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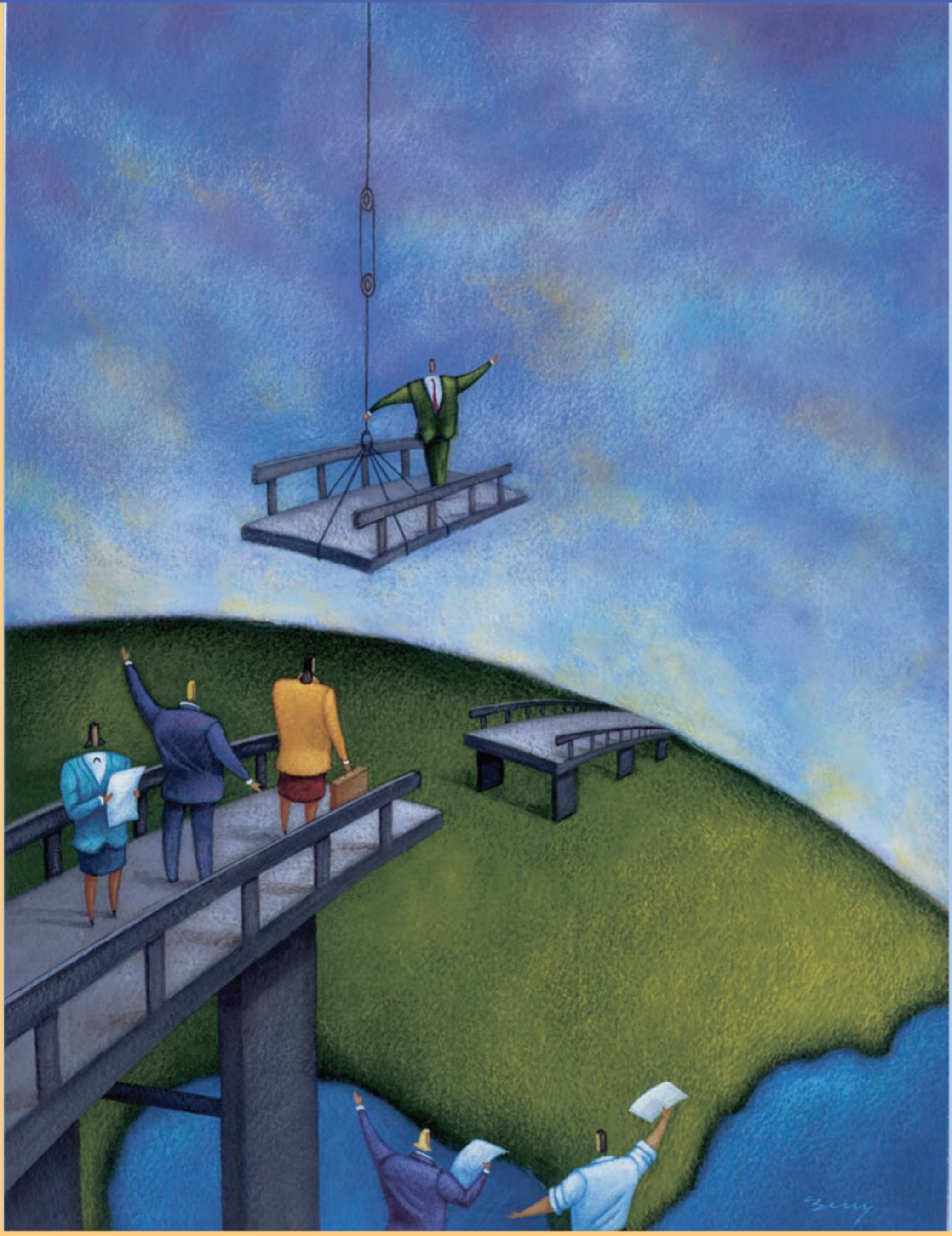
INDEPENDENT EVALUATION GROUP

World Bank Progress in Harmonization and Alignment in Low-Income Countries



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Abbreviations

CAS	Country Assistance Strategy
CSR	Country Status Report
DAS	Development Assistance Strategy
DFID	Department for International Development
ESW	Economic and sector work
EU	European Union
FTI	Fast Track Initiative
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross domestic product
GEQIP	General Education Quality Improvement Program
GJAS	Ghana Joint Assistance Strategy
H&A	Harmonization and alignment
HLF-4	Fourth High-Level Forum on Aid Effectiveness (in Busan, Republic of Korea)
HNP	Health, Nutrition, and Population
ICB	International competitive bidding
IDA	International Development Agency
IEG	Independent Evaluation Group
KJAS	Kenya Joint Assistance Strategy
MDG	Millennium Development Goal
MOPAN	Multilateral Organization Performance Assessment Network
NCB	National competitive bidding
OECD-DAC	Organization for Economic Co-operation and Development–Development Assistance Committee
P4R	Program for Results
PAD	Project Appraisal Document
PBA	Program-based approach
PBS	Protection of basic services
PEFA	Public Expenditure and Financial Accountability
PIU	Project Implementation Unit
SWAP	Sectorwide approach
SWG	Sector working group
UJAS	Uganda Joint Assistance Strategy
USAID	US Agency for International Development

Preface

A series of global initiatives have been launched over the last decade by the international community to accelerate progress toward meeting the Millennium Development Goals. These initiatives entailed commitments to provide more aid and efforts to strengthen aid effectiveness. They culminated in the Paris Declaration of 2005, which formalized five principles of aid effectiveness. This evaluation addresses Bank efforts in advancing two of the Paris Declaration principles—harmonization and alignment (H&A). These are the key tenets of donor coordination falling primarily under the responsibility of donors (including the Bank) and have been considered central to strengthening aid effectiveness.

This evaluation comes on the run-up to the Fourth High-Level Forum on Aid Effectiveness, which will be held in Busan, Korea, at the end of November. By focusing on the World Bank's effectiveness in donor H&A and identifying steps to improve the Bank's effectiveness, this work complements the evaluation of the implementation of the Paris Declaration at the country level that was recently completed under the auspices of the Organisation for Economic Co-operation and Development.

To advance H&A, the World Bank has committed to several points: harmonizing activities with other donors, greater selectivity of Bank engagement, alignment of Bank strategies with partner country development priorities, and the use of partner country systems. The Bank has made good progress in harmonizing lending and nonlending activities with other donors. It has undertaken some joint strategies with other donors, but the high transaction costs entailed for all parties are often not worth the benefits, whereas coordinated strategies have been a good alternative. Limited progress in selectivity was due in part to government and donor demand for the Bank's broad presence. Bank strategies have been aligned with partner country development priorities, and there has been good progress in using country structures to implement projects. But progress in the use of country financial management and procurement systems has been constrained by inadequate capacity in the countries, weaknesses in public financial management and procurement systems, and the Bank's fiduciary obligations. All three groups of stakeholders—Bank staff, governments, and donor officials—indicated more of these H&A activities need to be undertaken.

Generally, the Bank's donor coordination activities have been effective in reducing transaction costs to governments, building government capacity, and improving the quality of the policy dialogue. The Bank's internal incentives for H&A are not very strong, but they do play a modest role in promoting coordination. The field presence of Bank staff is important for coordination, although there are costs. Above all, government ownership and leadership are key for aid coordination, even if they are not always present—either because the government wants donor competition (rather than coordination) to provide more options or because of weak capacity. In the latter case, the Bank could lead coordination while being genuinely consultative, which would require stronger incentives.

The Independent Evaluation Group makes two sets of recommendations in this evaluation. The first is for World Bank internal management: recognize staff efforts in coordination; promote sectorwide approaches through facilitating and tracking them; and make transparent to clients the reasons for not using country financial management systems when they are not used, and deficiencies that clients need to address. The second is for Bank management to implement with other development partners and table at international aid forums: mobilize financial and technical support to strengthen country leadership of aid management and coordination.

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The core team for the evaluation was Helena Tang (task manager), Saubhik Deb, and Andaleeb Alam. The country reviews were prepared by Cyrille Briancon (Ghana), Saubhik Deb (Ethiopia), Ashok Khanna (Lao People's Democratic Republic and Nepal), Violeta Rosenthal (Kenya, Malawi, and Uganda), Helena Tang (Ethiopia), and Christopher Willoughby (Benin and Mali). Saubhik Deb and Helena Tang designed the survey questionnaires, and Aline Dukuze, Cheikh M'Backe Fall, and Matthew Petrie (Fusion Analytics) implemented the surveys.

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The evaluation team greatly appreciates the time and insights of past and current country directors, sector managers, Bank staff, government officials, and representatives from the donor community who were interviewed and surveyed.

Finally, the team acknowledges the generous financial support of the government of Norway (through the Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation) for three of the country reviews.

Summary

Over the past decade, the international community launched a series of global initiatives to accelerate progress toward meeting the Millennium Development Goals. These initiatives entailed commitments to provide more aid and efforts to strengthen aid effectiveness; efforts culminated in the Paris Declaration of 2005 that formalized five principles of aid effectiveness. This evaluation addresses Bank efforts to advance two of the Paris Declaration principles—harmonization and alignment (H&A). These are the key tenets of donor coordination falling primarily under the responsibility of donors (including the Bank) and have been considered central to strengthening aid effectiveness.

To advance H&A, the World Bank has committed to harmonizing activities with other donors, to greater selectivity of Bank engagement, to alignment of Bank strategies with partner country development priorities, and to the use of partner country systems. The Bank has made good progress in harmonizing lending and nonlending activities with other donors. It has undertaken some joint strategies with other donors, but the high transaction costs entailed for all parties are often not worth the benefits, whereas coordinated strategies have been a good alternative.

There has been limited progress in selectivity in part because of government and donor demand for the Bank's broad presence. Bank strategies have been aligned with partner country development priorities, and there has been good progress in using country structures to implement projects. But progress in the use of country financial management and procurement systems has been constrained by inadequate capacity, weaknesses in public financial management and procurement systems, and the Bank's fiduciary obligations. All three groups of stakeholders—Bank staff, governments, and donor officials—indicated that more of these H&A activities need to be undertaken.

The Bank's donor coordination activities have generally been effective in reducing transaction costs to governments, building government capacity, and improving the quality of the policy dialogue. The Bank's internal incentives for H&A are not very strong, but they do play a modest role in promoting coordination. The field presence of Bank staff is important for coordination, although there are costs. Above all, government ownership and leadership are key for aid coordination, even if they are not always present—either because the government wants donor competition (rather than coordination) to provide more options or because of weak capacity. In the latter case, the Bank could lead coordination while being genuinely consultative, which would require stronger incentives, including recognition and validation of the staff time required for coordination.

The Independent Evaluation Group (IEG) makes two sets of recommendations in this evaluation. The first is for World Bank internal management: provide recognition to Bank staff for undertaking H&A; promote sectorwide approaches (SWAps) through facilitating and tracking them; and when country financial management systems are not used in projects, provide an explanation in the project documents of why not, identifying deficiencies in the existing systems for the client to address. The second is for Bank management to implement together with other development partners and table at international aid forums: mobilize financial and technical support to strengthen country leadership of aid management and coordination.

Background

Growing skepticism over aid effectiveness and concern over the slow progress in reducing poverty during the 1990s helped spur an international rethinking of aid delivery. Beginning with the 2002 Monterrey Consensus, the focus of the international aid community shifted to the need not only for more aid, but also for "better" aid aimed at transforming how development partners coordinate aid and how developing countries need to own the development agenda to achieve results.

The focus on improving aid coordination arose from concerns that increasing numbers of donors and aid instruments have led to fragmentation and higher costs to aid recipients. High "transaction costs" to governments with limited capacity compromise their ability to manage development.

In this context, a series of global initiatives was launched under which the global development community committed to both ratchet up aid and strengthen coordination. These initiatives culminated in the Paris Declaration of 2005, with five agreed principles of aid effectiveness: ownership (by partner countries of their development strategies and of coordinating development actions), alignment (of donor support to partner countries' development strategies, institutions, and procedures), harmonization (of actions among donors), managing for results (by partner countries and donors), and mutual accountability (whereby both partner countries and donors are accountable for results).

This evaluation focuses on the World Bank's efforts since the signing of the Paris Declaration to advance its agenda in H&A. H&A are central tenets of donor coordination, even prior to the Paris Declaration. Under the Declaration framework, the responsibility of H&A lies much more on the side of donors (including the Bank), whereas the responsibility for the other three principles lies more on the side of partner countries, or jointly with donors.

Specifically, of the 12 monitoring indicators that the Bank committed to under the Paris Declaration, 9 pertain to H&A, 8 of which are the responsibility of donors (including the Bank), and 1 being the joint responsibility of both donors and partner countries. Of the remaining three indicators, the ones on ownership and results are the responsibility of partner countries, and the one on mutual accountability is the joint responsibility of both parties. The actions of other donors and partner countries have been evaluated separately under the Paris Declaration framework. The current evaluation complements this larger Paris Declaration evaluation by focusing on the Bank's implementation, particularly on the H&A activities deemed essential to improving aid effectiveness.

This evaluation focuses on low-income countries for which the International Development Association is an important source of aid, making up at least 10 percent of aid. These countries are expected to depend on aid inflows for the foreseeable future, and thus H&A—and the Bank's role in H&A—will remain important for some time to come. Conflict-affected countries are excluded, as their needs and institutional capacities are quite different. Altogether, there are 22 countries included in this evaluation.

Of the 22 countries, 9 were selected randomly for in-depth reviews that entailed portfolio reviews and interviews of Bank management and staff and government and donor officials. Findings from the remaining 13 countries were based on portfolio reviews and online surveys of the three stakeholder groups in those countries.

To ground the evaluation in specific sectoral experience, three sectors—education; health, nutrition, and population (HNP); and transport—were selected for several reasons. First, education and HNP are important for the Millennium Development Goals, with half of the goals pertaining to these two sectors. Second, infrastructure is critical for growth and for improving the ability to deliver public and private services that advance the Millennium Development Goals. Finally, these three sectors are the principal ones for which SWAps—reflecting the highest level of lending coordination at the sector level—have been adopted.

In this evaluation, IEG addresses three sets of questions. First, it reviews the extent to which the Bank has undertaken various H&A activities to which it has committed itself, most of which are also Paris Declaration commitments. On the harmonization front, these are (i) the use of common arrangements or procedures (SWAps); (ii) shared analysis (joint missions and joint diagnostic work); and (iii) selectivity. On the alignment front, these are (i) aligning aid flows on national priorities; (ii) strengthening capacity through coordinated technical assistance; (iii) using country public financial management systems and country procurement systems; and (iv) avoiding parallel project implementation units.

Second, IEG assesses the extent to which the H&A activities have achieved the objectives of reducing transaction costs, building government capacity, and improving the quality of policy dialogue. The first two objectives are central to addressing the concerns of greater aid fragmentation that could come with higher aid flows and are specific objectives under the Paris Declaration. The third objective is important for aid coordination.

Finally, IEG derives findings on the factors that are important for promoting H&A. The evaluation does not address the impact of H&A on development outcomes—a causal assumption of the Paris Declaration—because of the great problems of attribution.

The Extent to Which the Bank Has Undertaken H&A

The Bank has made good progress in harmonizing lending and nonlending activities with other donors. The Bank has made progress in coordinating lending with other donors, as reflected in the rising shares of SWAps in two of the three selected sectors—education and HNP (see Table A). There has also been progress in coordinating analysis and technical assistance, as reflected in rising shares of joint economic and sector work and nonlending technical assistance in all three sectors (Table B).

The Bank has undertaken some joint strategies but has moderated its approach in light of lessons learned. The experience in undertaking joint strategies has indicated that the high transaction costs for all involved (the Bank, other donors, and the government) are rarely worth the benefits, whereas a coordinated approach is a good alternative. Coordinated approaches that have worked have ranged from partners developing individual strategies—especially at the sectoral level—in close coordination with each other to sharing of documents and provision of feedback on each other's strategies.

The Bank has made limited progress in selectivity. This is partly because of the demand from governments and other donors for the Bank's broad presence, as they value the expertise and fiduciary oversight the Bank brings. Also, it is often not possible for other donors to be selective because of political and other mandates. An important starting point for selectivity is the existence of a country-level consolidated, functioning, and up-to-date aid database that is linked to government budgets to reduce duplication and to help identify funding gaps. Such a database is either not present or not entirely functional or up-to-date in the countries reviewed.

Table A. Shares of Credits Supporting SWAps: FY00–04 versus FY05–09

Year	*Total number of credits*	*Credits supporting SWAps*	
		Number	*Shares of all credits (%)*
EDUCATION			
FY00–04	30	7	23
FY05–09	24	10	42
HEALTH, NUTRITION, AND POPULATION			
FY00–04	26	7	27
FY05–09	24	13	54
TRANSPORT			
FY00–04	19	6	32
FY05–09	20	4	20

Source: IEG.
Note: SWAps = sectorwide approaches.

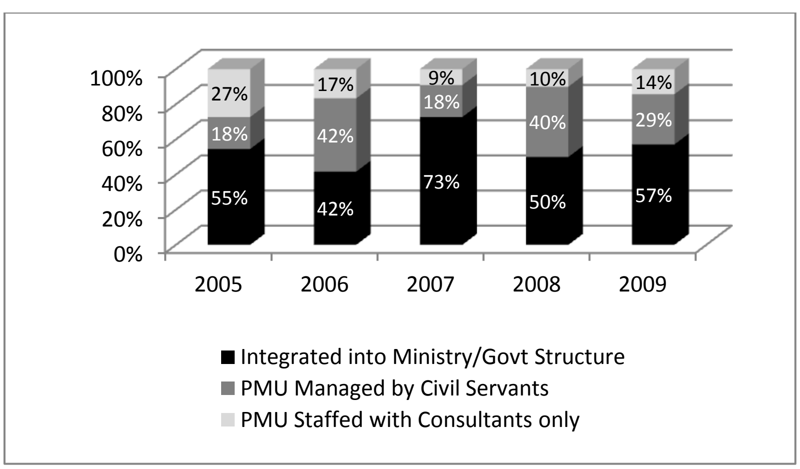
Table B. Shares of Joint Nonlending Products: FY00–04 versus FY05–09

	Economic and sector work		*Technical assistance*	
Year	*Total number initiated*	*Share of joint ESW (%)*	*Total number initiated*	*Share of joint technical assistance (%)*
EDUCATION				
FY00–04	28	4	4	0
FY05–09	24	38	12	42
HEALTH, NUTRITION, AND POPULATION				
FY00–04	27	4	3	0
FY05–09	17	53	11	55
TRANSPORT				
FY00–04	13	0	2	0
FY05–09	8	13	13	62

Source: IEG, based on World Bank administrative data.
Note: "Joint" refers to those products that were "prepared with significant donor participation" according to the Bank's administrative database. ESW = economic and sector work.

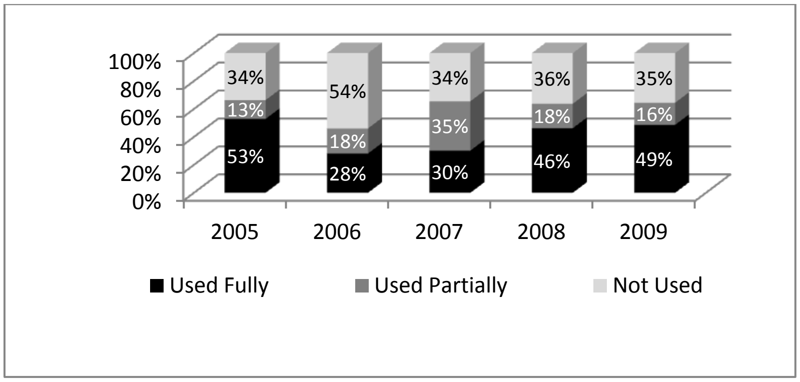
The Bank has aligned its assistance with country strategies, but progress is mixed in the use of country systems. The Country Assistance Strategies of the nine countries reviewed in detail were found to be aligned with the respective national poverty reduction strategies. There has also been progress in using country structures to implement projects (see the darker screens in Figure A). The use of country financial management systems, which is allowed under Bank guidelines when capacity is adequate and systems are strong, is uneven across countries and financial management components. Although there are examples of greater efforts by Bank staff to use country financial management systems, on average across the 22 countries and the three sectors, there has not been a sustained increase in such use during the evaluation period (Figure B). Bank guidelines allow the use of country procedures for national competitive bidding in procurement, although Bank procedures have to be followed for international competitive bidding (ICB), except for those countries and projects that were included in a pilot program on the use of country systems for ICB. To date, four countries qualified for the program, although no projects using country systems for ICB have been approved for these countries. The Bank deemed the piloting program a failure and had discontinued the program.

Figure A. Implementation Arrangements of Projects Approved FY05–09



Source: IEG, based on Bank staff responses to survey.

Figure B. Use of Country Financial Management Systems in Bank Projects Approved FY05–09



Source: IEG, based on Bank staff responses to survey.

Progress in the use of country financial management and procurement systems is constrained by inadequate capacity, weaknesses in public financial management and procurement systems, and the Bank's fiduciary obligations. Even where country capacity has been built in financial management and procurement, capacity is hard to retain because of weak incentives, including low civil service salaries, which have led to loss of skilled staff. These constraints highlight the need for continued efforts in building capacities in financial management and procurement, together with greater government commitment to public financial management reforms and to establishing an incentive system to attract and retain the needed skills in the context of wider civil service reforms.

Governments are more positive than donors on the extent to which the Bank has undertaken joint missions, joint analysis, and coordinated technical assistance. In other words, donors, more than governments, have the view that the Bank has not undertaken enough of these joint activities (Table C). Nonetheless, all three groups of stakeholders (Bank staff, government, and donor officials) indicated that more of these activities need to be undertaken (Table D).

Table C. Perceptions of Governments, Donors, and Bank Task Team Leaders on the Extent to Which Bank Staff Undertook Specific Donor Coordination Activities

Activity	*Respondent*	*Education*	*HNP*	*Transport*	*Average*
Joint mission	Government	4.1	4.7	4.0	4.3
	Donor	3.9	2.5	2.9	3.1
	Bank task team leader	5.1	4.3	4.7	4.7
Joint analysis	Government	4.5	4.6	4.1	4.4
	Donor	3.6	3.4	3.2	3.4
	Bank task team leader	4.7	4.4	3.8	4.3
Coordinated technical assistance	Government	4.6	3.9	3.5	4.0
	Donor	3.3	2.8	2.9	3.0
	Bank task team leader	4.3	4.4	4.6	4.4

Source: IEG, based on country studies and surveys responses.
Note: The ratings are on a scale from 1 to 6, with 1 denoting "to no extent" and 6 denoting "to a great extent." The ratings are the aggregates of ratings obtained from the country studies and from surveys. HNP = health, nutrition, and population.

