, and human development) and focused on governance, which the PRSPs treated as a cross-cutting issue. PRSP I also thoroughly discussed non-income poverty diagnostics that broadened the Bank’s focus on poverty reduction.

In Senegal the strategy and interventions were also based on government PRSPs. The 2003–2006 and 2007–2009 CASs were strongly aligned with the country’s first two PRSPs in creating wealth, building capacity, improving social service delivery, and protecting the vulnerable. The CASs justified the Bank’s strategies based on the PRSP and on the Bank’s comparative advantage relative to other financial and technical partners. The PRSPs were based on the available poverty diagnostics, so the Bank’s strategies were indirectly based on these diagnostics.

*Source:* The Bangladesh and Senegal case studies.


In some countries the Bank’s strategy focused mainly on aggregate economic growth. Growth is a vital driver of poverty reduction, but it has greater impact on poverty only when it is more inclusive and accompanied by direct poverty interventions. In Egypt, for example, the Bank’s diagnostic work found that the during the 2003–08 growth spurt, poverty declined, but extreme poverty increased. 3 The fruits of growth
mostly bypassed rural areas, particularly in Upper Egypt, leading to the persistence of regional and zonal income disparities.\(^4\)

**Role of Coordination and Consultation**

The Bank can better leverage its resources and have greater impact on poverty reduction in countries where it recognizes that it is a small player in the economy (in its financial support) and focuses on its comparative advantage relative to other development partners, including the government and the private sector. In the Philippines, the government had easy access to domestic and external financing on favorable terms, so the Bank had limited leverage on poverty issues through financing. During the 2000s the Bank’s team reduced the number of projects it implemented and focused on select areas where it could generate greater impact by selectively working with reform-minded champions. The Bank focused its support on piloting and scaling up a CCT program and on its community-driven development programs. Interventions to boost the productivity of agriculture and rural livelihoods were limited in scope, and efforts to push land reform (identified in the diagnostics as a major bottleneck for poverty reduction) were mostly absent.

In Nigeria, where the Bank’s annual lending was only 2 percent of federal revenues, the Bank also relied on champions to have a greater impact on poverty reduction. The highest-impact interventions provided knowledge and technical support to motivated Nigerian teams within sectors and states, backing reform teams with solid analytics and practical support on issues ranging from debt relief to fiscal reform to primary health care services. Using analytic and advisory activities to inform debate and promote domestic dialogue is particularly important in resource-rich countries where the Bank has limited financial leverage.

In Peru, when the government’s policies stimulated economic growth, the Bank rightly focused on the remaining pockets of poverty and tailored its services to their special needs, such as malnutrition, infant and maternal mortality, and early childhood education. The Bank’s health projects targeted the nine poorest regions and were designed to reduce maternal and infant mortality by improving both family care practices and health care during pregnancy, delivery, and breastfeeding. The Bank’s education projects, designed to improve the capacity of the Ministry of Education, focused on basic and preschool education.

There is significant room for both the Bank and governments to encourage and help mobilize additional funding from other development partners, potentially including the private sector. Malawi and Lao PDR demonstrate such selectivity and donor coordination (box 4.3).
It is critical for the Bank to be selective in its lending and nonlending activities when a large number of donors, relief agencies, and nongovernmental organizations are present. In Malawi, for example, informed by poverty diagnostics and largely based on evaluation of existing gaps and its comparative advantage, the Bank focused on specific areas of engagement in its 2007 CAS, including several with a more indirect impact on poverty. The Bank, for example, ceded leadership for health to the U.K. Department for International Development, and its leadership for intergovernmental fiscal finance to the German Agency for Technical Cooperation, but remained heavily engaged in nutrition—an area where fewer partners were operating and successful models needed support for scaling up.

Similarly, in Lao PDR, the 2012 CPS states that the Bank would not work in urbanization, water and sanitation, and agricultural inputs. This strategy could be faulted for not adequately supporting agricultural productivity and social protection. However, the Bank’s decision to reduce its role in Lao PDR’s agricultural sector was understandable given the 2006 Vientiane Declaration’s division of labor, the need to reduce fragmentation of staff work programs, and other development partners’ strong support for the sector. The 2012 CPS argues that the exclusion of some areas of engagement, made possible through effective development partner coordination, has enabled the Bank to concentrate its resources in areas where it has the greatest strengths.

Source: Malawi and Lao PDR country case studies.

a. Although not specifically excluded in either the 2005 CAS or the 2012 CPS, those interviewed by the IEG team said that the World Bank Lao PDR country program did not cover conditional cash transfers for two reasons: to keep the country program more manageable, and because the government was not particularly interested in this agenda.