Table D. Views on Changes Needed Regarding Various Joint Activities

Activity	*Respondent*	*Substantially less (%)*	*Somewhat less (%)*	*No change (%)*	*Somewhat more (%)*	*Substantially more (%)*	*No. of respondents*
Joint mission	Government	0	0	29	47	24	17
	Donor	0	0	15	52	33	86
	Task team leader	0	2	23	40	35	43
	All	0	1	19	48	32	146
Joint analysis	Government	0	0	6	65	29	17
	Donor	0	2	11	58	29	86
	Task team leader	0	0	16	51	33	43
	All	0	1	12	57	30	146
Coordinated technical assistance	Government	0	0	0	77	24	17
	Donor	0	1	12	51	36	86
	Task team leader	0	0	12	51	37	43
	All	0	1	10	54	35	146
SWAps	Government	0	0	24	35	41	17
	Donor	0	0	37	42	21	86
	Task team leader	0	0	29	52	19	43
	All	0	0	33	44	23	146

Source: IEG, based on survey responses.
Note: SWAp = sectorwide approach.

The Extent to Which H&A Have Achieved Their Objectives

The Bank's H&A activities have generally achieved their objectives. By and large, all three groups of stakeholders (Bank staff, government, and donor officials) perceived that the H&A activities undertaken by the Bank have achieved their objectives of reducing transaction costs to the government, improving the quality of the policy dialogue, and building government capacity, at least to a moderate extent, and in some instances to a substantial extent (Table E). In other words, the H&A activities could be considered relevant for achieving those objectives.

Table E. Consolidated Perceptions of Governments, Donors, and Bank Team Leaders on the Effects of Donor Coordination Activities on Donor Coordination Objectives

Activity	*Transaction costs to government*	*Quality of policy dialogue*	*Government capacity*
SHARE OF RESPONDENTS INDICATING MODERATE OR SUBSTANTIAL DETERIORATION (%)			
Joint mission	3	3	3
Joint analysis	2	1	2
Coordinated technical assistance	3	2	1
SWAp	7	2	2
SHARE OF RESPONDENTS INDICATING NO CHANGE (%)			
Joint mission	24	14	31
Joint analysis	25	14	31
Coordinated technical assistance	24	18	21
SWAp	11	12	20
SHARE OF RESPONDENTS INDICATING MODERATE OR SUBSTANTIAL IMPROVEMENT (%)			
Joint mission	73	84	66
Joint analysis	74	85	67
Coordinated technical assistance	73	79	79
SWAp	81	85	79

Source: IEG, based on country reviews and survey responses.
Note: SWAp = sectorwide approach.

There have been other benefits from H&A. The benefits include improved relations with other donors and hence improved reputation of the Bank; greater resource mobilization; as well as a more comprehensive and better framework for Bank operations.

There are costs from H&A, in particular transaction costs to the Bank, but the majority of staff report that these are diminishing. Even while transaction costs had increased for some Bank staff, they had decreased for others, such that on balance, across the three sectors and 22 countries covered by this evaluation, more respondents indicated that there had been a decrease in transaction costs than indicated an increase (Table F).

Table F. Perceptions of Bank Team Leaders on the Effects of Donor Coordination Activities on Transaction Costs to the Bank

Activity	*Education*	*HNP*	*Transport*	*All three sectors*
SHARE OF RESPONDENTS INDICATING MODERATE OR SUBSTANTIAL DETERIORATION (%)				
Joint mission	65	28	21	39
Joint analysis	38	21	33	30
Coordinated technical assistance	20	21	29	23
SWAp	50	60	0	50
SHARE OF RESPONDENTS INDICATING NO CHANGE (%)				
Joint mission	12	17	50	25
Joint analysis	13	37	25	26
Coordinated technical assistance	20	16	36	23
SWAp	0	0	100	8
SHARE OF RESPONDENTS INDICATING MODERATE OR SUBSTANTIAL IMPROVEMENT (%)				
Joint mission	24	56	29	37
Joint analysis	50	42	42	45
Coordinated technical assistance	60	63	36	54
SWAp	50	40	0	42

Source: IEG, based on country reviews and survey responses.
Note: HNP = health, nutrition, and population; SWAp = sectorwide approach.

Factors Important for H&A

Internal incentives matter for H&A but are not very strong in the Bank. Bank staff coordinate with other partners mostly because coordination is needed for their tasks, and less so because they value coordination as important in and of itself. This could be a factor underlying the less positive perceptions of other development partners on the extent to which Bank staff, in particular sectoral staff, have undertaken H&A activities. In light of this finding, as well as the finding that all three groups of stakeholders (Bank staff, government and donor officials) indicate that more H&A activities need to be undertaken in the future, the Bank needs to strengthen its internal incentive system.

Government ownership and leadership are key, but they are not always present. This could be because less coordination would allow governments to have more options. Some governments also perceive that more active aid coordination—including exercising selectivity—could reduce aid flows to their countries. Government ownership and leadership are also needed in financial management and procurement reforms to strengthen these systems and to improve incentives to retain capacity in these areas in the context of wider civil service reforms. Weak government leadership could also be caused by governments not having sufficient capacity. In such instances, the Bank could take a lead role, while being genuinely consultative; this would also require stronger internal incentives.

Field presence is important for H&A, but there are costs to the Bank. The overwhelming view among Bank management and staff and donor officials is that field presence of the Bank is important for H&A (Table G). Most country management staff are already in the field and are devoting significant amounts of time to H&A activities. As for sectoral staff, the large majority (87 percent) of those currently in the field in the countries covered by this evaluation indicated that (substantially) more decentralization is necessary for better achieving donor coordination objectives; half of those currently based in Washington indicated the same (Table H). However, decentralization of sectoral staff is found to be costly to the Bank in terms of less staff time for analytical work and weaker integration into professional networks, both of which are important for Bank sectoral staff so they can be at the cutting edge of knowledge for policy dialogue. In light of these costs and an internal tight budget environment, the Bank should give priority to having field presence in areas or sectors where it is *leading* donor coordination.

Table G. Views on Changes Needed Regarding Decentralization of Bank Staff to Country Offices

Respondent	*Shares of respondents (in %) indicating*					*Number of respondents*
	SUBSTANTIALLY LESS	SOMEWHAT LESS	NO CHANGE	SOMEWHAT MORE	SUBSTANTIALLY MORE	
Government	0	6	19	44	31	16
Donor	0	3	25	42	31	81
TTL	2	0	28	30	40	43
All	1	2	25	39	34	140

Source: IEG, based on survey responses.
Note: See Appendix Q for views by each of the three sectors. TTL = task team leader.

Table H. Task Team Leader Views on Changes Needed Regarding Decentralization of Bank Staff to Country Offices

	Number of task team leaders indicating					*Total number of respondents*
	SUBSTANTIALLY LESS	SOMEWHAT LESS	NO CHANGE NEEDED	SOMEWHAT MORE	SUBSTANTIALLY MORE	
Washington based	1	0	9	8	2	20
Field based	0	0	3	5	15	23
SHARES OF TASK TEAM LEADERS (%)						
Washington based	5	0	45	40	10	100
Field based	0	0	13	22	65	100

Source: IEG, based on survey responses.

A large number of donors lowers the effectiveness of harmonization. This is the major issue confronting effective harmonization in low-income countries. The increasing number of donors in these countries has aggravated transaction costs, not just to the government but also to the donors, and has lowered the quality of policy dialogue in some instances.

Recommendations

Based on the findings of this evaluation, IEG has derived four recommendations for Bank management aimed at improving the effectiveness of H&A. Three are for Bank management to implement internally, and one is for Bank management to implement together with development partners and thus to table at international aid forums, in particular the next High-Level Forum on Aid Effectiveness in Busan, Korea.

Recommendations for the Bank to implement internally

Provide recognition to Bank staff for undertaking H&A. The evaluation finds that internal incentives facing Bank staff and management play a role in implementing H&A, but such incentives are not very strong in the Bank. Bank staff, in particular sector staff, coordinate with other partners mostly because coordination is needed for their tasks, and less because they value coordination as important in and of itself.

In light of this finding, as well as the finding that all three groups of stakeholders (Bank staff, government, and donor officials) indicate that more H&A activities need to be undertaken in the future, IEG recommends that the Bank provides staff with recognition and validation of the time taken for coordination by introducing specific budget codes for staff to charge time spent on coordination, for both task-related as well as non-task-related coordination activities.

Promote the use of SWAps. IEG finds that SWAps are effective in advancing the H&A agenda by reducing transaction costs to governments, improving the quality of the policy dialogue, and building government capacity. The new Program for Results instrument being introduced by the Bank should help facilitate SWAps. But for those countries that would not yet qualify for the Program for Results (as it requires use of country systems), promotion of SWAps through other existing Bank lending instruments continues to be important. Specifically, IEG recommends that the Bank:

- Encourage the use of the new Program for Results instrument to facilitate SWAps
- Provides recognition to SWAps by instituting a system to track and report on all operations supporting them.

When country financial management systems are *not* used in projects, the Bank should explain the reasons to the client, identifying deficiencies in the existing systems for the client to address. The Bank's current position is to use the country's financial management systems as the default option when the systems are assessed as adequate (that is, their use does not pose significant risks). This evaluation finds that where country systems are not being used, the project documents often fail to identify specific shortcomings of those systems. For the purposes of greater transparency and strengthening client capacity, the Bank should set out, in the project appraisal documents, why country financial management systems cannot be used at the project and/or implementing agency level, identifying deficiencies in the existing systems for the client to address.

Recommendations for the Bank to table at the next High-Level Forum on Aid Effectiveness

Work with other development partners to provide technical and financial support to strengthen country leadership of aid management and coordination. This recommendation is in light of the finding that government leadership is key for effective H&A, but leadership is not always present, in part because of weak capacity. Inadequate data on aid flows at the country level also hampers effective aid management by the government. In addition, increasing aid fragmentation is a major issue confronting effective coordination in countries, and there is a need to streamline and rationalize aid coordination mechanisms. Specifically, IEG recommends that support be mobilized for:

- Generating good practice case studies for aid management and coordination
- Developing and maintaining a country-level up-to-date, comprehensive, and functional database for aid linked to government budgets
- Government-led streamlining and rationalizing of aid coordination mechanisms.

Management Response

Introduction

Management welcomes the Independent Evaluation Group (IEG) Evaluation of the International Development Association's (IDA) efforts to promote harmonization and alignment in low-income countries. The report, finalized in June 2011, underscores the importance of continuing to focus on aid management commitments and good practices to improve aid effectiveness and ultimately achieve better development outcomes. The release of the report comes at an important time, as the Bank prepares for the Fourth High-Level Forum (HLF-4), which will take place in Busan, Republic of Korea, November 29–December 1, 2011.

Management Comments

Management is in overall agreement with many of IEG's findings, that: the Bank has made good progress in aligning assistance strategies with country priorities; harmonizing lending and non-lending activities with other development partners; and integrating project implementation into country structures. There has been more limited progress toward greater selectivity in Bank engagement at the country level (due in part to government and donor demand for the Bank's broad presence) and on pursuing joint country strategies (acknowledging that the transaction costs often exceed the benefits). There has been mixed progress on the use of country financial management and procurement systems, constrained by inadequate government capacity, weaknesses in public financial management and procurement systems, and the Bank's fiduciary obligations. Overall, the evaluation concludes that the Bank's coordination efforts have been effective in reducing transaction costs to governments, building government capacity, and improving the quality of policy dialogue. Additional benefits in the form of better development partner relations, enhanced resource mobilization, and an improved framework for Bank operations have also been noted.

The evaluation highlights the fine balance that the Bank must strike in areas such as decentralization of Bank staff and selectivity of programs at the country level. Also, while the evaluation begins to raise the issue of country-led aid management, it is still focused to a large extent on donor harmonization. Finally, management believes that the utility of the evaluation could have been enhanced by undertaking this work as part of the global evaluation of the Paris Declaration conducted in the run up to Busan, and management has reservations about some of IEG's conclusions on issues related to donor harmonization and use of country systems as noted below.

IEG evaluation separate from the global evaluation. While the objective of the IEG evaluation is to assess the Bank's performance in implementing important aspects of aid effectiveness, management believes that the findings and impact of the report could have been further strengthened if it had been undertaken as part of the Organisation for Economic Co-ordination and Development-coordinated Paris Declaration Evaluation Phase 2 process (OECD/DAC 2011). This evaluation process is being conducted in the lead up to the Busan HLF-4; it covers 22 countries and 7 development partners and provides a global assessment of progress by development partners and partner countries in working to realize the commitments of the Paris Declaration.

Together with the global report on the Paris Declaration Monitoring Survey1 (which covers approximately 75 countries and over 30 development partners), the Paris Declaration evaluation Phase 2 will serve as the main assessment of aid effectiveness implementation informing the Busan HLF-4 agenda. The consequences of conducting a separate evaluation rather than participating in the global process include missing an opportunity to work jointly with other partners (sharing expertise and comparing findings); placing an extra burden on partner countries, which have had to respond to two similar processes; and a more limited reach of the findings and reduced cost effectiveness of the process.

Aid management processes should be country led. In recent years, the Bank and the international community have worked to shift the discussion from "donor coordination" to "aid coordination" to emphasize the critical role of government. As a consequence of the evaluation approach, the findings are skewed toward focusing on the relationship among development partners rather than on the role of the Bank (and other partners) in the context of country-led development programs. Management believes that all aid management processes, including aid coordination/selectivity and alignment with country systems/priorities, need to be country led and not development partner led. Past experience has demonstrated that when development partners focus on the relationship among themselves, they tend to dominate the aid management process, sometimes at the cost of undermining government ownership and building country capacity. Management also notes that this evaluation focuses on only a portion of the aid effectiveness agenda (namely two of the five pillars of the original Paris Declaration), yet the commitments under all five pillars are critical and interlinked. The evaluation suggests that the focus on "harmonization" and "alignment" is justified, as these are areas where development partners can act alone. Management disagrees with this assertion—contrary to IEG's position, management believes that all aid effectiveness commitments, including those related to harmonization and alignment (H&A), are the responsibility of both development partners and partner countries.

Use of country systems. The evaluation rightly emphasizes capacity development and retention as a critical element in enabling development partners to use country systems. In this regard, it is particularly important to move away from an "all-or-nothing approach" and adopt a more sequenced and measured strategy to use elements of well-performing systems, while continuing to focus efforts on improving overall public financial management and procurement capacity. This requires both sustained political ownership of reform programs and a better coordinated, more pragmatic approach by countries and development partners in their progressive use of country systems (mainly by increasing focus on performance and outcomes of improved systems as means of achieving better congruency between fiduciary and development objectives). It also requires close integration with other critical public sector reforms and collaboration with civil society and the private sector to create an enabling environment for increased accountability and trust.

[1] The findings of the IEG evaluation corroborate the findings of the Paris Declaration Monitoring Survey, which measures similar parameters over three time periods and across a much larger sample of countries—and is comparable across all donors.

Decentralization. Management appreciates the nuanced discussion the evaluation includes on the decentralization efforts of the Bank. IEG notes the importance of direct interaction at the country level, the benefits of the substantial decentralization of regional staff, yet also the costs related to decentralization—especially in terms of maintaining cutting-edge and globally credible technical expertise. Benefits—for aid effectiveness and other objectives—of decentralizing additional sector staff must be weighed against the financial and nonfinancial costs, especially given resource constraints. Ongoing reforms such as Global Expert Teams, Finance and Private Sector Development global technical practices, and strengthening of the Sector Boards are geared toward making best technical knowledge available to frontline teams.

The role of the Bank in coordination and selectivity. The IEG evaluation suggests that stakeholders prefer the Bank to undertake more H&A activities going forward, which raises the question of "How much is enough?"

- On *coordination*, the IEG evaluation, as well as other international assessments, flags that clients give the Bank favorable feedback on its harmonization efforts, while donors (particularly those in the field) have the perception that the Bank is not engaging enough to coordinate with other development partners. This divergence in perception suggests that expectations of the Bank's role in aid coordination need to be more openly discussed and agreed, and reflect the Bank's current practices. According to an internal survey, Bank staff in IDA countries spend a significant amount of time on aid coordination,[2] at both the country level and the sector level, although this effort may not always be visible. There is agreement, in the IEG evaluation and the Bank's internal study on aid coordination, on the need to strengthen the communication about what the Bank is already doing and what is an appropriate role for the Bank in aid coordination. Finally, Bank analytic work suggests that in some cases aid coordination mechanisms have become too cumbersome and development partner driven, and management and IEG both recommend more streamlined coordination mechanisms with greater partner country involvement and leadership.

- On *selectivity*, management agrees with IEG's findings of often-inconsistent expectations of stakeholders when it comes to the Bank's role in supporting country programs. The evaluation confirms the mixed demands placed on the Bank from shareholders, partner country governments, and donors in the field that regularly request that the Bank reduce the number of sectors it is involved in while also expecting the Bank to be active in and to provide intellectual leadership and fiduciary oversight for many sectors. While aid fragmentation is a real issue and selectivity is critical, it is important to consider whether it is feasible or desirable to have one general set of recommendations applicable to all development partners in any given country (such as the European Union Code on Division of Labor[3]) regardless of development part-

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[2] Bank staff in 38 IDA countries report that they spend on average 20 percent of their time on aid coordination, and much more in some countries (staff in six countries reported spending more than 40 percent of their time on aid coordination). See World Bank (2011b).

[3] http://europa.eu/legislation_summaries/development/general_development_framework/r13003_en.htm.

ner size or mandate. Development partners also need to be cognizant that norms and processes they drive can undermine government ownership of these selectivity exercises.

IEG Recommendations

Management agrees with the overall intent of most of the recommendations, but has issues with specific actions recommended in three areas: creating additional budget codes for coordination activities; tracking sectorwide approaches (SWAps); and setting out in project appraisal documents the deficiencies and remedies related to a country's financial management systems. In these and the other areas raised in the evaluation, management has put, or is putting, in place approaches to address the main thrust of the recommendations, while differing with the evaluation on the specifics of implementation in some cases.

Management agrees that incentives for aid effectiveness activities are critical, but our own analysis indicates that, in contrast to IEG's findings, internal incentives for H&A are strong within the Bank: there are clear management signals to staff to engage in aid coordination, and, as the evaluation (and other surveys) notes, staff already spend substantial time on aid coordination as an "integral part of the work" or "because it makes sense." Although the internal review of aid coordination in IDA countries finds that country staff feel the Bank "[encourages] staff to participate significantly in aid coordination" and that there are "incentives for them to incorporate coordination in their daily work," management agrees with the evaluation's finding that these efforts are not well documented or recorded. A large portion of these coordination activities is undertaken in conjunction with ongoing tasks, would be impossible to disentangle from other task-related activities, and would lead to further disaggregation and complication of our coding system, which would be inefficient and counter-productive. Furthermore, we need to ensure that we do not incentivize the promotion of coordination as an end in itself through introducing *additional* budget codes, as the evaluation recommends. Nevertheless, in an ongoing review of the existing coding for analytic and advisory activities, management is examining the need for changes to the coding system for self-standing coordination. Additionally, management will explore options for recognizing good work by staff on harmonization and alignment, including by reviewing the indicators in the Corporate Scorecard.

IEG finds that SWAps are effective in advancing the H&A agenda, and that the proposed Program for Results instrument should help facilitate programmatic lending. As noted in recent discussions with the Board on the Program for Results lending instrument, its ability to widen and enhance our partnership opportunities with other development partners in support of government programs is a key positive element of the new instrument, and we welcome IEG's recognition of this aspect of the new instrument. If approved, these operations will of course be carefully tracked. Based on that experience, management will consider if it would be feasible and useful to track other types of programmatic support in the context of the Corporate Scorecard. Management, however, does not agree with the specific action to institute a system to track and report on other forms of SWAps. A SWAp is not an instrument but an approach that covers a broad spectrum of collaboration in conjunction with lending; as the IEG evaluation itself notes, there is wide variation in the structure and characteristics of those SWAPs being implemented. Therefore, it would be difficult to institute a coding system that would track these varied arrangements in a systematic and consistent way. Nevertheless, the Bank is committed to eliminating bottlenecks and promoting joint operations and collaborative financing in ways that make sense in each country and sector context.

The evaluation cites the Bank's current position on using country financial management systems as a default option when the systems are assessed as "adequate." It also notes that government officials did not voice complaints regarding the Bank's financial management procedures. Management believes that this outcome is consistent with the prevalent view that use of country systems is neither an end in itself nor an all-or-nothing proposition; hence, there is room for risk-mitigating measures when these do not undermine the country systems. In cases where country financial management systems are not used by the Bank, the evaluation recommends that the Bank should set out, in the project appraisal documents, why country financial management systems cannot be used at the project and/or implementing agency level, and what deficiencies in the existing systems clients need to address. Management disagrees with the specific action related to project appraisal documents, because this objective is pursued by the Bank's financial management specialists in discussion with partner countries, for instance, through strategies/approaches to strengthen financial management systems at the country level, which in turn are reflected in Country Assistance Strategy products. As underscored in the paper "Strengthening Country Systems and Expanding Their Use in Bank-Supported Operation," discussed by the Board in January 2011 (World Bank 2010d), management believes that this is a more appropriate mechanism for supporting countries in strengthening their financial management systems.

Management welcomes the IEG recommendation that development partners should coordinate "to provide technical and financial support to strengthen country leadership of aid management and coordination." The Bank has been a champion of government-led aid management efforts, which should serve as the main effort for aid coordination rather than development partners coordinating among themselves. Management is supportive of the recommendation to generate good practice case studies of aid management and coordination, and to streamline and rationalize aid coordination mechanisms, and has already disseminated some work in this area to Bank staff. Management is also supportive of greater transparency of aid data in general and of greater accessibility of aid data at the country level to help reduce fragmentation and increase domestic accountability. The Bank has been championing the issue of aid data linked to partner country budget systems in its global work on transparency in the lead up to the Busan HLF-4. Management will continue to conduct work on country-led aid management as part of its post-Busan work program, will continue to disseminate findings on streamlining and rationalizing aid coordination mechanisms, and will champion aid transparency in and after Busan and through its contributions to the International Aid Transparency Initiative.

Management Action Record

IEG Findings and Conclusions	IEG Recommendation	Acceptance by Management of Recommendation	Management Response
IEG finds that internal incentives facing Bank staff and management play a role in implementing H&A, but such incentives are not very strong in the Bank. Bank staff, in particular sector staff, coordinate with other partners mostly because coordination is needed for their tasks and less because they value coordination as important in and of itself. The evaluation also finds that all three groups of stakeholders (Bank staff, government, and donor officials) indicate that more H&A activities need to be undertaken in the future. These findings indicate that the Bank needs to strengthen internal incentives for coordination through recognition and validation of staff time required for coordination.	(1) IEG recommends that the Bank provide staff with recognition and validation of the time taken for coordination by introducing specific budget codes for staff to charge time spent on coordination, for both task-related as well as non task-related coordination activities.	Partially Agree	Management supports the spirit of the evaluation's recommendation that the Bank continue to remain heavily involved in aid coordination at the country level. But management disagrees with the finding that internal incentives for harmonization and alignment are not very strong within the Bank, as incentives do not appear to be the problem. Management also does not agree with the specific action to introduce *additional* budget codes, which may only serve to promote coordination as an end in itself. Management does not agree that coding for coordination that is undertaken in conjunction with task preparation should be identified with separate budget codes. While management disagrees on incentives, it does agree that recognition of ongoing staff efforts in support of harmonization and alignment is important. Management is revisiting its existing coding as part of the analytic and advisory activities review and will make any changes to coding for self-standing coordination based on this analysis.
IEG finds that sectorwide approaches (SWAps) are effective in advancing the H&A agenda by reducing transaction costs to governments, improving the quality of the policy	(2) IEG recommends that the Bank promote the use of SWAps by: • Encouraging the use of the	Partially Agree	Management agrees with the potential for the new Program for Results instrument, but disagrees with the specific action that the Bank institute a system to track and

IEG Findings and Conclusions	IEG Recommendation	Acceptance by Management of Recommendation	Management Response
dialogue, and building government capacity. The new Program for Results instrument being introduced by the Bank should help facilitate SWAps. But for those countries that would not be eligible for the Program for Results (as it requires the use of country systems), promotion of SWAps through other existing Bank lending instruments continues to be important.	new Program for Results instrument to facilitate SWAps. • Providing recognition to SWAps by instituting a system to track and report on all operations supporting them.		report on all operations supporting SWAps. A SWAp is not an instrument but an approach that covers a broad spectrum of collaboration in conjunction with lending; as the IEG evaluation itself notes, there is wide variation in the structure and characteristics of those SWAPs being implemented. Management is committed to eliminating bottlenecks and promoting joint operations and collaborative financing in a way that makes sense in each country and sector context. ➢ Management commits to send the policy paper introducing the Program for Results instrument to Executive Directors for approval in the second quarter of FY12 and, if approved, track and report on their use as outlined in the policy paper. .
The Bank's current position is to use the country's financial management systems as the default option when the systems are assessed as adequate (that is, when their use does not pose significant risks). IEG finds that where country systems are not being used, the project documents often fail to identify specific shortcomings of those systems.	(3) IEG recommends that, for the purposes of greater transparency and strengthening client capacity, the Bank set out in the project appraisal documents why country financial management systems cannot be used at the project and/or implementing agency level, identifying deficiencies in the existing systems for the client to address.	Partially Agree	Management agrees with the evaluation's emphasis on the importance of using country systems when appropriate, but disagrees with the specific action related to appraisal documents because this objective is pursued by the Bank's financial management specialists in discussion with partner countries, for instance through strategies/approaches to strengthen financial management systems at the country level, which in turn are reflected in Country Assistance Strategy products. As underscored in the paper "Strengthening Country Systems and Expanding their Use

IEG Findings and Conclusions	IEG Recommendation	Acceptance by Management of Recommendation	Management Response
			in Bank-Supported Operation," management believes that this is a more appropriate mechanism for supporting countries in strengthening their financial management systems. ➢ Management will continue to address strengthening of country systems in discussions with partner countries, for instance through diagnostic work and programs to strengthen financial management systems at the country level, which in turn are reflected in Country Assistance Strategy products. Management will monitor such diagnostic work and programs through periodic updates to the Board on the use of country systems.
IEG finds that government leadership is key for effective harmonization and alignment; however, leadership is not always present, in part because of weak capacity. Inadequate aid flow data at the country level also hampers effective aid management by the government. In addition, increasing aid fragmentation is a major issue confronting effective coordination in countries, and there is a need to streamline and rationalize aid coordination mechanisms.	(4) IEG recommends that Bank management work with other development partners at the next HLF-4 to mobilize technical and financial support for: • Generating good practice case studies for country-led aid management and coordination • Developing and maintaining a country-level up-to-date, comprehensive and functional database for aid linked to government budgets	Agree	Management welcomes the IEG recommendation that development partners should coordinate "to provide technical and financial support to strengthen country leadership of aid management and coordination," reflecting the Bank's support for government-led aid management. Management is also supportive of greater transparency of aid data in general and of greater accessibility of aid data at the country level to help reduce fragmentation and increase domestic accountability. The Bank has been championing the issue of aid data linked to partner country budget systems in its global work on transparency in the lead up to the

IEG Findings and Conclusions	IEG Recommendation	Acceptance by Management of Recommendation	Management Response
	• Country-led streamlining and rationalizing of aid coordination mechanisms.		Busan HLF-4. ➢ Management will continue to conduct work on country-led aid management as part of its post-Busan work program, will continue to disseminate findings on streamlining and rationalizing aid coordination mechanisms, and will continue to champion aid transparency in and after Busan and through its contributions to the International Aid Transparency Initiative.

Chairman's Summary: Committee on Development Effectiveness (CODE)

The Committee on Development Effectiveness (CODE) considered the document entitled *World Bank Progress in Harmonization and Alignment in Low-Income Countries* prepared by the Independent Evaluation Group (IEG), together with the draft Management Response.

Summary

CODE welcomed the evaluation and its findings and the fact that management broadly agreed with many of IEG's findings. The Committee particularly welcomed the timing of the evaluation in the run-up to the Fourth High-Level Forum in Busan, Republic of Korea. IEG found that while the Bank has made good progress in harmonizing lending and nonlending activities with other donors, selectivity—measured by the Bank's presence in many sectors at the country level—and the use of country systems remain challenges. Management was in overall agreement with many of IEG's findings but diverged on the specific details of implementation contained in the recommendations to (i) promote and systematically track harmonization and alignment (H&A) work through additional budget codes, (ii) track sectorwide approaches (SWAps), and (iii) identify in Project Appraisal Documents deficiencies of country Public Financial Management systems for the client to address. To capture the spirit and intent of the recommendations without creating undue burdens on Bank staff and management, CODE suggested that management look at the Corporate Scorecard to (i) review the existing indicators on aid effectiveness to improve tracking of data and results and (ii) explore ways to better capture the Bank's engagement in SWAps and staff efforts in implementing H&A, which management agreed to. On country systems, management will continue to focus on the country level, as reflected in Country Assistance Strategy products and in line with the recent update to the Board on use of country systems. In addition, management will make sure that Project Appraisal Documents will continue to reflect Financial Management Assessments that refer to relevant country systems and diagnostics. Management supported IEG's recommendation that the Bank should advocate for greater technical and financial support to strengthen government capacity for country-led donor coordination, and it will take this message to Busan. This was strongly supported by CODE.

Anna Brandt, Chairperson

Chapter 1
Introduction and Methodology

Introduction

The Bank has long been engaged in donor coordination, manifested most recently in its active involvement in forging the international consensus that culminated in the watershed Paris Declaration of 2005. A central objective of donor coordination has been to reduce the burden of aid delivery on recipient countries and thus improve aid effectiveness. This evaluation assesses the effectiveness of the Bank's donor coordination activities in achieving this central objective—specifically through achieving the intermediate outcomes of reducing transaction costs, building government capacity, and improving the quality of the policy dialogue.

Evaluation Essentials

- The international aid community's commitment to increase aid has led to concerns that rising aid flows may stress the capacity of recipient countries and reduce the effectiveness of the aid.
- Several global initiatives were launched to address these concerns, culminating in the Paris Declaration.
- This evaluation focuses on harmonization and alignment, two of the five Paris Declaration principles.
- The evaluation assesses the extent to which Bank actions on harmonization and alignment have achieved the objectives of reducing transaction costs, improving the quality of the policy dialogue, and strengthening country capacity.

Evolution of the Donor Coordination Agenda

The roots of the donor community's efforts to strengthen donor coordination can be traced back several decades. In 1967, a report by the Commission on International Development, established at the initiative of the World Bank, already contained many of the Paris Declaration principles and commitments, including, among other things, partnership and harmonization.[1]

In the mid-1980s, the Organization for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC) and the World Bank articulated the overarching principles of donor coordination, which were reiterated and further elaborated in OECD-DAC (1998). These principles were integrating external assistance with the development priorities of the recipient country; the recipient government having the primary responsibility for aid coordination; and both recipients and donors adhering to strategic objectives and investment programs (IEG 2001, p. 5).

Poor development results in the 1990s raised concerns over the need to improve coordination among donors to reduce stress on the capacity of recipient countries.

In the 1990s, poor development results had raised concerns among the donor community not only over the effectiveness of structural reforms supported by development assistance, but also over the taxing of country capacity caused by the myriad donor agencies and international organizations working in those countries and the reduced effectiveness of aid because of poor coordination among donors. It was in this context that the Bank introduced the **Comprehensive Development Framework** in early 1999 to enhance development results.

Country-led partnership is one of the four framework principles, with the other three being a long-term holistic development framework, results orientation, and country ownership. In 1999, the Bank (together with the International Monetary Fund) introduced the **Poverty Reduction Strategy** Initiative to put the Comprehensive Development Framework principles into action (IEG 2004).

Poor development results also spurred the international development community to commit itself to scale up aid. At the same time, this community recognized that increasing aid flows would imply greater aid fragmentation—because the increase would come from an increase in the number of donors as well as channels and instruments—which brings with it higher transactions costs, weaker accountability and ownership by development partners, and greater strain on the institutional capacity of developing countries (World Bank 2009e).

A series of global initiatives led to the Paris Declaration, followed by the Accra Agenda for Action.

In this context, a series of global initiatives were launched under which the global development community committed to ratcheting up and coordinating aid. Commitments were made under the **Monterrey Consensus** (2002), the **Rome Declaration on Harmonization** (2003), the **Paris Declaration on Aid Effectiveness** (2005), and the **Accra Agenda for Action** (2008) and reinforced by the international Roundtables on Results at **Marrakech** (2004) and **Hanoi** (2007).

The Paris Declaration articulated five principles: ownership, alignment, harmonization, managing for results, and mutual accountability.

The Paris Declaration marked a watershed in formalizing and refocusing efforts to develop an international plan of action with unprecedented breadth of support (Wood and others 2008, p. xi). It was endorsed by more than 100 partner and donor countries and international agencies that committed themselves to specific actions (some with targets to be met by 2010) and agreed to monitor the implementation of their commitments (World Bank 2006a, p. 1; 2009d, p. 2). The Paris Declaration highlights five agreed principles of aid effectiveness translated into over 50 commitments:

- ***Ownership***: Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions.
- ***Alignment*:** Donors base their overall support on partner countries' national development strategies, institutions, and procedures.
- ***Harmonization***: Donors' actions are more harmonized, transparent, and collectively effective.
- ***Managing for Results***: Managing resources and improving decision making for results.
- ***Mutual Accountability***: Donors and partners are accountable for results.

A high-level forum was convened in Accra, Ghana, in 2008, at the mid-point of the 2005–10 Paris Declaration agenda, to review progress. The outcome was the Accra Agenda for Action, which lays out a set of actions aimed at accelerating and deepening the implementation of the Paris Declaration (World Bank 2009e, Annex A). The Accra Agenda for Action goes beyond harmonization to focus more on strengthened country ownership, broader partnership engagement, and better accounting for results (World Bank 2009e, pp. 2–3; 2009f, p. 1).

Relationship between This Evaluation and the Paris Declaration Framework

In this evaluation, the Independent Evaluation Group (IEG) focuses primarily on two of the principles of the Paris Declaration—*harmonization* and *alignment* (H&A)—which were the central tenets of donor coordination even prior to the Paris Declaration.[2] The other three Declaration principles—ownership, results, and mutual accountability—are also important for aid effectiveness. However, they are more the responsibility of partner countries (or jointly with donors) than H&A are.

This evaluation focuses on harmonization and alignment, the responsibility for which lies primarily with donors (including the Bank) compared to the other three principles which are more the responsibility of partner countries, or jointly with donors.

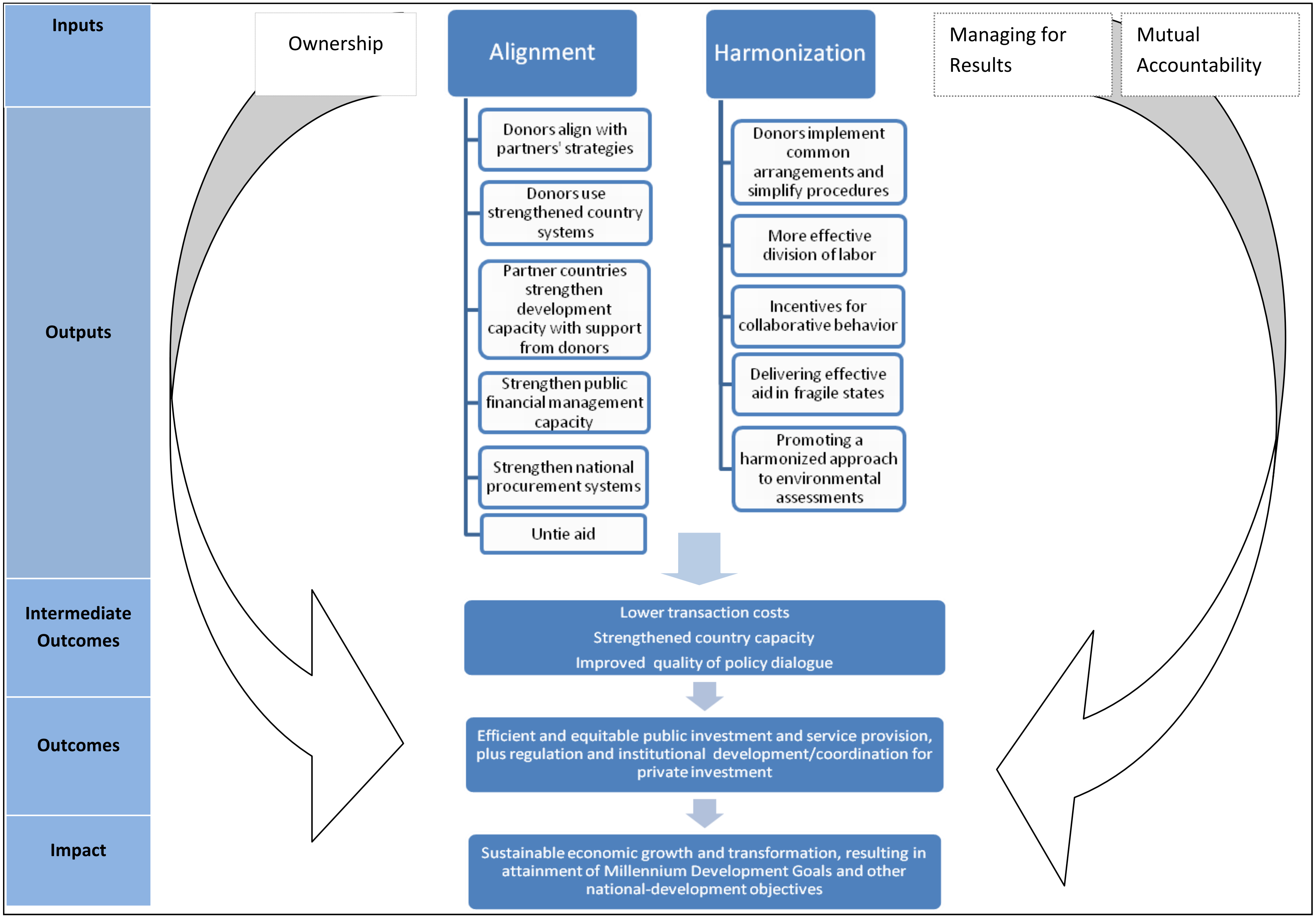
Specifically, of the 12 monitoring indicators that the Bank has committed to under the Paris Declaration, nine pertain to H&A, eight of which are the responsibility of donors (including the Bank), and one being the joint responsibility of both donors and partner countries (see Appendix A). Of the remaining three indicators, the one on ownership and the one on results are the responsibility of partner countries, and the one on mutual accountability is the joint responsibility of both parties. Moreover, the actions of other donors and partner countries have been evaluated separately under the Paris Declaration framework (see Appendix B); those results will be presented at the next High-Level Forum for Aid Effectiveness in Busan, Korea.

In other words, this evaluation focuses on donor coordination (which refers to the relationship between the Bank and other development partners) rather than on aid coordination (which is role of the government). Government ownership and leadership of aid coordination has long been recognized by the aid community—and most recently reinforced by the focus of the Accra Agenda for Action—as one of the key elements (if not the key element itself) for achieving aid effectiveness. Indeed, the importance of government ownership and leadership has emerged throughout the evaluation work as being important for effective H&A, and this is addressed in the evaluation.

The five Paris Declaration principles together are aimed at helping countries achieve the development outcomes of sustainable economic growth and transformation and attaining the Millennium Development Goals (MDGs) and other national development objectives (these can be considered as the ultimate impacts).[3] A plausible results chain going from the adoption of the five principles to the achievement of these ultimate impacts could entail first achieving the intermediate outcomes of reducing transaction costs,[4] strengthening the capacity of government to use aid more effectively, and improving the quality of policy dialogue—at which H&A are aimed. These intermediate outcomes would in turn contribute to the outcomes of efficient and equitable public investment and service provision, plus regulation and institutional development/coordination for private investment (Booth and Evans 2006). Finally, these outcomes would lead to the achievement of the ultimate impacts. Figure 1 provides a schematic representation of this results chain and the linkage of this evaluation (with its focus on H&A) to the results chain.

The Bank's activities in donor coordination have preceded—and been reinforced—by the Paris Declaration. Under the Paris Declaration, the Bank has committed itself to a series of H&A actions, some of which have associated monitoring indicators with targets to be met by 2010. Additionally, the Bank has also committed itself to other H&A activities, including some commitments made in the context of IDA15 Replenishment.[5] Table 1 presents the Bank's H&A activities (second column) and their correspondence with Paris Declaration monitoring indicators. There is a large overlap between the Bank's H&A activities and the Declaration commitments, but they are not exactly the same: some of the Declaration commitments do not pertain to the Bank (such as untying of aid), and the Bank has also committed itself to other H&A actions beyond what is committed under the Paris Declaration (such as deepening decentralization, selectivity under country leadership, mission-free periods, and so forth).

Figure 1. Donor Coordination (H&A) and the Implicit Logical Framework for the Paris Declaration



Sources: IEG, drawing from Booth and Evans (2006) and the Paris Declaration.
Note: H&A = harmonization and alignment.

Table 1. Bank Actions on Harmonization and Alignment and Their Relationship with the Paris Declaration Commitments

	BANK H&A ACTIONS	INDICATORS MONITORED UNDER THE PARIS DECLARATION FRAMEWORK	
ALIGNMENT			
Aid flows are aligned on national priorities	Aligning CASs with countries' poverty reduction strategies	#3	Share of aid disbursed for the government sector in partners' national budgets
Strengthen capacity by coordinated support	**	#4	Share of technical co-operation that is coordinated
Use of country public financial management systems	Support countries' efforts to strengthen financial management as basis for progress in use of country systems	#5a	Share of aid disbursed for the government sector using country PFM systems
Use of country procurement systems	Further efforts to develop and use country procurement systems through piloting program (approved by Bank Board on June 2008)	#5b	Share of aid disbursed for the government sector using country procurement systems
Avoid parallel implementation units	Reduce reliance on parallel PIUs—introduce specific criteria in investment lending guidelines to integrate PIUs into government structures as the default option for IDA projects, and require explicit justifications when parallel PIUs are used	#6	Number of parallel PIUs
HARMONIZATION			
Use of common arrangement or procedures	• Coordinated budget support • Sector-wide approaches • Harmonization of legal documentation and provisions in multidonor financing arrangements	#9	Share of program-based aid
Encourage shared analysis	Joint missions	#10a	Share of joint missions
	Joint diagnostic work (with donors/countries)	#10b	Share of joint analyses
Selectivity	Country-led selectivity in CASs and participation in division of labor exercises; participate in joint or collaborative assistance strategies		

Sources: IEG, based on the Paris Declaration and World Bank 2006a, 2007b, 2009b. See also Appendix C.
Note: CAS = Country Assistance strategy; H&A = harmonization and alignment; IDA = International Development Association; PFM = public financial management; PIU = project implementation unit.
**Although the Bank has not committed to specific actions in this area, it had indicated in 2006 that it was already well on its way to meeting the Paris Declaration targets at that time.

The evaluation assesses the relevance and efficacy of Bank actions in H&A in achieving the objectives of reducing transaction costs, improving the quality of the policy dialogue, and building government capacity.

Framework of this Evaluation

This evaluation assesses the relevance and efficacy of Bank H&A actions in achieving the objectives (intermediate outcomes) of donor coordination—reducing transaction costs, improving the quality of policy dialogue, and strengthening government capacity to use aid more effectively—and derives recommendations on how to improve the effectiveness with which these objectives are met. The logical framework for the evaluation is presented in Figure 2. The evaluation period is FY05–09, that is, the period after the signing of the Paris Declaration.

The framework adopted by this evaluation is predicated on the assumption that the three objectives against which Bank H&A actions are being evaluated are important objectives for aid effectiveness. Based on this presumption, the evaluation assesses the relevance of the Bank's H&A actions in achieving these objectives. Other models of aid delivery are possible, such as those that encourage competition in the design and delivery of aid programs. Such models would likely imply greater transaction costs for the government and less or no coordination compared with the model that underpins the Paris Declaration. However, no existing research assesses which model of aid delivery (coordinated or "competitive") leads to better development outcomes.

The evaluation focuses on the country level and particularly on the education, HNP, and transportation sectors.

The evaluation is focused on the Bank's H&A actions at the country level and is structured around various Bank instruments for providing support to countries. These instruments are strategies, lending, and nonlending activities (economic and sector work and technical assistance). The evaluation focuses on three sectors—education; health, nutrition and population (HNP); and transport—given their importance for the MDGs, for growth, and for illustrating actual coordination on the ground (see Chapter 2). For each of the lending and nonlending instruments in the three sectors, the Bank has committed to undertake certain H&A actions that are the focus of this evaluation (second column of Table 1)—these are considered as H&A outputs for this evaluation.