To improve the poverty focus of country strategies, the Bank typically engages in formal consultations with stakeholders who are close to poverty-related issues, but questions arise over the consultations’ effectiveness. External stakeholders and many Bank staff see these consultations as more of an information exchange than a collaborative dialogue. In some cases, they are seen as procedural or “box checking” exercises. This finding is supported by the surveys, focus group meetings, and country cases (box 4.4). Stakeholders are at times seen as poorly informed about the Bank’s work or about strategy documents, which possibly suggests inappropriate targeting of the consultative process and weak dissemination. Staff suggested that for CAS/CPS preparation, stakeholder feedback should be incorporated on a more long-term, continual basis instead of in isolated sessions.

The Bank frequently consults with donors and somewhat less frequently with other stakeholders when developing its country strategies. In the external stakeholder survey conducted for this evaluation, a majority of government respondents (71 percent) and other
stakeholders (67 percent) stated that the Bank seeks feedback from donors in general. Also, 65 percent of government respondents and 64 percent of other stakeholders said that the Bank seeks feedback from civil society. Both government officials and other stakeholders agreed less frequently that the Bank seeks feedback from academia (56 percent of government officials and 52 percent of other stakeholders) and the private sector (54 percent of government officials and 53 percent of other stakeholders).

On donor coordination, respondents from the external stakeholder survey were divided (see table, below). Over half of the government officials who responded agreed “strongly” or “somewhat” with the statement that the Bank coordinates priorities between donors and the government; however, a high percentage of government respondents also disagreed. When the same question was posed to the donors, 53 percent of respondents agreed with the statement, while 44 percent disagreed. It is natural that development partners and national agencies have their own agendas. The Bank could begin by better coordinating across its programs, demonstrating the synergies, collaboration, and leveraging that it advocates for the whole development program.

**External Stakeholder Opinion on Donor Coordination.**

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<th>Response options</th>
<th>Government officials (in percents)</th>
<th>Donors (in percents)</th>
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<tbody>
<tr>
<td>Agree strongly</td>
<td>20</td>
<td>42</td>
</tr>
<tr>
<td>Agree somewhat</td>
<td>37</td>
<td>11</td>
</tr>
<tr>
<td>Disagree somewhat</td>
<td>20</td>
<td>31</td>
</tr>
<tr>
<td>Disagree strongly</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>Not applicable</td>
<td>1</td>
<td>0.0</td>
</tr>
<tr>
<td>Total respondents</td>
<td>300</td>
<td>55</td>
</tr>
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</table>

*Source: Survey of external stakeholders conducted for this evaluation.*

*Note: 300 government officials and 55 donors responded to the survey. The data show their responses to the survey question, “When other donors provide direct support to reduce poverty in the country in which you work, the World Bank coordinates priorities between these donors and the government.”

Stakeholder consultations are not weak in all cases. In the Philippines, the 2006 and 2010 CASs took a comprehensive consultative approach to CAS formulation and used the annual Philippines Development Forums to consult with other stakeholders. Through the forums, the Bank led and coordinated about 10 working groups on strategically important issues. The discussions surrounding these forums helped shape the Bank’s strategy and influence the strategies of both the government and other development partners. The Bank also continued to partner with the government, other development partners, nongovernmental organizations, civil society organizations, academia, and the private sector at different stages of country strategy formulation (though the effort and regularity of follow-up vary across groups).
NOTES

1 The review draws on the CASCRRs/CPSCRRs from 66 countries with two CASCRRs/CPSCRRs in the past decade. See appendix F for details.

2 This came after the World Bank and the government had reached an agreement that put all procurement for the multibillion dollar project under effective World Bank control. The government, however, refused to take action against the particular official who figured in the allegations on the grounds that there was no evidence of any illegal activity.

3 The incidence of poverty and near-poverty in Egypt fell by about 20 percent during that high-growth period. At the same time, however, the incidence of extreme poverty (the inability to meet basic food needs) also increased by about 20 percent. See World Bank (2011), Arab Republic of Egypt Poverty in Egypt 2008-09: Withstanding the Global Economic Crisis.

4 The poverty statistics of Egypt are highly sensitive to the selected poverty lines and the methodology used for their calculation. For example, using the national poverty line, poverty headcount increased from 19.6 percent in 2005 to 21.6 percent in 2009 and to 25.2 percent in 2011 (Source: WDI); using the $1.25 a day international poverty line, poverty headcount declined from 2.26 percent in 2004 to 1.68 percent in 2008 (source: PovCalNet, poverty statistics for 2011 unavailable).