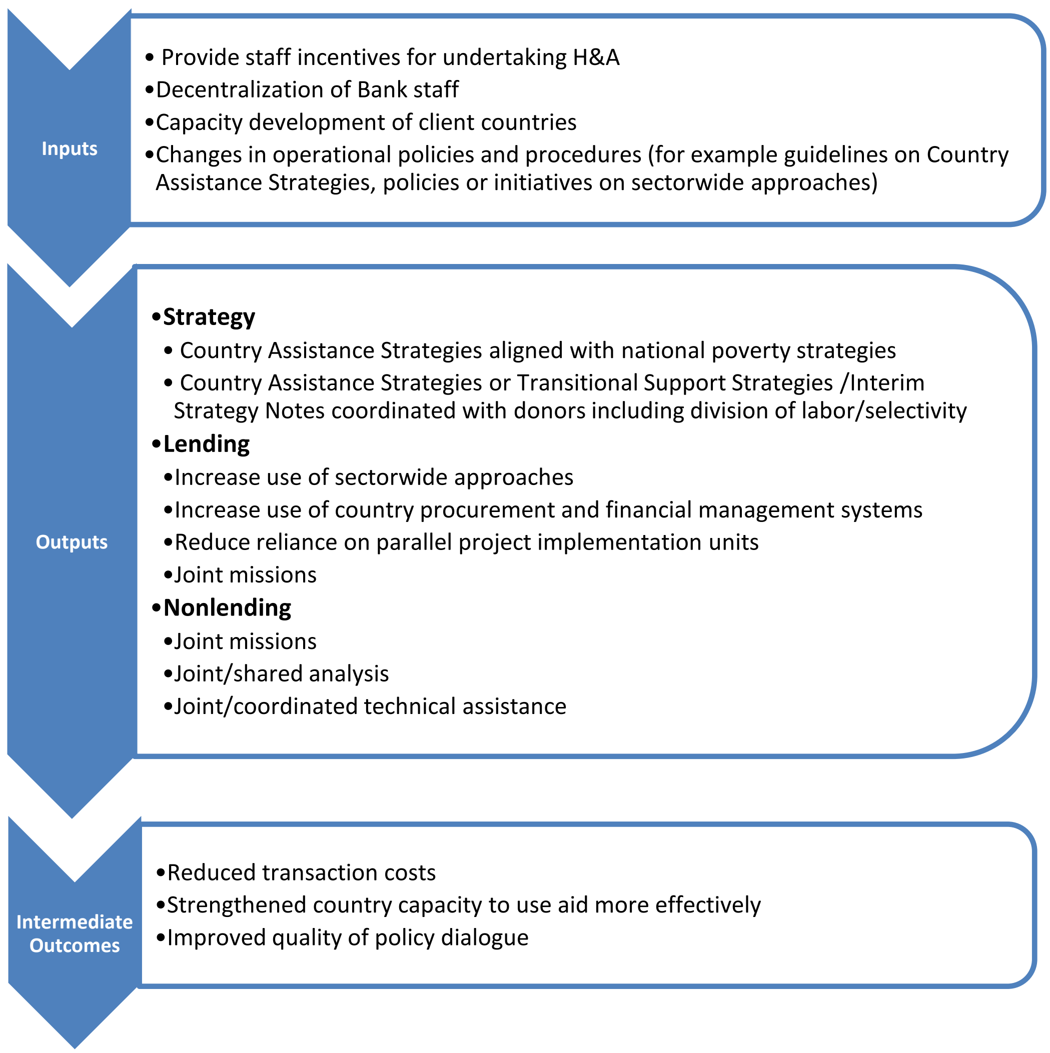
This evaluation does not cover coordinated budget support. Although coordinated budget support can be an important instrument for donor coordination, there were very few budget support operations at the sector level for the three selected sectors and the 22 countries covered by this evaluation.[6] Much of the coordinated budget support to low-income countries is undertaken in the context of multisectoral poverty reduction support operations which was the subject of a recent IEG evaluation (IEG 2010a).

It is not possible to assess—and this evaluation does not—the extent to which H&A have led to development outcomes.

The Bank has committed to certain actions that can be considered as inputs to achieve these outputs (or H&A actions) (World Bank 2006a, 2007b, 2009d). The inputs include provision of staff incentives for undertaking H&A; decentralization of Bank staff; capacity development of client countries; and changes in operational policies and procedures to facilitate H&A actions (see Figure 2).

The logical framework posits that the inputs would lead to the outputs, which in turn would lead to the intermediate outcomes (or objectives of donor coordination stated above). Ultimately, the intermediate outcomes are aimed at achieving better aid effectiveness, or development outcomes. However, there are great problems of attribution in assessing the extent to which the intermediate outcomes lead to development outcomes. The complex, multidimensional nature of development with many different actors makes attributing outcomes to the contribution of the Bank virtually impossible and is not attempted here.

Figure 2. Logical Framework for the Evaluation



Source: IEG.

THE EVALUATION QUESTIONS

The evaluation addresses three questions:

1. To what extent has the Bank undertaken the H&A actions?
2. To what extent have the Bank's H&A actions resulted in (i) lower transaction costs, (ii) greater country capacity, and (iii) improved quality of policy dialogue? What are the lessons and good practices?
3. To what extent have the Bank's inputs resulted in the H&A actions?

Based on the findings on these questions and other findings that have emerged during the course of the evaluation, IEG derives recommendations on Bank actions to better achieve the objectives of reducing transaction costs, building capacity of partner countries, and improving the quality of policy dialogue.

RATIONALE AND SCOPE OF THE EVALUATION

This evaluation complements other evaluations on donor coordination including the Paris Declaration Evaluation mentioned earlier, and annual surveys by the Multilateral Organizations Performance Assessment Network (MOPAN) on bilateral perceptions of multilateral partnership behavior at the country level. It differs from these other evaluations in its focus on the Bank, on addressing sectoral and task level issues, as well as on a different (though somewhat overlapping) set of countries[7] (see next paragraph). A review of the findings of these other evaluations for consistency with, and relevance to, the present evaluation is presented in Chapter 8.

The evaluation focuses on low-income countries for which IDA is an important source of aid, and for which donor coordination will continue to be important for some time to come.

The evaluation focuses on low-income countries[8] for which the International Development Association (IDA) is an important source of aid (where at least 10 percent of total aid is from IDA). These are countries that are expected to be dependent on aid inflows for the foreseeable future, for which donor coordination will continue to be important for some time to come. Conflict-affected countries[9] are not included, as their needs and institutional capacities tend to be quite different from those of other countries. Altogether there are 22 such low-income and IDA-dependent countries that are not conflict-affected (Appendix D).

EVALUATION TOOLS

IEG's findings rest on the following sets of evidence.

1. **Reviews of nine countries of the extent to which the Bank undertook H&A activities and the effects of such activities on achieving the three objectives of H&A**. The reviews entailed

desk reviews of the Bank's portfolio and structured interviews (including in the field) with government and donor officials, and Bank staff and management working on those countries. The 9 countries are selected randomly from the 22 countries covered by the evaluation. Seven of the nine countries are in Africa (Benin, Ethiopia, Ghana, Kenya, Malawi, Mali, and Uganda), one in East Asia (Lao People's Democratic Republic), and one in South Asia (Nepal). The geographic distribution of these 9 countries reflects the geographic distribution of the 22 countries that the evaluation covers. The country reviews, undertaken in mid-2010, sought the views (with quantitative ratings) of the different stakeholders on the extent to which the Bank undertook various H&A actions, the extent to which these actions have achieved the three H&A objectives, and what the Bank can do to better achieve the H&A objectives.

In total, 151 Bank managers and staff, 100 government officials, and 124 donor officials were interviewed in the course of the country reviews. Appendix E provides the numbers by country.

2. **Electronic surveys of Bank task team leaders** of loans, economic and sector work (ESW), and nonlending technical assistance for the 13 countries that were not covered by the country reviews. The surveys were administered during late 2010/early 2011.

   Responses were received from 43 task team leaders on 39 of the 47 loans approved during FY05–09 in the 3 sectors, an 83 percent coverage of the loans. Across the sectors, the coverage was 82 percent for education, 76 percent for HNP, and 92 percent for transport. Responses were received on 12 of 49 ESW tasks and 9 of 37 technical assistance tasks, representing a 24 percent coverage for both tasks across the three sectors. Appendix E provides the detailed numbers.

3. **Electronic surveys of government and donor officials** for the 13 countries that were not covered by the country reviews. The surveys were administered during late 2010/early 2011.

   The number of responses by country and sector are presented in Appendix E. Responses were received from 147 donor officials (heads of agencies and sector representatives) from 30 agencies working on the 13 countries. Responses were received from 30 government officials (donor coordinators and sector representatives) from 12 of the 13 countries. No responses were received from any government officials from Tajikistan.

4. **Review of project appraisal documents** of the loans approved in the 3 sectors in the 22 countries for various H&A characteristics, including financing arrangements, project implementation arrangements, and financial management arrangements.

Altogether, for the 22 countries and 3 sectors, a total of 595 stakeholders were either interviewed or surveyed, comprising 194 Bank managers and staff, 130 government officials, and 271 donor officials.

Chapter 2
Aid Flows to Low-Income Countries

This chapter first presents the motivation behind the evaluation, that is, the reasons why donor coordination—and the role of IDA in this—is important in low-income countries. There are three reasons: aid plays an important role in these countries; aid fragmentation is a serious issue in these countries; and IDA is an important donor and—de facto and otherwise—plays a key role in coordinating donors in these countries.

The chapter will discuss these issues first at the overall level, then at the sectoral level, focusing on the three sectors selected for the evaluation—education, HNP, and transport. The chapter then turns to the emerging role of "nontraditional" donors in these countries—that is, donors that are not bilateral donors that belong to OECD-DAC (DAC donors) or multilaterals—and the added complexity such donors bring to the existing donor coordination agenda.

Evaluation Essentials

- Aid plays an important role in low-income countries, aid fragmentation is a serious issue confronting these countries, and IDA plays an important role coordinating aid to these countries.
- Aid fragmentation appears to have worsened in these countries, as reflected in the increase in the number of donors, an escalation in the number of projects, and a decrease in the average size of the projects.
- Aggravating the phenomenon of aid fragmentation among "traditional" (DAC bilateral and multilateral) donors is the rising presence of new partners in the aid arena—non-DAC donors, private foundations, global and regional programs, and others—which typically do not participate in the established aid and donor coordination mechanisms.

Role of Aid in Low-Income Countries

Aid typically plays an important role in low-income countries. For all 22 countries combined, aid (from DAC donors and multilaterals) was around 8 percent of gross domestic product (GDP) during 2005–08.[10] For some countries in the group (Malawi and Sierra Leone), aid was as high as a quarter of GDP or more during that period (Table 2).

Both bilateral and multilateral donors play an important role in these countries, although in the aggregate bilateral donors provide more aid to the countries than multilateral donors. During 2005–08, bilateral donors contributed 55 percent of total aid flows to the 22 countries, and multilaterals contributed 45 percent (Appendix F). Just slightly more than half (12 of 22) of the countries received more bilateral than multilateral aid during that period.

AID FRAGMENTATION

Aid fragmentation is often referred to as "too little aid from too many donors" (OECD 2009). It is an issue for recipient countries because of the high transaction costs compared to the benefits entailed in having to deal with many donors, each of which may provide only small amounts of aid.

Aid fragmentation has worsened for low-income countries during the 2001–08 period.

The same OECD study cited above indicated that aid fragmentation is worsening for low-income countries. This appears to be the case for the 22 countries covered by this evaluation. Aid as a share of GDP fell from 10 to 8 percent between 2001–04 and 2005–08 in these countries, yet at the same time the average number of donors rose (from 35 to 38) and the number of projects proliferated (from 474 to 765), although the average project size fell (Table 2 and Appendix Table F.9). In other words, although the countries were receiving a smaller amount of aid (relative to the size of their economies) than before, they had to deal with a larger number of donors and a greater number of projects, each of which provided a smaller amount of support than before. This implies increasing strain on the capacity of the recipient countries. This burden is further exacerbated by the lower levels of capacity of these countries (given their relatively lower incomes).

The problem is exacerbated by the many donors that contributed only very small shares of total inflows.

Further exacerbating the burden on the recipient countries is the fact that many of the donors contributed only very small shares of total aid inflows into those countries. During 2005–08, more than half of the donors (average of 23 of 38) contributed less than 1 percent of aid flows to the recipient countries (Appendix F).

IDA is typically among the largest donors in the 22 low-income countries covered by the evaluation.

ROLE OF IDA IN LOW-INCOME COUNTRIES

IDA is typically one of the largest donors in these countries. On average, during 2005–08, IDA ranked as the largest aid provider among DAC donors and agencies (Table 2). This means that, by default, IDA plays an important role as an aid provider and hence also in coordinating donors in providing aid. This issue is addressed in more detail in Chapter 3.

Table 2. Selected Key Aid Characteristics of the 22 Low-Income Countries

Country	*Aid as percent of GDP (%)*		*Share of IDA in total aid (%)*		*Rank of IDA*		*Total number of donors*		*Number of bilateral donors*		*Number of multilateral donors*	
	2001–04	**2005–08**	**2001–04**	**2005–08**	**2001–04**	**2005–08**	**2001–04**	**2005–08**	**2001–04**	**2005–08**	**2001–04**	**2005–08**
Bangladesh	4	4	25.3	29.0	1	1	36	37	22	22	14	15
Benin	11	12	12.7	10.9	2	4	34	38	21	20	13	18
Burkina Faso	16	13	22.0	17.6	1	2	32	38	19	20	13	18
Central African Republic	8	15	4.6	10.8	6	3	25	33	16	19	9	14
Ethiopia	20	15	22.5	21.2	1	2	38	40	23	23	15	17
Gambia, The	18	13	16.2	13.7	2	2	32	37	17	20	15	17
Ghana	21	8	19.8	12.5	1	3	39	40	22	23	17	17
Kenya	6	7	16.9	11.3	1	2	39	40	23	23	16	17
Lao PDR	15	10	12.3	10.2	3	3	35	33	21	19	14	14
Madagascar	16	16	28.1	14.8	1	2	34	38	20	20	14	18
Malawi	20	24	17.4	10.2	1	4	34	40	22	22	12	18
Mali	14	16	12.0	12.1	3	4	36	40	21	22	15	18
Mauritania	27	12	16.2	8.4	2	5	35	35	20	19	15	16
Nepal	9	7	18.9	20.5	1	1	37	37	22	23	15	14
Niger	18	15	18.5	12.0	2	3	32	39	19	22	13	17
Senegal	11	10	13.3	9.3	2	3	38	40	21	22	17	18
Sierra Leone	44	28	14.1	8.1	2	4	35	41	22	23	13	18
Tajikistan	17	9	13.5	10.7	2	4	33	36	19	21	14	15
Tanzania	16	16	22.3	18.6	1	1	38	40	22	22	16	18
Uganda	18	15	31.7	14.5	1	3	39	40	22	22	17	18
Vietnam	7	6	25.1	21.7	2	3	38	39	23	23	15	16
Yemen, Rep. of	5	2	24.8	16.6	2	2	31	35	17	20	14	15
All countries	**10**	**8**	**21.7**	**17.2**	**1**	**1**	**35**	**38**	**21**	**21**	**14**	**17**

Source: IEG, based on Project-Level Aid.

Aid to Education, HNP, and Transport Sectors

The three sectors examined accounted for about a third of all aid provided by DAC donors and multilaterals and a quarter of IDA aid.

The three sectors IEG focuses on in this evaluation—education, HNP, and transport—are important for several reasons. First, four of the eight MDGs pertain to two of these sectors.[11] Second, infrastructure is a key ingredient for growth, and is also important for improving the ability to deliver public and private services that advance the MDGs. Third, these three sectors (World Bank 2006a) are the main sectors in which sectorwide approaches (SWAps)—reflecting the highest level of coordination at the sector level—have been adopted.

During 2005–08, for the 22 countries concerned, the 3 sectors together received around one-third of all aid provided by DAC donors and multilaterals, and nearly one-quarter of IDA aid (Table 3). IDA played an important role in the 3 sectors, contributing nearly 40 percent of all the aid.

Table 3. Share of Total Aid and IDA Aid to the 22 Low-Income Countries by Sector, 2005–08

	Education (%)	*HNP (%)*	*Transport (%)*	*All three sectors (%)*
Share of total aid	7	13	12	32
Share of IDA aid	7	6	10	23
IDA share of total aid	15	9	15	39

Source: IEG, based on data from Project-Level Aid and from the Bank's administrative database.
Note: For country-level information underlying this table, see Appendix F. HNP = health, nutrition, and population; IDA = International Development Association.

HNP received the lowest share of IDA aid (6 percent), compared with education (7 percent) and transport (10 percent). IDA's role in the health sector is also the least important of the 3 sectors, with IDA contributing only 9 percent of total aid to that sector, compared with 15 percent each to education and transport. These numbers seem to be consistent with a finding from the country reviews that in at least two of the nine countries reviewed (Malawi and Mali), IDA has withdrawn from providing direct support to HNP, although in the case of both these countries IDA continues to support the health sector through the poverty reduction support credits (see Chapter 3); in Malawi there is an existing credit (approved in FY04) that is still being implemented. Transport received the largest share of IDA aid of the three sectors because of the typically larger size of transport operations.[12]

BILATERAL AND MULTILATERAL AID

The composition of aid flows to the three sectors is much less balanced than that for overall flows, with bilateral donors contributing much more to education and HNP than multilaterals, and the reverse for transport (Table 4). In particular, during 2005–08, bilateral donors contributed to three-quarters of the aid flows to the education sector, 63 percent of that to HNP, but only 39 percent of that to transport.

In line with overall flows, multilaterals provided more aid per donor than bilateral donors for all three sectors, but only slightly more in the case of HNP, and substantially more in the case of transport (Table 4). The latter finding is perhaps not surprising, given the generally larger size of transport operations and the greater financial resources of multilateral institutions.

Table 4. Bilateral and Multilateral Aid to the 22 Low-Income Countries, by Sector, 2005–08

	Education	*HNP*	*Transport*
SHARES OF TOTAL AID FROM			
Bilateral donors (%)	75	63	39
Multilateral donors (%)	25	37	61
AID PER DONOR			
Bilateral donors ($ millions)	15	26	34
Multilateral donors ($ millions)	25	27	105

Source: IEG, based on data from Project-Level Aid.
Note: For country-level information underlying this table, see Appendix F. HNP = health, nutrition, and population.

AID FRAGMENTATION

Fewer donors were involved in transport than in the other sectors.

The degree of aid fragmentation varied quite significantly across the three sectors during 2005–08. There were, on average, significantly fewer donors active in the transport sector (10), double that number in education (20), and even more in health (24). Transport projects were also generally much larger than those in education and health (see Appendix F). Because of the smaller number of donors in the transport sector, coordination in that sector is easier than for HNP, where there is a substantially larger number of donors—this is discussed in more depth in Chapter 4.

Table 5. Average Number of Donors by Sector in the 22 Low-Income Countries, 2005–08

Sector	*Average number of donors*			*Average number of donors contributing less than 1 percent of aid to sector*		
	ALL	BILATERAL	MULTILATERAL	ALL	BILATERAL	MULTILATERAL
Education	20	16	3	9	8	1
HNP	24	15	9	12	9	3
Transport	10	6	3	4	4	0

Source: IEG, based on data from Project-Level Aid.
Note: For country-level information underlying this table, see Appendix F. HNP = health, nutrition, and population.

As is the case with overall flows, aid fragmentation in each of the three sectors was also exacerbated by the large number of donors that contributed small amounts of aid. Approximately half the donors present in each sector contributed less than 1 percent of aid to the sector—9 of 20 donors in education, 12 of 24 in HNP, and 6 of 10 in transport during 2005–08 (Table 5). More bilateral than multilateral donors contributed less than 1 percent of aid for each of the three sectors. No multilaterals contributed less than 1 percent in the transport sector.

Aid fragmentation had worsened for education and HNP, as reflected in the increasing number of projects between 2001–04 and 2005–08; at the same time, the median size of projects had declined. This was not the case for transport, however, where the average number of projects remained more or less the same, but the size of projects increased substantially (see Appendix F).

Non-DAC Donors and Other Partners

The international aid architecture has long revolved around bilateral DAC donors and multilateral organizations. The aid data presented hitherto in this chapter refer to the aid from these DAC donors and multilaterals. In recent years, other partners have played an increasing role in providing finance to low-income countries. These include non-DAC countries, private foundations, global and regional programs, and so on. Their rising importance in the global aid scene has been such that broadening partnership engagement to include them is one of the focuses of the Accra Agenda for Action (World Bank 2009e, p. 3).

Many non-DAC donors and other partners are signatories to the Paris Declaration but do not participate in the established donor and aid coordination architecture.

Many of these non-DAC donors and partners do not participate in the donor and aid coordination architecture that is in place in the countries reviewed. As a result, the already complicated H&A agenda in these countries is rendered even more complicated. Exacerbating matters is the paucity of systematic information on the activities of these partners.

NON-DAC DONORS

The country reviews undertaken for this evaluation found increasing presence of non-DAC donors in all the nine countries covered. However, there is as yet no systematic information on the nature and amounts of aid flows from non-DAC countries to low-income countries, although efforts to compile such information are ongoing. OECD-DAC began reporting aid flows from non-DAC countries for 2009 in its credit reporting system, although that information is far from complete. Another effort dating farther back is Project-Level Aid, based in the College of William and Mary in the United States, which has started collecting such information since 2003. However, this information is also not complete, as a review of the Project-Level

Aid database by the IEG team for this evaluation found that many non-DAC donors active in the nine countries reviewed were not included in the database. Hence, the discussion on non-DAC donors for this evaluation will be based only on findings from the country reviews.

Of the non-DAC donors, China stands out as the only one that is active in virtually all three selected sectors in all nine countries (Table 6). Further, China stands out in being most often cited as (among) the most important donors in terms of size of support. India comes in second, being active in seven of the nine countries reviewed.

Although China and India are active across different regions, the other non-DAC donors appear to be more regionally focused in their activities. Brazil, for example, the third most active non-DAC donor in the nine countries reviewed, is providing support to the countries reviewed in Africa but not those in the other Regions.

Table 6. Non-DAC Donors Active in the Countries Reviewed

	Benin	Ethiopia	Ghana	Kenya	Lao PDR	Malawi	Mali	Nepal	Uganda
Brazil		✓	✓			✓	✓		
China	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cuba							✓		
India		✓	✓	✓		✓	✓	✓	✓
Kuwait (Kuwait Fund)		✓	✓			✓			
Libya							✓		
Philippines		✓							
Saudi Arabia		✓	✓						
Singapore					✓				
Thailand					✓				
Turkey		✓							
Vietnam					✓				

Source: IEG, based on interviews with government and donor officials in the nine countries reviewed.

Region specificity also applies to recipient countries, with countries receiving support from other countries or institutions within their own Regions. Lao PDR, for example, receives support from non-DAC countries in East Asia (Singapore, Thailand, and Vietnam), and Nepal is receiving support from China and India, both neighbors.

Anecdotal information from the country reviews indicates that in some countries, the magnitude of support from non-DAC donors far exceeds that from DAC donors. This was cited by some development partners as the case in Ethiopia (although no information is available on total amounts). In Nepal, estimates of India's commitment range from \$100 million to \$200 million, for developing roads along the border between the two countries; in comparison, among major donors, only the Asian Development Bank, IDA, the United Kingdom, and Japan have commitments in excess of \$20 million during 2009–12.

In contrast, although non-DAC donors are gaining importance in Uganda, they are yet to be a major force there.

The country reviews that IEG conducted for this evaluation provide some information on the specific forms and amounts of support from these donors (see Appendix G). China provides its support mostly in the form of construction (schools, hospitals, and roads) and technical assistance (scholarships to Ethiopian students to study in China and medical teams for hospitals). India also provides its support in terms of construction and provision of scholarships, although in fewer countries than China.

Non-DAC countries are interested in low-income countries for both strategic and commercial reasons (perhaps not unlike some DAC countries). For example, the interest of China and India in Nepal is certainly—at least in part—strategic, given that both countries border Nepal. China's strategic interest in Ethiopia is also manifested in the provision of Chinese teachers and Chinese language lessons to the technical and vocational education and training institutes it has built in that country. China is also interested in low-income countries for commercial reasons. For example, of the $100 million soft loan it provided to Uganda for transport equipment, 60 percent is earmarked for equipment procured directly from China. In Ethiopia, most of the successful bidders of contracts for road construction financed by soft loans from China were Chinese companies.

PRIVATE FOUNDATIONS AND OTHER PARTNERS

Private foundations are also playing an increasingly important role in providing financial support to low-income countries. Of the three sectors covered by this evaluation, they are much more prevalent in HNP. For example, the Clinton and Gates Foundations are providing support to HNP in several of the countries reviewed. The nature and extent of involvement of these foundations in the countries reviewed is even less clear than that of non-DAC countries, and efforts to collect information on them are even further behind those for non-DAC countries. OECD-DAC now includes one entry for private foundations in its credit reporting system (the Gates Foundation), although no data have yet been reported for that entry.

Aside from private foundations, other programs are also providing funding to HNP in these countries, including the Global Alliance for Vaccines and Immunization (GAVI); the Global Fund to Fight Aids, Tuberculosis and Malaria; and the United States President's Emergency Plan for AIDS Relief. The availability of information on these programs is mixed.

Several Middle-Eastern institutions are also providing support to the countries reviewed in the Africa Region; these include the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Islamic Development Bank, and the OPEC Fund.

COMPLICATIONS IN COORDINATION

Non-DAC donors and many of the other partners typically do not participate in the regular donor/aid coordination structures in low-income countries (see Chapter 3) for at least three reasons. *First*, some of them are not interested in governance and political issues that are important for bilateral donors in some of these countries. *Second*, non-DAC donors also typically do not have the capacity—staff—to attend the donor coordination meetings, and some of them do not have representation on the ground. *Third*, some have separate coordination mechanisms in some of the countries, such as the Country Coordinating Mechanisms of the Global Fund (see Chapter 4).

The reluctance of non-DAC donors and other partners to participate in regular donor forums complicates donor coordination.

The low-level presence of non-DAC donors in the regular donor forums complicates donor coordination in these countries. *First*, as mentioned, there is little information on their activities, and what information that can be gathered in some of these countries comes from the media. Hence, it is more difficult for other development partners to assess where there are gaps in financing and where there are overlaps. *Second*, non-DAC funding is often not channeled through government budgets, which is also the case with some DAC donors. In Malawi, for example, non-DAC donors operate outside the SWAp and provide alternative funding for projects outside the government's health plans.

Third, related to the second point, non-DAC donor activities complicate the government's budget because they often engage in capital investments but do not usually take into account recurrent costs arising from these investments that would need to be absorbed by the government budget. This, in turn, complicates sector expenditures plans that are important for sector-level coordination.

Fourth, non-DAC donors could complicate the other development partners' policy dialogue with the government. In Uganda, for example, there are concerns among other development partners that the soft loans for transport equipment from a non-DAC donor will support the re-establishment of "force-account" (local governments performing road maintenance instead of contracting the private sector), the abolishment of which has been part of the policy dialogue in the transport sector for a number of years already. There are additional concerns that funds may be wasted, as local people will not be able to operate machinery or to repair it when it breaks down. Also, non-

DAC donors do not always share the other development partners' concerns for environmental or social safeguards, transparency, and governance.

DAC donors generally agree that it is important to coordinate with non-DAC donors, but many governments are not interested in having non-DAC donors participate in coordination forums.

DAC donors generally think it is important to coordinate with non-DAC donors, although many governments are not very interested in having non-DAC donors participate in the regular coordination forums, for several reasons. First is the same reason that sometimes governments are also not that keen to have DAC donors coordinate among themselves—to have *more options*. In Malawi, a former government official indicated that non-DAC donors afford a way for governments to manage the risk of collusion among the "traditional" donors.

Second, non-DAC donors are much *less demanding in terms of conditions* of financial support, including conditions on governance and human rights (Ethiopia, Malawi, Uganda), as well as safeguards (environmental or social). The same former government official in Malawi indicated that non-DAC donors are important because they "respect national ownership." In Kenya, a senior government official indicated that the government was grateful to China for support without conditionality.

Third, dealing with non-DAC donors entails *much lower transaction costs and much higher efficiency*. In Nepal, for example, China and India typically provide turnkey projects for which, after agreement with the government, there is no further government involvement until the project is complete. In Malawi, the same former government official indicated that "…some governments would not survive if there was no China, since it takes so long to build a road with western aid."

For all these reasons, some governments view non-DAC donors as the way forward for them. In Malawi, in a recent budget speech, the President praised at length the cooperation with China and Brazil, but mentioned only one sentence on all the other development partners. In Ethiopia, the Prime Minister recently reportedly told the head of the European Union (EU) that in 20 years' time, Ethiopia will no longer be talking to the EU.

The rising presence of non-DAC donors is raising concerns among traditional donors that they could be losing leverage. In Ghana, for example, this concern has been heightened by the fact that the country is to become an oil producer shortly and may need less financing in the future.

Chapter 3
Overall Coordination, Joint Strategies, and Selectivity

Evaluation Essentials

- Effective coordination does not depend on the coordination structure so much as on government ownership and leadership.
- Coordination structures that evolve out of necessity work better than those that are established because of mandates.
- A large number of donors reduces the effectiveness of coordination.
- The Country Assistance Strategies of all nine countries reviewed were found to be aligned with the national poverty reduction strategies.
- The experience of joint strategies has indicated that the high transaction costs involved for all (the Bank, other development partners, and the government) are not worth the costs, whereas a coordinated approach is a good alternative.
- Limited progress has been made on selectivity, but progress is constrained by governments and other development partners that do not want the Bank to be more selective because of the expertise and fiduciary oversight the Bank brings.
- Selectivity among other donors is often constrained by mandates from their headquarters.

This chapter first presents findings on overall coordination structures in the nine countries reviewed. It then discusses findings on joint/coordinated strategies and the related issues of selectivity, both of which support the harmonization principle under the Paris Declaration and are aimed at reducing the fragmentation of aid. Findings on joint/coordinated strategies and selectivity are based on the 9 country reviews, supplemented by survey responses from the 13 countries also covered by this evaluation.

Overall Coordination Structure

Formal coordination structures exist in the majority of the countries reviewed. Of the nine countries reviewed, six have formal coordination structures of varying degrees of complexity, and three (Benin, Malawi, and Nepal) have informal ones (see Appendix H).

There are two main types of coordination structures. One consists of heads of missions (including ambassadors and sometimes also heads of agencies), and the other consists of heads of cooperation (this typically includes only heads of agencies and not generally ambassadors). The basic distinction between the two is that the former generally deals more with political issues and the latter with development issues. In around half of the countries reviewed, these two groups are combined into one. Even in countries where the two separate groups exist, development partner representatives could be members of both groups, either because of interest or because of capacity constraints.

Where coordination structures are formal, they typically have a terms of reference that guides their functioning, a secretariat, as well as regular meetings with agendas and minutes. Where such structures are informal, there are typically no secretariats, and the meetings are generally—though not always—irregular.

The complexity of the coordination structures varies. Kenya and Uganda have the most elaborate and sophisticated aid and donor coordination structures of the nine countries, where under the apex heads of missions/agencies groups are parallel donor and government thematic/sector groups (16 each in the case of Uganda and 24 each in the case of Kenya). The other countries have less elaborate structures. Although they also have thematic/sector working groups, these groups are typically combined government/donor groups rather than separate groups. In other words, for these countries, the donor coordination and aid coordination structures overlap and are practically indistinguishable.

The following findings regarding overall coordination structures have emerged from IEG's in-depth review of the nine countries.

Coordination structure by itself does not determine how well coordination works.

First, ***the coordination structure by itself does not determine how well coordination functions.*** The elaborate and sophisticated aid and donor coordination structure has worked reasonably well in Uganda (although it appears that after the initial period from 1997–2005 of well-functioning donor coordination, donor fatigue has set in, with complaints of too many donors and too many meetings), but it has not always worked equally well in other countries. In Lao PDR, for example, although there is also an elaborate aid and donor coordination structure through round-table meetings, sector working groups (SWGs), and joint annual portfolio reviews, the widespread perception among other development partners is that it is not working very well because of the lack of government leadership (see next paragraph). Also in Nepal, although an aid architecture exists, it does not function effectively because political instability prevents a consensus on the poverty reduction strategy.

Government ownership is key for coordination to be effective.

Second, ***government ownership/leadership is key for aid coordination to work.*** This is illustrated by several examples from the country reviews in addition to that of the Lao PDR one in the previous paragraph. In Uganda, weak leadership by the Ministry of Health is perceived to have resulted in weak aid coordination, as manifested in uncoordinated technical assistance, with too many technical assistance projects in too many areas, and with the government approaching each donor agency individually and development partners not coordinating among themselves. In Malawi, despite the existence since 2007 of a Malawi Development Assistance Strategy (DAS), which aims to put in practice the five principles of the Paris Declaration, there has been very limited implementation of the DAS to date because there is no champion in the government (no commitment to coordination at the top). The importance of government ownership and leadership for the effectiveness of coordination structures was also found in a recent Bank review based on a survey of Bank staff (World Bank 2011a).

Third, ***coordination structures that have evolved out of necessity work better than those that are mandated.*** Malawi provides a clear illustration, with much of what has been envisioned in the Malawi DAS yet to materialize. This includes the twice-yearly High-Level Forums on Aid Coordination, which have yet to occur, and the SWGs, which have yet to be established in most sectors. Although the DAS originally envisioned eight SWGs, with the number being raised to 16 by the government, as of March 2010, sector reviews for FY09–10 (ending June 2010) had taken place in only three.

There has also been no progress in establishing the Intra-Government Coordinating Group, nor have annual reviews of the Malawi Growth and Development Strategy taken place. Basically, what has turned out to be the actual donor coordinating structure on the ground is significantly different from what was envisioned in the DAS, comprising many informal and formal coordinating mechanisms that have emerged over time. In fact, what has turned out to be the most important coordinating structure is the Common Approach to Budget Support Group, a group of donors that pool balance of payments resources to the government. Also, the SWGs that are well established are those where a SWAp is in place, whereas they are yet to be established in other sectors.

Where there is joint budget support, the coordinating mechanisms that evolve around such support have turned out to be the most important ones.

Fourth, in countries where there is joint budget support, ***the coordinating mechanisms that evolve around such support have turned out to be the most important ones.*** Malawi provides one example. Uganda provides another. In that country, the recently established Joint Budget Support Framework has become the most important forum for policy dialogue between development partners and the government, overshadowing the apex development partner group (the Local Development Partners' Group). Similarly in Ghana, the multidonor budget support process has overshadowed the Heads of Cooperation Group, because the former has a mandate (a framework memorandum) and the tools (performance assessment framework and budget support) to move the policy dialogue forward with the government. In other words, "money talks," which is also why the Ethiopian government favors the lead of multidonor programs over the lead of the working groups for policy dialogue.

Fifth, for coordination to work well, ***the structure of coordination does not matter as much as the number of donors per sector***. The experiences of two of the sectors—health and transport—that IEG focuses on in this evaluation illustrate this point very well. The health sector tends to have formal coordinating mechanisms, but because there are many varied sources of funding, there are also many such mechanisms. The result is that there is typically more than one formal coordinating mechanism operating in the sector in the countries reviewed. Additionally, there are also sources of funding that are not coordinated with any of the formal mechanisms at all. Hence, coordination in the health sector is generally complicated and transaction costs are heavy (see Chapter 4 also). The transport sector, in contrast, generally has far fewer donors than the health sector (because the financing needs are greater and hence attract fewer donors with the financial means) and SWAps (the highest level of formal coordination at the sector level—see next chapter) are much less prevalent than in the health sector. Yet, because of the lower number of donors and large unmet needs, there is typically little duplication of support in this sector as well as good coordination.

Joint/Coordinated Strategies

Aligning Country Assistance Strategies (CASs) with countries' poverty reduction strategies and harmonizing them with strategies of other donors (either through joint or coordinated strategies) are two of the H&A actions to which the Bank has committed itself (see Figure 2 and Appendix C). For all nine countries reviewed, IEG found the CASs to be aligned with the respective poverty reduction strategies.

With respect to harmonization of strategies with other donors, of the nine countries reviewed in depth, three have joint assistance strategies (Ghana, Kenya, and Uganda), and the other six have country strategies that have been coordinated with other development partners to varying degrees.[13] Even the three strategies were "joint" to different extents.

The Uganda Joint Assistance Strategy (UJAS), the first of the three to be undertaken (and among the first in the Bank), was probably joint to the greatest extent, in the sense that the document itself (jointly written by six development partners, including the Bank) was approved by the Board as the Bank's CAS. For the Ghana Joint Assistance Strategy (GJAS), the Bank produced a separate CAS, although it also participated in the production of a joint assistance strategy (with 15 other development partners), which was issued as part one of the CAS when the latter was sent to the Bank's Board for approval. The Kenya case is yet a different model, whereby the Bank did a standalone CAS, which was approved by the Board, in addition to which the Bank also played a prominent role in the development of the Kenya Joint Assistant Strategy (KJAS), which involved 17 donors. The KJAS itself was not approved by the Bank's Board.

The transaction costs of joint strategies were very high, and it is not clear that the benefits were worth the costs.

The experiences of the three countries that have joint strategies indicate that the transaction costs involved in undertaking joint strategies (no matter which model) were very high. It is also not clear that the benefits of having a joint strategy were worth the costs. The costs were high not just for the Bank, but for all the other parties involved—the other development partners and the governments—as well.

The experience of the UJAS (2005–09) is particularly illustrative. According to Bank staff interviewed for the evaluation, the UJAS took 18 months to prepare, compared with an average of 6 months for non-joint CASs. The long time taken was due, in part, to difficulties in getting agreement on a results matrix and in defining indicators. There were also considerable costs to other development partners and to the government. Ten development partner staff were involved, with some partners taking responsibility for certain sectors. The process also required the involvement of government staff with expertise, which was very costly to the government.

Shortly after the UJAS was approved, however, the government issued the Party Manifesto, which became the main planning document and which made the Poverty Eradication Action Plan (Uganda's poverty reduction strategy paper) irrelevant and, by extension, the UJAS as well. Also, the UJAS was considered to be too rigid for the government.

A review of the UJAS (Evans and Ssentongo 2009) concluded that it had neither reduced transaction costs nor been an effective operational tool during implementation. Because of the poor experience of the UJAS, development partners in Uganda have decided to focus on developing effective on-the-ground coordinating mechanisms such as basket funds, SWAps, and the joint budget support framework, rather than joint strategic documents. Tellingly, the CAS that came next, the 2011–15 CAS, is not joint, although it was coordinated with development partners through the existing aid coordination architecture.

The GJAS (2007–10) was very costly to the Bank in terms of time and resources, and according to the Mid-Term Review of the GJAS (Cox and MacCarthy 2009), the results have been mixed. Although there has been progress against many of the individual commitments made in the document, the GJAS has not led to "…the harmonized and efficient dialogue with the Government in all aspects of development cooperation" (Cox and MacCarthy 2009).

The KJAS (2007–12) was intended as a framework for coordinating individual strategies to be issued separately by each of the KJAS signatories. Some development partners and Bank staff were skeptical about the benefits of the KJAS. One partner considered that it was inconsequential, as development partners continued to produce their own separate strategies. The process was also very time consuming—it took around 18 months from concept to launch, and the current effort to update the KJAS has been ongoing for approximately 2 years.

An important reason for the lack of effectiveness of joint strategies was the lack of government leadership.

In all three cases, the lack of government leadership has been one important reason for the lack of effectiveness. In Uganda, some development partners indicated that what is needed is government leadership to get partners to harmonize and review strategies without having joint documents. In Ghana, weak government leadership, together with high turnover of staff among development partners, contributed to the mixed results. In Kenya, the view was that the KJAS may be a useful document for the government, as it provides more clarity on what the donors are contributing; however, the government has not exercised enough leadership to make the product effective.

The less-than-stellar experiences of these three joint CASs is consistent with the Bank's finding in its most recent CAS Retrospective, in which the Bank stated that "…These strategies have proven difficult to implement jointly…" (World Bank 2009c, p. v).

The other six countries reviewed in depth in this evaluation did not have joint CASs. One of the main reasons for this was that the benefits of having a joint CAS were considered not worth the cost. In Malawi, the general consensus among the development partners was that it was "too much work." The view of a Bank staff member was that "having a fully joint document gets 80 percent more work but only 10 percent more value" because development partners were already aligned under the Malawi Growth and Development Strategy. The value added of a joint CAS was questionable, because everything was already done in coordination with other donors and there was coordination at the programming level as well.

Similarly in Ethiopia, the Bank's view was that, given the close relationship between the Bank and other development partners through the various coordination and working groups, the Bank and other partners already knew what each other was doing, and there was no need for a joint strategy. In Nepal, the Bank's view was that dovetailing programs was more important than producing a joint document.

Aside from high cost and low benefits and ineffectiveness, other reasons were also cited for not pursuing joint CASs. A prominent reason was different programming cycles among agencies (Nepal) and different agency functions, priorities, and corporate requirements (Ethiopia and Malawi). Some development partners indicated that they even had difficulties having joint strategies within their own organizations (the EU, United Nations Development Program, and Kreditanstalt für Wiederaufbau) and that such problems would be compounded if they were to have joint strategies with other agencies as well.

Yet another reason cited by a few development partners was that they would not want joint CASs with the Bank because the Bank lacks a mandate on the political governance aspect of development. In Malawi, the lack of a clear policy framework on the part of the government was cited as another reason—that is, the government would need to know what it wanted before there could be a joint CAS. Similarly in Nepal, although the government and development partners are interested in improving selectivity and division of labor (the main objective of a joint CAS), progress is difficult because of the absence of a government poverty reduction strategy.

Development of individual strategies in close coordination with other partners has been effective in some countries where joint strategies were considered not worth the effort.

In lieu of joint CASs, other arrangements have been used that are considered to be effective. In Ethiopia, development partners chose—as the preferred option—development of individual strategies (in particular at the sector level) in close coordination with other partners. In Mali, there was not much interest from the government in a joint CAS, although the idea of a common broader framework appealed to leaders of aid agencies such that in 2007 and 2008, the Bank and several bilateral agencies developed the concept and prepared the draft of a Shared Strategy for Assistance to the Country, which was signed by the government in December 2009. In the case of the more recent CAS for Uganda, the task team leader held one meeting with the development partners and obtained written feedback as part of the consultation process.

Bank staff and other development partners were generally not positive about joint CASs because of the high transaction costs, but the views among the governments were more mixed. Some government officials (Benin and Malawi) favored a joint CAS, because that would help reduce transaction costs for them through joint evaluations and joint missions. At the same time, other governments were not very interested in joint CASs, as they preferred to have options, which would be undermined if donors coordinated in a joint strategy.

In sum, the review of the nine countries undertaken for this evaluation did not find strong evidence in favor of joint CASs. In fact, Uganda, which had an assistance strategy that was joint with donors to the greatest extent compared with the other joint strategies reviewed, the approach of the Bank team for the most recent CAS seemed to have reverted back to that of an earlier era, before coordination was emphasized. This would certainly be the least costly, given that in Malawi the preparation of a CAS that was not joint but coordinated was also costly, involving 40–50 staff members, field retreats, and between 5 and 10 field missions.

Selectivity

The main objective of having a joint CAS is to have better division of labor among donors in the provision of support to partner countries, and hence to reduce the fragmentation of aid and enhance aid effectiveness. Division of labor—or complementarity—is one of the elements under the harmonization principle of the Paris Declaration. In this regard, the Bank has committed itself to improving selectivity in its provision of support to partner countries through the CAS process (see Appendix C).

At the most basic level, one measure of donor selectivity is the extent of donor presence in sectors through investment lending support (or projects), excluding development policy loans, because it is transaction costs entailed in the former that are of concern to governments. Using this measure (that is, counting only investment operations), the Bank was actively providing lending support[14] to many of the sectors in many of the 22 countries, although not to all the sectors in all the countries (see Appendix I). However, this is only one measure and does not reflect the principle of comparative advantage, which should be the basis for selectivity, but which is also very difficult to determine and implement given the political economy of aid, as will be discussed later in this chapter.

DEVELOPMENTS IN SELECTIVITY IN THE NINE COUNTRIES REVIEWED

The review of the nine countries undertaken for this evaluation finds that the Bank and other development partners have made some progress in selectivity, but, by and large, the general perception is that more needs to be done in all the countries. Overall, more progress has been made on this front by other development partners than by the Bank.

Country reviews found examples of development partners becoming more selective in five of the nine countries.

Specifically, the country reviews found examples of other development partners becoming more selective in five of the countries: Ethiopia, Ghana, Kenya, Malawi, and Mali. The EU and member states have become more selective in Ghana and have reasonable division of labor among themselves in Lao PDR, Malawi, and Nepal. Denmark has limited its areas of involvement in Ghana and Kenya; Spain has done the same in Ethiopia and Mali; the UK Department for International Development (DFID) and the Swedish International Development Cooperation Agency in Kenya; the Canadian International Development Agency in Ethiopia; and France in Mali.

It appears that in some instances, aid agencies are becoming more specialized because of shrinking administrative budgets. The Danish International Development Agency has reported cost savings as a result of pulling out of two sectors in Kenya. Similarly, for budget reasons, DFID is planning to maintain involvement in some sectors as a "silent" partner in Kenya. (A "silent" partner—a term used in the EU's division of labor exercise—refers to a donor that delegates authority to another donor to act on its behalf in terms of administration of funds and/or sector policy dialogue toward the partner government.)

The Bank has become more selective in two of the nine countries reviewed, and plans to do so in a third.

Of the nine countries reviewed, the Bank has become more selective by withdrawing from some sectors in two and has plans for doing so in a third. In Malawi, the Bank has decided to reduce its involvement in transport (as the EU has significant human and financial resources on the ground) and to concentrate on energy. The Bank has also pulled out of the health SWAp. These actions in part reflect the earlier recommendations of IEG (IEG 2005) and in part reflect budget constraints within the Bank. In Mali, the Bank is withdrawing from operations in the health sector but it is still involved in that sector through the poverty reduction support credits. In Ghana, the Bank is planning to withdraw from participation in 13 SWGs and to remain involved in just 8–9 (reflecting its plans to withdraw from providing support to some sectors).

Some development partners indicated that they thought the Bank could be more selective. In Ethiopia, one partner indicated that the Bank should not be involved in sectors in which it does not have capacity on the ground, pointing to the environment and gender as examples. Another development partner in Kenya indicated that the Bank should only focus its financing support in a few sectors (such as infrastructure) and continue to produce knowledge products. One development partner in Uganda stated that all partners are taking division of labor seriously except for the Bank. A Bank staff member in Uganda also indicated that the lack of Bank selectivity reflects internal Bank incentives and decentralization, as it is necessary to develop a work program for staff on the ground.

FINDINGS FROM THE SURVEYS OF GOVERNMENT AND DONOR OFFICIALS

Surveys of government and donor officials working in the other 13 countries covered by this evaluation found mixed views on the extent to which the Bank is selective in the partner countries. Of the 12 government officials from 8 countries that responded to the questions on selectivity, one-third (4) have the view that the Bank is involved in too many sectors, and the rest perceive either that the Bank is involved in the right number (5) or that it should be involved in more (3) (Table 7). Government officials have a similar range of views on the selectivity of development partners.

A point worth highlighting is that government respondents from the same country do not always have the same view. Of the three countries with multiple respondents, only in the case of Senegal do all the respondents have the same view of the Bank's sectoral presence (they all find that the Bank is involved in the right number of sectors), although they do not share the same view regarding the sectoral presence of other development partners (in fact, the three respondents have different views). For the other two countries (The Gambia and Senegal),

United Nations agencies are more likely to view the Bank as being involved in the right number of sectors, whereas bilateral agencies are more likely to say it is involved in too many.

none of the respondents shares the same view regarding the sectoral presence of either the Bank or other development partners.

Table 7. Views of Government Donor Coordinators of Selectivity by the Bank and Other Development Partners

Country	*Views on the number of sectors the Bank is involved in*	*Views on the number of sectors other development partners are involved in*
Bangladesh	Too many	Too few
Burkina Faso	Too many	Too many
Central African Republic	Too few	The right number
Gambia, The	Too few	Too few
Gambia, The	The right number	Too many
Mauritania	Too few	Too many
Senegal	The right number	The right number
Senegal	The right number	Too few
Senegal	The right number	Too many
Sierra Leone	The right number	Too few
Sierra Leone	Too many	Too few
Yemen, Rep. of	Too many	The right number

Source: IEG, based on survey responses.

Development partners are divided on their views of the Bank's selectivity—approximately half who responded thought the Bank is involved in the right number of sectors, and another half thought the Bank is involved in too many. *By and large, representatives from United Nations agencies are more likely to view the Bank as being involved in the right number of sectors, whereas representatives from bilateral donor agencies are likely to view the Bank as being involved in too many sectors* (Appendix J).

Selectivity by donor partners is constrained by mandates from their headquarters.

More development partners find other partners not selective enough than find the Bank not selective enough. Development partners also find themselves more selective than the Bank and other partners. Details on these survey findings can be found in Appendix J.

CONSTRAINTS TO SELECTIVITY

Both the Bank and other development partners face constraints when it comes to selectivity. For others partners, the major constraints are mandates from their headquarters. DFID, for example, has a new mandate from the new UK government to be active in climate change. The sectors of interest of the US Agency for International Development (USAID) are determined by Washington, and USAID staff do not have flexibility at the field level to choose sectors. If USAID exits a sector in a country, funds would be lost, as it cannot switch from one sector to another, and the end result would be lower funding for that country. Many EU members active in Ethiopia cannot give up food security because of the mandate from their respective headquarters.

The constraints facing the Bank in terms of selectivity come from governments and other development partners that do not want the Bank to be more selective. In Ghana, where the Bank plans to be more selective, one partner noted that the Bank may find it difficult to do this, because no other agency has the same level of expertise (for example, the Bank has the only energy economist in Ghana). Also, the government and other development partners have requested that the Bank be engaged in some sectors such as social protection and public financial management.

The Bank is constrained by governments and partners that do not want it to be more selective.

Similarly in Uganda, even though the CAS discusses selectivity, the Bank finds that it cannot be selective because of demands from both the government and other development partners. In Malawi, the Bank has managed to become more selective, but it was difficult to achieve because in a small country like Malawi, other development partners as well as the government want the Bank to be in all sectors to provide intellectual leadership and fiduciary oversight when there is pooled funding (which supports the health SWAp). In Kenya, a senior government official indicated that the Bank's analytical leadership is needed in all sectors.

Along the same lines, a development partner representative indicated that the Bank is very important for analytical and policy work, as "no other donor is capable of doing the work." In Benin, where the Bank has had limited involvement in the transport sector[15] until recently,[16] government officials expressed concern about the large loss they felt the country had suffered from the prolonged absence of the Bank's broader strategic perspective on transport sector development.

Another constraint, and the most important one, is that many governments are not very interested in selectivity. IEG found this in some of the countries reviewed: the governments of Ethiopia, Ghana, Mali, Uganda, and Kenya have shown little interest in the exercise, partly out of concern that it may result in some donors reducing their funding through exiting sectors or leaving the country altogether. Another reason that governments may not be interested in selectivity is that the larger the donor group for any particular sector, the greater the competition among donors and the easier it is for the government to attain its objectives (this was viewed to be the case by development partners in Ethiopia and Ghana). In other words, it allows the government to have more options, a point that has been raised elsewhere in this report. These findings of mixed government interest in selectivity from the country reviews are echoed in the findings from the surveys discussed earlier.

Many governments are not very interested in selectivity.

THE NOTION OF COMPARATIVE ADVANTAGE IN THE PROVISION OF AID

Selectivity in aid delivery seems to be predicated on the political or corporate mandates of development partner headquarters.

According to the Paris Declaration, selectivity is meant to follow the principle of comparative advantage. The way this seems to have been interpreted in the context of aid provision is that the development partners that are involved in a particular sector are deemed to have expertise—and hence comparative advantage—in that sector. This is illustrated in the case of Ethiopia, where the EU financed a division of labor survey in 2008 that asked donors to undertake a self-assessment on their own comparative advantage. The outcome of that survey was that many donors were present in some sectors—agriculture and food security, and governance—in which they believed they had a comparative advantage and from which they did not want to exit.

Specifically, "of the 18 donors in the 2008 survey on division of labor, 17 are providing support to the agriculture sector, with 15 out of the 18 believing agriculture is a sector where they hold a comparative advantage" (EU 2010, p. 5). Yet, in reality, the driving force behind their presence in those sectors is the political mandate from their headquarters, much more than what "comparative advantage" these development partners may have. As some partners in Malawi bluntly pointed out, "…[their] agencies continue to focus on their areas of comparative advantage as prescribed by their corporate policies, which [in the case of these agencies] are the MDGs and democratic governance."

Nonetheless, expertise does matter. In Ethiopia, for instance, a development partner active in the education sector indicated that in the division of labor exercise mentioned above, the Bank, the said partner, and another partner wanted to pull out of education; yet the said development partner and the Bank are the only partners with expertise in the sector. Both the said development partner and the Bank stayed in the sector; otherwise it could have been quite a setback for the sector. Conversely, also in Ethiopia, the question is whether the Bank should be active in sectors in which it does not have staff with the expertise on the ground.

ARE THERE ALTERNATIVES TO SELECTIVITY?

Governments may not be interested in selectivity per se, but they are interested in reducing transaction costs, which they would prefer to achieve through means other than selectivity. In Ethiopia, for example, the government is interested in having small donors participate in joint programs,[17] as they consider that the benefits from dealing with small donors are not commensurate with the transaction costs incurred from dealing with them. Similarly in Uganda, senior government officials are interested in reducing the number of donors they need to deal with while having some development partners delegate funding to others.

Selectivity is not an issue where country needs are many and donors are few.

In other words, selectivity or division of labor is not an issue when there are few donors for governments to deal with, or few donors compared to the needs of the country. This is the case in Lao PDR, where having few donors and great needs has reduced duplication/overlap in donor support. Similarly in Benin, the fact that an extensive exercise was undertaken by Bank staff (in compliance with instructions from Washington) to help identify different partners' comparative advantages did not result in significant changes to the CAS was pointed out by other development partners as reflective of the widely held view that overlaps and duplication were not significant problems in Benin, given the small number of donors relative to its needs.

AID DATABASES AND SELECTIVITY

In addition to the demand for it, progress in selectivity also requires a strategic vision on how to manage aid and the necessary information to manage donor funds and activities. The latter entails collaboration in the donor community to help develop and comply with reporting requirements for a comprehensive database on aid.

In many of the countries reviewed, such a database does not exist, exists only partially, or is not yet ready. It is just being developed in Ethiopia, and at the time of the IEG mission in April 2010, the database (Aid Management Platform) was either not ready or not being made available to development partners. Kenya is developing an aid platform, although its efforts have run into difficulties; it does have a transport sector donor matrix, however. Information on the geographical spread of aid activities is available for some sectors in Mali, but not on an economy-wide basis. In Nepal, the Ministry of Finance is preparing a comprehensive mapping at the project level, which will provide concrete information on duplication and provide future opportunities for consolidation and filling gaps.

Of all the countries reviewed, Malawi seems to be the most advanced, as there is a debt and aid management database, an annual aid atlas, and quarterly and annual disbursement reports. Although there are still problems with the quality of the data and complaints from donors about the demands of filling in detailed monthly disbursement reports, the information is helping to reduce duplication, identify funding gaps, improve government planning, and foster mutual accountability among government and development partners.

The problems with aid databases found in this evaluation are not unique to the countries reviewed, but have been encountered in other countries as well (Agustina and Fahmi 2010; UNDP 2010). In particular, the following problems with aid databases have been found across a wider sample of countries reviewed in these other reports:

poor data quality, lack of uniform reporting standards, limited information technology and institutional capacity, lack of linkage and integration with public financial management systems, poor linkage and compatibility between national and in-country systems and international financial databases hosted by OECD, and OECD databases lacking comprehensiveness because of under-reporting by member agencies.

The International Aid Transparency Initiative, launched at the Accra High-Level Forum in 2008, is aimed at addressing some of these key problems associated with aid databases. With its prominent role in the International Aid Transparency Initiative and the launch of its Access to Information Initiative[18] in 2010, the Bank has been contributing to the advancement of the aid transparency agenda. It would be useful, going forward, for the Bank to work with other development partners to further advance the aid transparency agenda.

Summary and Conclusions

Most of the nine countries reviewed have some kind of formal coordination structure, although functioning and complexity differ. The main lessons of experience are that effective coordination, regardless of the structure, requires government ownership and leadership, and that coordination structures that evolved out of necessity are more effective than those that have been established because of mandates. A large number of donors reduces the effectiveness of coordination.

In three of the nine countries reviewed, the Bank has undertaken joint strategies. Such strategies have been found to be very transaction cost heavy (for the Bank, other donors, and the government), and the benefits are rarely worth the costs. Strategies that are coordinated—but not joint—are a good alternative.

There has been heightened awareness of the need to be more selective, and efforts have been made in this regard, perhaps more by bilateral donors than by the Bank. Yet the views of the need for the Bank to be more selective are mixed among development partners, and even more so among governments, some of which indicated that the Bank should be involved in more sectors than it is now. Development partners are also keener to see other partners be more selective than they are for the Bank to be more selective.

There are two main constraints to selectivity. First is the lack of strong interest on the part of governments, which are not interested in selectivity per se (as that would reduce their options) but are interested in reducing transaction costs. Second is the reality of most development partners following mandates (political or corporate) from their headquarters that tie their hands in exercising selectivity in the field.

The obstacles to selectivity were aptly summed by the head of one donor agency in Ethiopia—these obstacles apply equally to many other countries as well. First, the country has many challenges so there is no need for selectivity. Second, every donor wants to be a lead donor, so the lead/silent donor divide will not work. Third, some donors face pressures in their headquarters to be engaged in certain sectors. Fourth, division of labor is not part of the culture of multilateral development banks that view their role as being responsive to the country's priorities and requests. And, fifth, the government is not interested in selectivity, as it wants all donors to be in all sectors so it can "divide and conquer."

In this light, it appears that greater efforts need to be made toward a starting point for selectivity. A consolidated database on all donor support by country is one practical starting point. Such a database that is comprehensive, up-to-date, functional, and linked to government budgets will help reduce duplication and identify funding gaps. It would also help to improve government planning, including taking leadership in managing coordination and guiding selectivity.

Chapter 4
Coordination at the Sector Level

This chapter first presents findings on the coordination structures at the sector level, and specifically those for the three selected sectors (education, HNP, and transport) in the nine countries reviewed. This is followed by a discussion of the extent of coordination at the sector level for both lending and nonlending activities, based on Bank administrative data, evidence gathered from the 9 country reviews, as well as survey responses of the 3 groups of stakeholders (government officials, donor officials, and Bank task team leaders) for the 13 other countries covered by the evaluation.

Evaluation Essentials

- Government ownership is a key factor for the effectiveness of SWGs.
- The size and number of SWGs are also important factors.
- There is no precise definition or systematic tracking of SWAps, which constitute the most coordinated level of lending at the sector level.
- The Bank has made progress in coordinating lending and nonlending activities, as reflected in the rising shares of loans supporting SWAps in education and health (though not in transport) and rising shares of joint ESW and technical assistance.
- The Bank has also been coordinating lending in the absence of SWAps through various financing arrangements.
- Government officials are more positive than donor officials on the extent to which the Bank has undertaken joint missions, joint analysis, and coordinated technical assistance, but all parties (including the Bank) indicated that more of these activities need to be undertaken.

Coordination Structure at the Sector Level

Coordination at the sector level centers on working groups, named variously as SWGs, thematic working groups, or technical working groups. The coordination structure at the sector level varies in the degree of elaboration. Among the 9 countries reviewed in-depth, Uganda and Kenya have the most elaborate coordination structure, with parallel government and donor-only groups that (largely) correspond to each other at the sector level (14 of each in Uganda, and 24 of each in Kenya). The other seven countries have sector groups that are joint between government and development partners and usually co-chaired by both parties. Ethiopia is different in that the government has typically not participated in the SWGs—of 11 such groups, the government is participating only in 3 (those in which the government is exerting strong ownership and leadership).

The working groups vary in numbers and effectiveness. Of the 9 countries reviewed, Lao PDR has the fewest working groups (8) and Kenya the most (24). There are SWGs in most of the countries (though to varying degrees of effectiveness—see discussion later in this chapter), but in Malawi they exist mostly on paper, as mentioned in Chapter 3.

THE WORLD BANK'S ROLE IN SECTOR-LEVEL COORDINATION

The World Bank participates in the SWGs for sectors in which it is active. Because it is typically involved in many sectors in any particular country, it typically participates in many SWGs, although it may not lead all of them. In Ghana, the Bank is the most active development partner regarding participation in SWGs—it participates in 13 of the 16 SWGs, the highest number among all the development partners. In

Uganda, the Bank cochairs 7 of the 16 development partner groups. In Lao PDR, the Bank has substantial participation in four SWGs and participates in three others. In Malawi, it chairs two SWGs. In many—though not all—of the countries reviewed, the Bank plays an active, if not key, role in donor coordination in all three sectors, by virtue of leading joint operations or by virtue of its technical capacity and the ensuing trust of the governments.

FACTORS AFFECTING THE EFFECTIVENESS OF THE COORDINATION STRUCTURE

Government ownership is a key factor in the effectiveness of working groups.

A key factor behind the effectiveness of working groups is government ownership, which is reflected in the level of government participation in them. In Ghana, the quality of policy dialogue is high in those SWGs in which the government is fully engaged and leading (such as the health sector). In contrast, SWGs have become inactive in those sectors where the government is absent. The government is only involved in a few working groups in Ethiopia—these are also the ones in which the government has signaled its interest and ownership. Government cochairing of SWGs seems to be key for government leadership and ownership.

Government participation is not just a matter of whether the government participates, but also its level of participation (which could reflect interest and ownership). In Ethiopia, the transport working group has not been very effective because the Minister has not attended the meetings for a year, and sometimes not even the State Minister attends; as a result, no decisions can be made.

The size of working groups can affect their effectiveness. A large number of participants can reduce the effectiveness of working groups. The Ghana country review finds that large working groups have often been unwieldy and have a tendency to set low objectives for their sector in order to reach a consensus. The multidonor budget support group in Ghana was held as an example, where the need to reach a consensus on the Performance Assessment Framework has led to the selection of less ambitious triggers.

In Uganda, the Transport Working Group is very large and, according to a development partner, a good forum for information exchange but not for dialogue. As a result, policy discussions take place at the project level (rather than working group level) between development partners and relevant counterparts.

The size and number of working groups also affect effectiveness.

The number of working groups can also affect their effectiveness. There is a view among development partners in the countries reviewed that there are too many working groups in those countries for such groups to be effective, as the large number of groups strains the capacity of partners to participate. In Malawi, most development partners indicated that 16 SWGs (planned by the government) are too many, as partners do not have adequate staff to participate in all of them. Although Lao PDR has the lowest number of working groups (eight), that is already too many for the few development partners that are active in the country, as each partner has a small staff. In Ethiopia, which (together with Nepal) has the second lowest number of working groups (11—though there are plans to add 2 more), development partners have raised concerns about the excessive number of working groups. The head of one donor agency in Ethiopia said that "…there are lots of groups and lots of donors—it is a mess. And because there is no division of labor, everyone attends every meeting….13 working groups are too many."

The argument of limited capacity to attend all SWGs is certainly compelling, although it is not clear that reduction in the number of groups is necessarily the solution. As one development partner in Ethiopia indicated, every two years development partners in Ethiopia get together to discuss how to better harmonize, but nothing changes in terms of the number of working groups because they have been created out of necessity. Yet it does seem that one solution that is in the hands of the development partners themselves is for them to be more selective in terms of working group participation—which implies greater sectoral selectivity in terms of provision of support.

COORDINATION STRUCTURES IN EDUCATION, HNP, AND TRANSPORT

The coordination structure in the three sectors and the nine countries reviewed typically encompasses more than just the working groups and includes other forums such as joint sector reviews, technical reviews, and budget reviews, among other things. The complexity and functioning of the coordination structure in a particular country and sector appear to hinge on the following factors.

The number of development partners active in the sector

The number of development partners actively involved in the sector directly affects the complexity and level of coordination activities. There are generally far fewer partners active in the road sector than in education and HNP. Hence, of the three sectors, working group meetings occur with much less frequency in transport/road than in the other two sectors. Whereas in education and HNP, working group meetings occur once a month in the majority of the countries reviewed, in the transport/road sector, working group meetings occur monthly only in one-third of the countries and much less frequently in the other countries (they are irregular in Nepal and occur only once a year in Lao PDR).

The existence of a government strategy for the sector

In countries where the government has a strategy (or policy or plan) for the sector, the government holds joint sector reviews with all development partners and other stakeholders participating. Such meetings are typically held semiannually or annually, although in some countries and sectors they are held much more frequently (in Lao PDR they are held weekly to discuss progress in implementing the education sector framework) (see Appendix K). These meetings are typically distinct from the working group meetings, although there are exceptions. In particular, the joint education sector reviews in Lao PDR and Malawi were convened by the respective education sector working groups.

The presence of joint donor support for the sector

Joint sector reviews are also held in sectors and countries where there are operations that are jointly supported by donors, whether or not there are SWAps for the sectors. For example, in Ethiopia, in addition to the joint sector reviews for each of the three sectors, sector issues are also reviewed in the context of the multidonor, multisector Provision of Basic Services (PBS) II operation.

The presence of other funding sources and coordination mechanisms

This applies particularly to the HNP sector. In addition to the health sector coordination mechanisms, there are separate HIV/AIDS coordination mechanisms that entail a separate set of meetings. Further, the Global Fund (one of the largest contributors to HIV/AIDS programs) has set up country coordinating mechanisms that are also typically not integrated with the coordination mechanisms for the rest of the health sector. In Malawi, most partners indicated that it is challenging to work with the Global Fund.

There are also other funding sources that do not go through government budgets, such as the US President's Emergency Plan for AIDS Relief in Ethiopia, and international and national nongovernment organizations in Kenya for which there is also no information on their activities. In Kenya and Uganda, estimates are that 88 percent and 25 percent, respectively, of foreign assistance to the health sector are off-budget. In sum, HNP has the most complicated coordination structure among the three sectors.

In response to the complications to H&A resulting from the many sources of funding, an International Health Partnership Initiative—akin to a Paris Declaration for the health sector—was launched in 2007. To date, 25 partner countries have signed onto the initiative (13 belong to the group of 22 covered by this evaluation), as have 25 development partners, including the World Bank and several important contributing partners such as the Gates Foundation, GAVI, and the Global Fund. The initiative is beginning to be translated into action on the ground in some of the countries reviewed. In Ethiopia, an MDG Performance Fund has been set up under this initiative and represents the pooled funding model preferred by the government for scaling up assistance in health (and other) sectors.

Summary

In sum, all these different types of sectoral coordination mechanisms imply tremendous transaction costs for the participants. These costs are particularly exacerbated in the case of Bank staff, who are expected to participate in them as well as be responsible for providing the technical input and the delivery of tasks. This underlines the inherent tension between Bank staff and other development partners that arises from the different mandates of their respective institutions, which will be discussed later in the chapter.

Extent of Coordination at the Sector Level

Regardless of what the coordination structure is, the actual extent of coordination at the sector level depends greatly on the extent to which the Bank coordinates with other development partners on individual Bank products. With respect to lending products, the highest level of coordination at the sector level entails a SWAp.

The extent of coordination in the sector depends on the extent to which the Bank coordinates with partners on individual Bank products.

SECTORWIDE APPROACHES

A SWAp is defined by the Bank as an approach that supports locally owned programs in a comprehensive and coordinated manner.[19] The SWAp is also considered as a program-based approach (PBA), which is one of the indicators being monitored under the Paris Declaration framework. Specifically, there is a target of 66 percent of aid flows to be provided in the context of PBAs by 2010.[20]

Notwithstanding the stated definition, there is not one definition or one set of characteristics of SWAps that Bank staff, much less government officials and development partners, subscribe to. This makes it problematic for the purpose of reporting to the Paris Declaration monitoring framework.

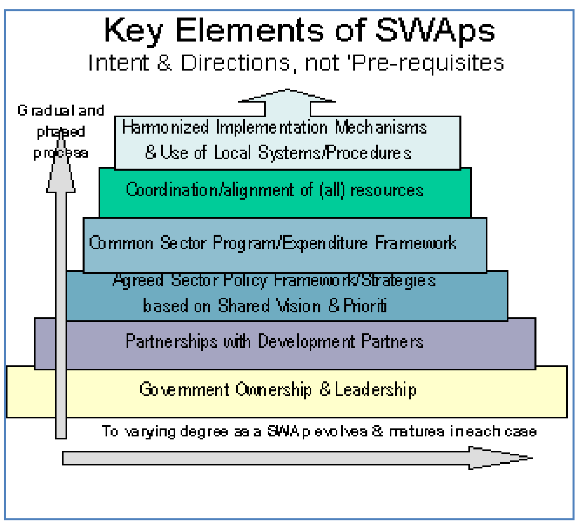
There is not a single definition or set of characteristics of SWAps that Bank staff, government, and donors subscribe to.

Lack of unique definition of SWAps

Almost all respondents that IEG interviewed agree on two elements of SWAps—the existence of a government strategy/policy/plan for the sector or subsector, and partnerships with development partners. Beyond these two elements, however, respondents' perceptions of what SWAps entail vary widely. For some, SWAps entail use of country systems, and for others SWAps entail pooled funding or budget support; none of these is necessarily an element of SWAps according to Bank management.[21] In fact, according to Bank management, SWAps can be supported by a variety of financing instruments, including parallel financing, pooled financing, general budget support, or a combination of these.[22]

The confusion among the different stakeholders as to what a SWAp entails stems, at least in part, to the way Bank management has defined the key elements of a SWAp to its staff, as well as to different definitions used over time and by different institutions (Appendix L). Regarding the former, Bank management has provided a list of what are considered key elements of SWAps; at the same time, Bank management has indicated that these elements are not prerequisites but are expected to be developed and strengthened over time as the government and donors work together to improve program implementation and capacity (World Bank 2006b) (Figure 3). In fact, Bank management specifically states that "there are no strict prerequisites that must be met in order for an approach to be called a SWAp. Rather, the SWAp is characterized more importantly by the intention and the direction of intervention over time."[23] This statement clearly opens the door to varied interpretations of SWAps.

Figure 3. Key Elements of a SWAp



Source: World Bank 2006b.

The flexible interpretation of SWAps means that the Bank cannot—and it does not—systematically track them.

Absence of systematic tracking of SWAps

The flexible interpretation of SWAps by Bank management means that it cannot—and it does not—systematically track SWAps. In fact, in an internal note addressing the issue that the Bank was found to be short of the 66 percent target for PBAs in the 2008 OECD-DAC Survey on Monitoring the Paris Declaration,[24] Bank management stated that the figure of 54 percent reported by the survey was an underestimate.

One reason for this is that SWAps were not counted. Specifically, Bank management stated in the same note that Bank systems do not identify specific operations as supporting PBAs. Although all Bank DPLs satisfy the survey criteria for support to a PBA, there is particular confusion in identifying investment lending and trust funds that support PBAs. This raises the question of why Bank management has not introduced into its systems specific instructions or criteria for identifying PBAs, if they are accorded such importance in an international agreement—the Paris Declaration—to which the Bank is a signatory.

To address the issue of underestimating, Bank management undertook, in parallel with the OECD-DAC Monitoring Survey, a review to identify, operation by operation (for all operations active in calendar 2007), Bank support to PBAs, including SWAps, in the OECD-DAC survey participating countries.[25] The review took the form of a survey of Bank teams in the OECD-DAC survey participating countries. The note presented the SWAps that were identified and reported by Bank teams but provided no indication as to how or based on what criteria they were identified.

Inconsistencies in Bank teams' definition of SWAps

For the three sectors under study, the IEG team reviewed the project appraisal documents (PADs) of the operations (in the three sectors) identified by Bank teams as those supporting SWAps (from the Bank management review) to determine the common SWAp characteristics that underlie these operations. The IEG team found that the following five characteristics are commonly mentioned in the PADs of the operations: (i) comprehensive sector policy and strategy; (ii) annual sector expenditure program or medium-term expenditure framework; (iii) donor coordination mechanism; (iv) joint supervision and/or review; and (v) movement of development partners toward greater use of local institutions and procedures.

The characteristic that is mentioned the least often (although it is still very much prevalent) is joint supervision/review. This can be seen in Table 8, which presents the number of operations identified as supporting SWAps by Bank teams in each of the three sectors concerned, and the number of operations meeting each of the five SWAp characteristics.[26]

Table 8. Number of Operations Identified by the Bank as Supporting SWAps and the Characteristics They Meet (based on loan portfolio active in calendar 2007)

	Education	*HNP*	*Transport*
Total number of operations identified by the Bank as supporting SWAps of which the number of operations meeting the following SWAp characteristics:	13	18	2
Comprehensive sector strategy and policy	12	18	2
Annual sector expenditure program/medium-term expenditure framework	12	16	2
Donor coordination mechanisms	13	18	2
Joint Supervision and/or review	12	15	0
Movement toward use of local systems	13	17[a]	2

Source: IEG.
Note: HNP = health, nutrition, and population.
a. There is one operation for which there is not enough information to determine whether there is movement toward the use of local systems.

IEG identified five common SWAp characteristics that are consistent with the ones used by the Bank, but they are not consistently applied by Bank teams.

The five characteristics are largely consistent with the ones listed by Bank management as key elements of SWAps (Figure 3). However, Bank teams did not seem to apply them consistently. The IEG review of the PADs of the portfolio of credits (in the three sectors) active in calendar year 2007 found discrepancies between operations identified by the Bank teams as SWAps (in the Bank review mentioned above) and operations meeting the five characteristics (see Appendix N).

The discrepancies are much more prevalent on the "exclusion" than the "inclusion" side—that is, more operations having the five characteristics were excluded by Bank teams as supporting SWAps than operations that were included but did not have the five characteristics. (This also indicates that the discrepancies found by this evaluation are not due to too strict a definition used by applying the five characteristics, because using a less stringent definition—that is, applying a smaller number of characteristics—would result in an even larger exclusionary error).[27] "Exclusionary errors" are particularly large for the transport sector—of 32 credits, 8 (that is, one-quarter) were not included by Bank teams in the Bank review as supporting SWAps, even though these 8 credits have all five characteristics.

It is not clear what reasons underlie the "exclusionary errors," although a few can be posited. First, it is possible that the lack of a unique (and consistently applied) definition of SWAps has resulted in the underestimation of the number of operations supporting SWAps by Bank teams. Second, it is also possible that a number of SWAps that were planned at the appraisal stage did not materialize. Yet a third reason could be that Bank teams use other characteristics to identify SWAps, characteristics beyond the ones investigated by IEG (or listed by Bank management in Figure 3). It does not seem that these other characteristics include the financing modality, as the IEG analysis did not find any systematic relationship between the operations considered as supporting SWAps by Bank teams and the financing modalities of these operations (see more detailed discussion later in this chapter on the types of financing modalities of SWAps).

In addition to the review based on PADs, IEG also undertook three other reviews, all of which also revealed inconsistencies in Bank teams' definition of SWAPs (Appendix N). The first review compares operations that have referenced the term SWAp in the PADs, with operations reported by Bank teams in the Bank review mentioned above as those supporting SWAps. IEG found discrepancies between the two sets of operations, again with the transport sector faring the worst, having a fairly large share of credits (19 percent) being excluded by Bank teams as supporting SWAps when references to SWAps were actually made in the PADs (the share goes up to 28 percent if references to pre-SWAps are also counted).

The second IEG review is based on the responses of Bank task team leaders to an IEG survey covering the 13 countries not covered by the country reviews. The survey results indicated that those operations indicated by Bank team leaders as being part of SWAps are much more likely to have all five SWAp characteristics than those that are indicated as coordinated but not part of SWAps and than those indicated as not coordinated at all. However, the correspondence between the characterization of the operations and the five SWAp elements is not precise. Only five of the ten operations identified by task team leaders as part of SWAps meet all five SWAp criteria. The only SWAp criterion that is met by all 10 operations is the one on coordination with other development partners. Conversely, 7 of the 22 operations identified as being coordinated but not part of SWAPs meet all 5 SWAp criteria.

Finally, inconsistencies were also found between those operations reported as supporting SWAPs by Bank teams in the Bank review and those identified as SWAps in IEG's country reviews (based on interviews of Bank staff). For example, the Ghana Education Sector Project was reported by the Bank team as supporting a SWAp, and it meets all five SWAp criteria, yet the country review (based on interviews of Bank staff, among others) found that it is not considered a SWAp because no agreement could be reached with other donors on some project components. There is also a reverse example, whereby the country review finds that the Mali Education Sector Investment Program II supports a SWAp, meets all five SWAp criteria, and uses the term SWAp in the PAD, yet it is not reported as a SWAp by the Bank team.

Presence and trend of SWAps in the three sectors

The share of operations supporting SWAps has increased substantially in education, moderately in HNP, and has fallen in transport.

For the purpose of this evaluation, IEG defines operations that meet the five characteristics as those supporting SWAps. This is consistent with Bank management's definition, presented in Figure 3, and is largely consistent with Bank teams' definition. The one characteristic that is not as often met (although only to a very small extent) in operations that Bank teams consider as SWAps is joint review/supervision. However, this characteristic seems essential for SWAps and should not be excluded. Moreover, even including this characteristic (that is, defining SWAps more strictly than a few Bank teams), IEG has identified, on balance, more operations as supporting SWAps than Bank teams themselves have.

Applying the five characteristics to a larger portfolio—specifically, to all operations approved by the Bank during the period FY00–09 in the 3 sectors in the 22 countries—reveals that *the share of operations supporting SWAps has increased substantially for education, increased moderately for HNP, and fallen for transport* (Table 9).

Table 9. Shares of Credits Supporting SWAps: FY00–04 versus FY05–09

Year	*Total number of credits*	*Credits supporting SWAps*	
		Number	*Shares of all credits (%)*
EDUCATION			
FY00–04	30	7	23
FY05–09	24	10	42
HEALTH, NUTRITION, AND POPULATION			
FY00–04	26	7	27
FY05–09	24	13	54
TRANSPORT			
FY00–04	19	6	32
FY05–09	20	4	20

Source: IEG.

During FY05–09, SWAps were much more prevalent in HNP than in the other two sectors. More than half of the credits in HNP support SWAps, compared with 40 percent in education and 20 percent in transport (Table 9). The lower prevalence of SWAps in the transport sector is in line with the smaller number of development partners active in that sector (as discussed in Chapters 2 and 3), which makes it easier for partners to coordinate without the need for SWAps.

SWAps are currently active in more than half of the 22 countries for the education and HNP sectors, but in far fewer countries for the transport sector (Table 10). Specifically, of the 22 countries, SWAps are currently active in 12 for the education sector, 14 for HNP, and 3 for transport.

Table 10. Presence of SWAps in the Three Sectors (IDA credits approved between FY00 and FY09)

	Education		*HNP*		*Transport*	
	ACTIVE	CLOSED	ACTIVE	CLOSED	ACTIVE	CLOSED
Bangladesh	✓		✓			
Benin			✓			
Burkina Faso	✓		✓		✓	
Central African Republic						
Ethiopia	✓		✓		✓	✓
Gambia, The						
Ghana	✓		✓	✓	✓	✓
Kenya		✓	✓			
Lao PDR						✓
Madagascar			✓	✓		
Malawi	*		✓	✓		
Mali	✓	✓	✓			
Mauritania		✓	✓			
Nepal	*	✓	✓	✓		
Niger		✓	✓			
Senegal	✓	✓				
Sierra Leone				✓		
Tajikistan						
Tanzania			✓	✓		✓
Uganda	✓		*			
Vietnam	✓	✓				
Yemen, Rep. of	✓					

Source: IEG, based on country reviews and reviews of project appraisal documents.
Note: "Active" refers to credits that are still active and approved through FY09. HNP = health, nutrition, and population.
*Credits supporting SWAps that were approved in FY10 and that were covered by the country reviews.

The country reviews find positive views among the Bank, donors, and governments on SWAps. In Ghana, Bank staff generally agree that SWAps should be used more often, as they contribute to government capacity. SWAps help ministries and governments develop broad strategies and get a better understanding of policy priorities and choice at both the sector and the macro level and can help strengthen country systems if adequate safeguards are implemented. In Malawi, the government would like to see SWAps in sectors other than health, education, and HIV to reduce transaction costs, particularly in the transport sector. In general, in Malawi, there is agreement among the government and development partners that SWAps are "the way to go." In Kenya, a senior government official in the Ministry of Education is very supportive of the SWAp approach and considers that it is the way forward.

The country reviews found positive views of SWAps among the Bank, donors, and governments.

In Uganda, the Bank is encouraging SWAps in which it believes the greatest benefit of donor coordination lie. Development partners are trying to broaden the reach of the current health sector SWAp to include the Global Fund, GAVI, and nongovernmental organizations in the memorandum of understanding.

These positive views on SWAps from the 9 country reviews are echoed in the survey responses from the three groups of stakeholders (government officials, donors, and Bank task team leaders) working on the other 13 countries covered by this evaluation. Specifically, in response to the question on the extent to which they thought the Bank should undertake more SWAps in the future to better achieve the three donor coordination objectives, all three groups of respondents indicated either no change is needed, or somewhat or substantially more should be undertaken. No respondents indicated that fewer should be undertaken (Table 11).

Table 11. Views on Changes Needed Regarding SWAps from Stakeholder Surveys

Respondent	*Somewhat/ Substantially less (%)*	*No change (%)*	*Somewhat more (%)*	*Substantially more (%)*	*Number of respondents*
Government	0	24	35	41	17
Donor	0	37	42	21	86
Task team leader	0	29	52	19	43
All	0	33	44	23	146

Source: IEG, based on survey responses.
Note: See Appendix O for responses by sector. SWAp = sectorwide approach.

A new lending instrument being developed by the Bank, Program for Results (P4R), holds promise of providing an additional instrument (besides the existing instruments of investment loans and development policy loans) for the Bank to support SWAps (World Bank 2011f, executive summary). This new instrument is intended to focus Bank support directly on improvements in sectoral or other development programs and to place more direct emphasis on results making them the basis for disbursement. Its attributes, in particular those of using the government's own systems and of facilitating the pooling of resources with other development partners, should be useful for supporting SWAps.

Notwithstanding the many positive views on SWAps, a few voices of caution were raised. Even in Ghana, where Bank staff agree that more SWAps should be used, staff also indicate that agreeing on broad sector strategies—a requirement for a SWAp—is still a major challenge, especially when it involves many stakeholders with different agendas and priorities. Hence, the use of SWAps should not be mandatory but should depend on the situation and circumstance. This view is echoed by a Bank staff member who has worked on different countries in the Africa Region and who indicated that SWAps are useful in countries and sectors where there are a lot of donors, but less useful otherwise, and that it should be up to country teams, donors, and governments to decide.

Bank task team leaders, more than donors, indicated that there should be more SWAps in the future. More team leaders in transport than in the other sectors would like to see more SWAps. The reverse is true, however, on the part of government and donors—of the three sectors, the shares of government and donor respondents from the transport sector who would like to see more SWAps in the future are the lowest.

FINANCING MODALITIES AND COORDINATION

As mentioned, SWAps constitute the highest level of coordination among development partners at the sector level with regard to lending. The next level down in terms of the extent of coordination is when lending operations are coordinated between the Bank and other partners when there are no SWAps. The lowest level of coordination is when IDA operations are not coordinated with other development partners.

The financing arrangements of lending operations, whether in the presence of SWAps or not, also determine the extent of coordination. It can be posited that pooled financing is the most coordinated financing arrangement, followed by a combination of pooled and parallel financing, then by parallel financing. Table 12 provides the definitions of these various types of financing arrangements. Table 13 presents, based on information from the PADs of the credits approved during FY00–09 for the three sectors and the 22 countries, the numbers and shares of credits associated with the different types of financing arrangements in the posited hierarchy of coordination.

Financing arrangements of lending operations—whether in the presence of SWAps or not—also determine the extent of coordination.

The following findings emerge from Table 13 with respect to the extent of coordination in terms of financial support.

- First, most IDA operations were coordinated with other development partners in some form or another, regardless of whether SWAps were present. Specifically, 94 percent of IDA credits in HNP, 92 percent in transport, and 67 percent in education were coordinated in some form or another with other development partners.
- Second, the most coordinated sector, HNP, had the highest share of credits that support SWAps (40 percent) and the highest share of credits coordinated with other partners even when there were no SWAps (54 percent).

Most IDA operations were coordinated with other development partners in some fashion, regardless of whether SWAps were present.

Table 12. Key Characteristics of Different Financing Arrangements

Financing arrangements	*Characteristics*
Pooled financing	• Disbursed against part or entire sector program • Common disbursement, procurement, reporting, and auditing mechanisms • Channeled through one partner or directly to government
Parallel financing	• Buying in of sector strategy and expenditure program but no pooling of funds • Each donor/financier makes separate project agreements with government to finance specific component/activities within program • Disbursement/procurement rules usually conventional but there is effort to harmonize and use country systems to the extent possible
Joint financing	• Financing of all or certain contracts shared between the Bank and cofinanciers • All procurement in accordance with Bank's Procurement and Consultant Guidelines • Bank responsibility for supervising procurement generally same as in lending operations with no cofinancing

Source: Characteristics of pooled and parallel financing: http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,contentMDK:20394046~menuPK:5369264~pagePK:51455324~piPK:51455326~theSitePK:380832~isCURL:Y,00.html and http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,contentMDK:21903442~menuPK:5369264~pagePK:51455324~piPK:51455326~theSitePK:380832,00.html for joint financing from World Bank OP11.00, page 3.

- Third, the transport sector was the second most coordinated sector, with much of the coordination in the form of parallel financing of other development partners. In fact, 80 percent of the credits in this sector were financed in parallel with other partners, around one-quarter in the context of SWAps, and more than half in the absence of SWAps.
- Fourth, for HNP and education, the most common type of SWAp financing arrangement was a combination of pooled and parallel financing.
- Fifth, very few credits in any of the sectors were financed only by pooled funds (whether in the context of SWAps or not). Of the 143 credits approved in the 3 sectors in the 22 countries during FY00–09, only 4 were completely pool funded—1 in education, 2 in HNP, and 1 in transport.

Table 13. Financing Arrangements of IDA Credits (approved FY00–09)

Number of credits in the three sectors in the 22 countries					
→Increasing extent of coordination			EDUCATION	HNP	TRANSPORT
	SWAP	All pooled	1	1	0
		Pooled and parallel	10	11	0
		All parallel	6	6	10
		IDA only	0	2	0
	Coordinated but no SWAP	All pooled	0	1	1
		Pooled and parallel	2	2	0
		All parallel	12	9	21
		IDA only (with coordination)	5	15	4
	Not coordinated	IDA only (without coordination)	18	3	3
		Total Credits	54	50	39
	Shares of credits in the three sectors in the 22 countries (%)				
			EDUCATION	HNP	TRANSPORT
	SWAPs	All pooled	2	2	0
		Pooled and parallel	19	22	0
		All parallel	11	12	26
		IDA only	0	4	0
		Subtotal	32	40	26
	Coordinated but no SWAPs	All pooled	0	2	3
		Pooled and parallel	4	4	0
		All parallel	22	18	54
		IDA only (with coordination)	9	30	10
		Subtotal	35	54	67
		Coordinated	67	94	92
	Not coordinated	IDA only (w/o coordination)	33	6	8

Source: IEG, based on project appraisal documents for the operations.
Note: HNP = health, nutrition, and population; IDA = International Development Association.

As mentioned earlier, pooled funding is the most coordinated form of lending support. Of the nine countries reviewed in depth, Ethiopia stands out in terms of the use of pooled funds—specifically multidonor trust funds. Such trusts funds are managed by the Bank in the education sector (for the General Education Quality Improvement Program [GEQIP]) and for various multisectoral programs, including PBS II and the Productive Safety Net Program.

Pooled funding is the most coordinated form of lending support, but it involves high transaction costs for the Bank when the Bank leads or manages those funds.

Pooled funding is the preferred model of support for the Ethiopian government, mainly because it minimizes transaction costs. Government officials from different ministries indicated that they need a lot of financing and hence a lot of donors, but with pooled funding the government only needs to deal with one set of procedures even when there are many donors.

At the same time, however, this model of support entails very high transaction costs for the Bank when it leads or manages the pooled funds. Moreover, the benefit of pooled funding is not adequately recognized in the Bank. For example, in the case of GEQIP, IDA contributed $50 million, although it leveraged an additional $280 million from other development partners to support the program. Yet the total amount of funds leveraged by the Bank is not accounted for in the Bank's administrative system. It is hoped that the new instrument being developed by the Bank, the P4R, will address the issue of high transaction costs for the Bank, as one of its attributes is to "…enable the Bank to leverage its own financing and collaborate with other development partners through pooling resources…" (World Bank 2011f, executive summary).

COORDINATION IN NONLENDING

Donor coordination to conduct joint analysis and technical assistance are indicators being monitored under the Paris Declaration. IDA had increasingly undertaken its nonlending activities jointly with other development partners in the countries and sectors studied. According to information from the Bank's administrative database, the share of nonlending products—both ESW and nonlending technical assistance—that IDA had been undertaking jointly with other partners had been rising in these countries in all three sectors (Table 14).

HNP experienced the largest increase in joint ESW—the share of ESW that was done jointly with other development partners—rose from 4 percent in FY00–04 to more than half (53 percent) in FY05–09. Next is education, where the share of ESW done jointly with other development partners rose from 4 percent to 38 percent over the same two periods, followed by transport, where it rose from nil to 13 percent.

The rise in the share of nonlending technical assistance done jointly with other partners has been particularly dramatic.

The rise in the shares of nonlending technical assistance done jointly with other development partners was particularly dramatic, as none was done jointly in any of the three sectors in the countries concerned during FY00–04. The increase was particularly large for the transport sector, both in terms of the number of technical assistance products initiated (an increase from 2 to 13) and of the share that was done jointly (from nil to 62 percent).

Table 14. Shares of Joint Nonlending Products: FY00–04 versus FY05–09

Year	*Economic and sector work*		*Technical assistance*	
	Total number initiated	*Share of joint ESW (%)*	*Total number initiated*	*Share of joint technical assistance (%)*
EDUCATION				
FY00–04	28	4	4	0
FY05–09	24	38	12	42
HEALTH, NUTRITION, AND POPULATION				
FY00–04	27	4	3	0
FY05–09	17	53	11	55
TRANSPORT				
FY00–04	13	0	2	0
FY05–09	8	13	13	62

Source: IEG, based on World Bank administrative data.
Note: "Joint" refers to those products that were "prepared with significant donor participation" according to the Bank's administrative database. ESW = economic and sector work.

SPECIFIC COORDINATION ACTIVITIES

Whether it is lending or nonlending products, the actual coordination that takes place between IDA and other development partners is in the form of a few specific activities. Among these activities are joint missions, joint analysis, and coordinated technical assistance, all of which are also monitoring indicators for the Paris Declaration. Some of these activities—joint analysis and coordinated technical assistance—are included in the nonlending activities discussed in the preceding section, although they go beyond them and include joint analysis outside of joint ESW (such as in the context of preparing lending operations) and coordinated technical assistance that is part of lending operations.

The perceptions of Bank task team leaders and government and donor officials obtained from interviews (in the context of the country studies) and surveys regarding the extent to which the Bank had undertaken these various activities are presented in Table 15.

Specifically, the perceptions of the respondents are as follows.

Government officials have a much more favorable perception of the extent to which the Bank has undertaken various joint activities with other donors.

- In general, Bank task team leaders perceive they have undertaken various donor coordination activities to a greater extent than that perceived by government and donors.[28]
- Government officials have a much more favorable perception of the extent to which the Bank has undertaken donor coordination activities than donor officials do. The ratings given by government officials are much closer to those given by Bank task team leaders.

- Donor officials are generally less positive about the extent to which the Bank has undertaken donor coordination activities. Average ratings from donors on the extent to which the Bank has undertaken joint missions, joint analysis, and coordinated technical assistance with them are mostly below average (that is, below 3.5 on a scale from 1 to 6). Donors' perceptions are slightly more favorable (the ratings are closer to average) on the extent to which these activities have been undertaken in the education sector than the other two sectors.

Table 15. Perceptions of Governments, Donors, and Bank Task Team Leaders on the Extent to Which Bank Staff Undertook Specific Donor Coordination Activities

Activity	Respondent	Education	HNP	Transport	Average
Joint mission	Government	4.1	4.7	4.0	4.3
	Donor	3.9	2.5	2.9	3.1
	Bank task team leader	5.1	4.3	4.7	4.7
Joint analysis	Government	4.5	4.6	4.1	4.4
	Donor	3.6	3.4	3.2	3.4
	Bank task team leader	4.7	4.4	3.8	4.3
Coordinated technical assistance	Government	4.6	3.9	3.5	4.0
	Donor	3.3	2.8	2.9	3.0
	Bank task team leader	4.3	4.4	4.6	4.4

Source: IEG, based on country studies and surveys responses.
Note: The ratings are on a scale from 1 to 6, with 1 denoting "to no extent" and 6 denoting "to a great extent". The ratings are the aggregates of ratings obtained from the country studies and from surveys. HNP = health, nutrition, and population.

The more favorable perceptions of government officials than of donor officials regarding the extent to which the Bank has undertaken coordinated technical assistance can, at least in part, be attributed to governments' desire to have more options. In the education sector in Kenya and the health sector in Uganda, government officials continue to approach development partners on a one-to-one basis to obtain technical assistance rather than approach such decisions on a program or coordinated basis. (This is expected to change in Kenya in the next phase of the education SWAp.)

Beyond these three joint activities on which respondents were asked specific questions, the following findings also emerged. First, donors would like to see the Bank share information more. This was cited by development partners working on Ghana (generally), Malawi (regarding the education sectors), and Lao PDR (regarding the sharing of Education for All-Fast Track Initiative [FTI] documents). Second, government and donor officials in Malawi and Uganda also indicated that there should be fewer missions. A senior government official in Uganda indicated that among all the multilateral development partners, the Bank has adjusted the least with respect to reducing the number of missions.

Joint analysis

Bank task team leaders perceive that they have undertaken joint analysis to quite a large extent, particularly in education and HNP, though less so in transport. Of the 22 pieces of ESW[29] on which Bank task team leaders were interviewed or surveyed, a vast majority were considered coordinated—80 percent for education and 75 percent for HNP (Table 16). Those that were joint—the strongest form of coordination—made up half of the ESW covered in both education and HNP.

Table 16. Shares of Joint and Coordinated ESW Indicated by Task Team Leaders

Sector	*Number of coordinated ESW*			*No. of Noncoordinated ESW*	*Total number of ESW*
	JOINT	NOT JOINT	TOTAL		
Education	5	3	8	2	10
HNP	6	3	9	3	12
Total	11	6	17	5	22
SHARES *(%)*					
Education	50	30	80	20	100
HNP	50	25	75	25	100

Source: IEG, based on country reviews and survey responses.
Note: ESW = economic and sector work; HNP = health, nutrition, and population.

The share of joint ESW for HNP found in the country reviews and surveys (50 percent) is very close to the share indicated in the Bank's administrative database (53 percent; see Table 14), but the share for education (50 percent) is much higher than that indicated in the Bank's administrative database (38 percent; see Table 14). This could indicate some kind of bias in responses from task team leaders—team leaders who had undertaken ESW jointly in the education sector were more likely to respond to the survey than those who had not.

Notwithstanding the possible bias in responses, the responses to questions on the nature of being joint and on coordination (Table 17) are still valid. For the 11 tasks indicated by team leaders as joint, the most prevalent way in which donors participated was through provision of substantive comments on the concept paper (for 9 of the 11 tasks), followed by donors being involved in data collection (8 of 11 tasks). For somewhat fewer than half of the tasks (5 of 11), donors participated through joint missions, writing a section/chapter for the task, or providing comments before finalization of the task. The least prevalent way was when donors wrote a background paper for the product (4 of 11 tasks).

Table 17. Task Team Leaders' Responses to Nature of Jointness and Coordination in ESW Tasks

	Joint/Coordinated ESW	
	NUMBER	SHARE (%)
Number of joint ESW for which other donors:	11	
Made substantive comments on the concept paper	9	82
Were involved in data collection	8	73
Participated in joint missions with Bank teams	5	45
Wrote a section or a chapter for the product	5	45
Provided comments prior to completion of the task	5	45
Wrote a background paper for the product	4	36
Number of coordinated ESW for which the nature of coordination was:	6	
Donor providing comments prior to completion of task	4	67
Product was shared with donors upon completion	3	50
Discussion of concept paper with donors	3	50
Donors participated in data collection	1	17

Source: IEG, based on country reviews and survey responses.
Note: ESW = economic and sector work.

For the six tasks that were indicated by task team leaders in the country reviews and surveys as coordinated but not joint, the most prevalent way donors participated was by providing comments on the task prior to its completion (four tasks), followed by the product being shared with donors upon completion and discussion of concept paper with donors (three tasks in each case), and data collection by donors (one task).

The country status report stands out as an important instrument for coordinating analysis in health and education.

In the course of the country studies, one ESW product stood out as an important instrument for coordinating analysis—the country status reports (CSRs) for health and education. Of the 22 pieces of ESW on which task team leaders provided responses, 8 were CSRs, of which 6 were undertaken jointly with donors and 2 were coordinated but not joint. In other words, all the CSRs covered by this evaluation were coordinated in some way.

The most prevalent way donors participated in joint CSRs was data collection (six of six tasks), followed by provision of comments on the concept paper and the final report (five of six tasks), then writing a section (three tasks) or a background paper (two tasks) (Table 18). The least prevalent way was participating in joint missions with the Bank team (one task).

Table 18. Task Team Leaders' Responses to the Nature of Donor Involvement in Joint Country Status Reports

	Country Status Reports	
	NUMBER	SHARE (%)
Number of joint CSRs for which other donors:	6	
Were involved in data collection	6	100
Made substantive comments on the concept paper	5	83
Provided comments prior to completion of the task	5	83
Wrote a section or a chapter for the product	3	50
Wrote a background paper for the product	2	33
Participated in joint missions with Bank teams	1	17

Source: IEG, based on country reviews and survey responses.

A key feature of country status reports is that they are typically done and led by officials from the respective ministries, with support from the Bank and other development partners. Table 19 provides some details on the nature of the coordination for CSRs based on findings from the country reviews.

Table 19. Coordination in Education and Health Country Status Reports

Country	*Education country status reports*
Benin	Undertaken by government analysts jointly with the Bank, UNESCO and AFD
Ghana	All sector working group members participated with USAID focusing on quality, UNICEF on access, and DFID on financing and planning.
Malawi	Jointly written by the government, the Bank, GTZ, and UNESCO/Dakar. The team included 15 government staff, representatives from universities, civil society (teachers and trade unions) and development partners. It was done in close collaboration with the Malawi Education Development Partners Group.
Mali	Two were prepared (2006 and 2009) in substantial part by Ministry staff with some specialist participation from the Bank and UNESCO. Norway covered a large part of the Bank's costs for the 2006 study. AFD organized and financed an important seminar in the country for follow-up and development of the studies.
Health country status reports	
Benin	UNICEF and the Belgium Technical Cooperation collaborated on technically, and other sources provided financial support.
Ethiopia	Coordinated with other donors (USAID, WHO, UNICEF, Italian Cooperation, Norad, SIDA, and Irish Aid). USAID, WHO, and UNICEF provided technical inputs.
Ghana	Led by the government, funded by donors, with all development partners actively participating in the analytical work.

Source: IEG, based on country reviews.
Note: AFD = Agence Française de Développement; DFID = Department for International Development of the U.K.; GTZ = Deutsche Gesellschaft für Internationale Zusammenarbeit; Norad = Norwegian Agency for Development Cooperation; SIDA = Swedish International Development Cooperation Agency; UNESCO = United Nations Education, Scientific and Cultural Organization; UNICEF = United Nations Children's Fund; and WHO = World Health Organization.

Coordinated technical assistance

Of the 15 pieces of technical assistance[30] on which task team leaders provided responses to questions relating to coordination in the country reviews and surveys, two-thirds of those in education, all in HNP, and one-third in transport are indicated by team leaders as being coordinated (Table 20). Those that were joint—the strongest form of coordination—made up half of the technical assistance in education and one-third of such assistance in both HNP and transport. For HNP and transport, these shares are actually lower than those indicated in the Bank's administrative database (55 percent and 62 percent, respectively—see Table 14), whereas for education, the share is somewhat higher than that indicated in the Bank's administrative database (42 percent). Hence, for technical assistance, there does not seem to be much of a bias in terms of task team leaders who had participated in joint products being more likely to respond to the survey (although the small amount of technical assistance covered, particularly for HNP, could bias the findings).

Table 20. Shares of Joint and Coordinated Technical Assistance Indicated by Task Team Leaders

Sector	*Number of coordinated technical assistance*			*No. of Noncoordinated technical assistance*	*Total number of technical assistance*
	JOINT	NOT JOINT	TOTAL		
Education	3	1	4	2	6
HNP	1	2	3	0	3
Transport	2	0	2	4	6
Total	6	3	9	6	15
SHARES *(%)*					
Education	50	17	67	33	100
HNP	33	67	100	0	100
Transport	33	0	33	67	100

Source: IEG, based on country reviews and survey responses.
Note: HNP = health, nutrition, and population.

The responses from task team leaders indicated that the most prevalent ways in which donors participated in joint technical assistance with the Bank were joint provision, provision of substantive comments on the concept paper, and writing a background paper for the task (for three of six tasks in each case) (Table 21). This was followed by writing a section or chapter for the product, and providing comments on the report (for two of the six tasks in each case). The least prevalent way was through joint missions and data collection (for one task in each case).

Table 21. Task Team Leaders' Responses to Nature of Jointness in Technical Assistance Tasks

	Joint technical assistance	
	Number	Share (%)
Number of joint technical assistance for which other donors:	6	
Provided the technical assistance jointly with the Bank	3	50
Provided substantive comments on the concept paper	3	50
Wrote a background paper for the product	3	50
Wrote a section or a chapter for the product	2	33
Provided comments prior to completion of the task	2	33
Were involved in data collection	1	17
Participated in joint missions with Bank teams	1	17

Source: IEG, based on country reviews and survey responses.

Summary and Conclusions

The Bank has increased its level of coordination in the sectors studied in both lending and nonlending products.

The findings indicate that the Bank has increased its level of coordination with other development partners for both lending and nonlending products in the three sectors under study. Specifically, there has been an increase in the share of operations supporting SWAps, the highest level of coordination on the lending side at the sector level. There has also been an increase in the shares of joint ESW and technical assistance.

Government officials are relatively positive about the extent to which the Bank has undertaken joint missions, joint analysis, and coordinated technical assistance with other development partners, providing, on the whole, above-average ratings for all these activities. Other partners are less positive about the extent to which the Bank has undertaken these activities, providing, on the whole, below-average ratings. Beyond these joint activities, donors would like to see the Bank share information more, and both donors and government officials indicated that the Bank should reduce the number of missions.

The findings also reveal the different ways in which Bank TTLs have been coordinating with other development partners in their ESW and technical assistance tasks. However, joint mission, which is one of the indicators being monitored by the Paris Declaration Monitoring Framework, does not rank highly as a way of coordinating (it is the least prevalent way for CSRs and technical assistance).

The less positive perceptions of other donors compared with the Bank and government officials regarding the extent to which the Bank has undertaken joint activities reflect the different focus of Bank staff from that of other donor agencies, which, in turn, reflects different corporate incentives.

Bank staff focus more on substance and results rather than on the process of donor coordination.

Bank staff generally focus more on substance and results and have the view that coordination is too process oriented and not sufficiently results oriented, and hence too time consuming. This is consistent with the view of Bank staff who indicated that "…coordination should only be undertaken if it improves service delivery, rather than just for the purpose of coordination itself." The Bank's mandate is reflected in its internal incentive system—that what is important for Bank staff is doing good quality work and delivering tasks on time.

Yet donor coordination itself is much more central to the function of other development partners, to the extent that the performance of donor officials in pushing the H&A agenda is incorporated into the latter's performance evaluation (this was mentioned by the Dutch and DFID), although this rarely (if at all) happens with Bank staff. Hence, it is not surprising to find views from development partners that "…the Bank is projectized…. and the Bank is fundamentally not a great harmonizer…."

Government, donors, and Bank staff all indicated that more joint analysis, joint missions, and coordinated technical assistance should be done.

Nonetheless, notwithstanding these differences, Bank task team leaders more or less agree with donors on the extent to which there should be more joint analysis, joint missions, and coordinated technical assistance looking forward. Specifically, in response to the question on the extent to which the Bank should undertake more or less of these joint activities, the majority of all three groups of stakeholders indicated that more should be done for all three (Table 22). None of the three sectors stood out in terms of perceived need for more joint activities, although no respondents perceived less need for any of the joint activities for HNP (see Appendix O).

Of the three joint activities, government officials are most keen to have more coordinated technical assistance, followed by joint analysis, then joint missions. Specifically, among government officials, 100 percent of the respondents indicated there should be somewhat more or substantially more coordinated technical assistance in the future, 94 percent indicated likewise for joint analysis, and 71 percent for joint missions. The respective percentages for donor officials were 87 percent for both coordinated technical assistance and joint analysis, and 85 percent for joint missions.

The perceptions of Bank task team leaders are not all that different from government and donor officials. They are most keen on having more coordinated technical assistance in the future, with 88 percent of respondents indicating the need for either somewhat or substantially more of that going forward, 84 percent indicating likewise for joint analysis, and 75 percent for joint missions.

Table 22. Views on Changes Needed Regarding Various Joint Activities

Activity	*Respondent*	*Substantially less (%)*	*Somewhat less (%)*	*No change (%)*	*Somewhat more (%)*	*Substantially more (%)*	*No. of respondents*
Joint mission	Government	0	0	29	47	24	17
	Donor	0	0	15	52	33	86
	Task team leader	0	2	23	40	35	43
	All	0	1	19	48	32	146
Joint analysis	Government	0	0	6	65	29	17
	Donor	0	2	11	58	29	86
	Task team leader	0	0	16	51	33	43
	All	0	1	12	57	30	146
Coordinated technical assistance	Government	0	0	0	77	24	17
	Donor	0	1	12	51	36	86
	Task team leader	0	0	12	51	37	43
	All	0	1	10	54	35	146

Source: IEG, based on survey responses.
Note: See Appendix O for responses by sector.

Finally, given the positive findings on SWAps, it would be useful to promote them; one way to do this is to track them. The Bank does not currently systematically track operations that support SWAps (as it does with cofinanced lending, joint ESW and technical assistance); it would be useful for the Bank to institute a system for doing so.

Chapter 5
Donor Coordination Objectives

Evaluation Essentials

- Bank staff, government officials, and donor officials are broadly positive about the extent to which the various joint activities (missions, analysis, coordinated technical assistance and SWAps) have reduced transaction costs, built government capacity, and, particularly, improved the quality of the policy dialogue.
- There are costs to these activities, in particular transaction costs to the Bank, although on balance more Bank staff found an improvement in transaction costs to them arising from these activities than deterioration.

This chapter discusses the extent to which the four specific donor coordination activities discussed in the previous chapter (joint mission, joint analysis, coordinated technical assistance, and SWAps) have met the three donor coordination objectives. The three objectives are reducing transaction costs, improving the quality of the policy dialogue, and building government capacity.

The findings reported in this chapter are based on interviews with the three stakeholder groups (government officials, donor officials, and Bank staff) in the context of the 9 country reviews, complemented by surveys of these groups for the other 13 countries. Qualitative findings from the country reviews are supplemented by quantitative measures of stakeholder perceptions obtained from both the country reviews and the surveys. The perceptions ratings presented in the chapter are consolidated ratings from the country reviews and the surveys.

The findings in this chapter are based on perceptions of stakeholders because it is not possible to quantify the extent to which any of the objectives is met. As discussed in a document prepared for the Secretariat for the Evaluation of the Paris Declaration,

> …any serious attempt to measure the transaction costs of aid is likely to be expensive but ultimately futile, and is not recommended. However, informed resource persons do have clearly held perceptions about trends in transaction costs… Such perceptions are worth documenting, triangulating and analyzing (Lawson 2009, p. 2).

The same principles apply to the measurement of the improvement in the quality of the policy dialogue and government capacity.

Joint Missions and Donor Coordination Objectives

Respondents were the most positive about joint missions improving the quality of the policy dialogue, compared with the other two objectives.

On balance, all three groups of respondents—Bank task team leaders, government officials, and donor officials—were positive about the extent to which joint missions between the Bank and other donors had achieved all three donor coordination objectives in all three sectors (Table 23). Of the three objectives, respondents were the most positive about joint missions improving the quality of the policy dialogue, followed by reducing transaction costs to government, and last building government capacity. Specifically, 84 percent of the respondents gave ratings of either moderate or substantial improvement on the extent to which joint missions had improved the quality of policy dialogue, 73 percent gave such ratings for reducing transaction costs to government and 66 percent for improving government capacity.

Table 23. Perceptions of the Impact of Joint Missions on Donor Coordination Objectives (percent)

Perceived impact	*Transaction costs to govt.*				*Quality of policy dialogue*				*Government capacity*			
	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL
	Shares of respondents (in %) indicating:											
Substantial deterioration	2	1	0	1	0	0	0	0	0	0	0	0
Moderate deterioration	0	1	4	2	0	4	2	3	0	6	0	3
No change	21	26	24	24	7	17	14	14	18	29	42	31
Moderate improvement	43	38	42	40	37	42	44	41	59	54	48	53
Substantial improvement	33	33	30	32	56	38	40	43	24	10	10	13
	Number of respondents											
	42	69	50	161	41	72	50	163	17	48	31	96

Source: IEG, based on country reviews and survey responses.
Note: See Appendix P for responses by sector. TTL = task team leader.

Governments were more positive than donors and Bank task team leaders on the extent to which joint missions have met all three objectives.

Of the three groups of respondents, government officials were, on the whole, the most positive about the extent to which joint missions had achieved the three objectives. There is one exception: a government education official in one country perceiving substantial deterioration in transaction costs to the government arising from joint missions.

Several examples from the country reviews illustrate the *effect of joint missions on reducing transaction costs to the government*. In Malawi, a senior government official indicated that joint missions in the case of the Local Government Development Fund had drastically reduced transaction costs, perhaps by half. Supervision missions were joint, and there was one joint annual review for all five participating development partners. Planning had improved as missions were agreed to in advance, and it was easier to make key people available for missions. Three days were set aside for the annual review and one week for joint supervision missions instead of one week for each donor.

For the most part, development partners in Malawi agreed with the view that joint missions had a substantial impact on reducing transaction costs to the government. The concentration of donor missions for budget and sectoral reviews in Benin was cited as leading to moderate reductions in transaction costs to the government, as were the annual joint review meetings of the Joint Policy Matrix for budget support operations in Mali.

The education sector in Kenya provides an example of *joint missions improving the quality of the policy dialogue*. A senior government official in Kenya considered that there had been moderate improvements in the quality of the policy dialogue arising from joint semiannual reviews of the Kenya Education Sector Support Program, as the different partner groups now "speak the same language"; the preparatory work for the meetings was highlighted as being particularly valuable.

The impact of joint missions on transaction costs to Bank staff is mixed.

Although the overwhelming view was that joint missions had reduced transaction costs to the government, their *impact on transaction costs to the Bank was mixed*. The majority of Bank task team leaders working on the education sector (65 percent) perceived that there had been an increase in transaction costs to the Bank from joint missions, although only 28 and 21 percent, respectively, indicated the same for HNP and transport (Table 24). These numbers seem consistent with task team leaders' perceptions that they undertook joint missions in the education sector much more than in the other two sectors (see Table 15). In contrast, a majority of team leaders perceived that there was an improvement in transaction costs incurred by the Bank arising from joint missions in the HNP sector.

Table 24. Bank Task Team Leaders' Perceptions of the Impact of Joint Missions on Their Transaction Costs

Perceived impact	*Education*	*HNP*	*Transport*	*All three sectors*
	Share of respondents (in %) indicating			
Substantial deterioration	24	6	14	14
Moderate deterioration	41	22	7	25
No change	12	17	50	25
Moderate improvement	18	39	29	29
Substantial improvement	6	17	0	8
	Number of respondents			
	17	19	14	50

Source: IEG, based on country reviews and survey responses.
Note: HNP = health, nutrition, and population.

Joint Analysis and Donor Coordination Objectives

Respondents' perceptions of the impact of joint analysis on the three objectives were very similar to those of the impact of joint missions. On balance, all three groups of respondents were positive about the extent to which joint analysis had achieved the three donor coordina-

Governments were more positive than donors and Bank task team leaders on the extent to which joint analysis has met all three objectives.

tion objectives in all three sectors (Table 25). As in the case of joint missions, they were the most positive about the impact of joint analysis on improving the quality of the policy dialogue, followed by reducing transaction costs to government and then building government capacity. Specifically, 85 percent of respondents gave ratings of moderate or substantial improvement for improving the quality of policy dialogue, 74 percent to reducing transaction costs to government, and 67 percent to building government capacity. Also similar to the case of joint missions, government officials were the most positive among the three groups on the extent to which joint analysis had achieved all three objectives.

Table 25. Perceptions of the Impact of Joint Analyses on Donor Coordination Objectives

Perceived impact	*Transaction costs to govt.*				*Quality of policy dialogue*				*Government capacity*			
	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL
	Shares of respondents (in %) indicating											
Substantial deterioration	0	0	0	0	0	0	0	0	6	0	0	1
Moderate deterioration	0	4	0	2	2	1	0	1	0	0	3	1
No change	24	24	27	25	7	17	14	14	17	35	35	31
Moderate improvement	43	50	37	45	35	48	36	41	39	55	48	51
Substantial improvement	33	23	37	29	56	34	50	44	39	10	14	16
	Number of respondents											
	42	84	49	175	43	88	50	181	18	58	29	105

Source: IEG, based on country reviews and survey responses.
Note: See Appendix P for responses by sector. TTL = task team leader.

The country reviews provide several examples of *joint analysis reducing transaction costs to the government*. In Uganda, single assessment reports such as the Public Expenditure and Financial Accountability (PEFA) reports, and the consolidation of comments by development partners on studies and documents were frequently mentioned as positive developments in reducing transaction costs to the government. For the education sector in Uganda, joint analysis has been credited for moderate improvement in transaction costs to the government, which now receives one technical note instead of different notes with contradictory positions.

There are also examples of *joint analysis improving the quality of the policy dialogue*. In Malawi, the Country Economic Memorandum (a joint product of the Bank, DFID, the African Development Bank, and the Millennium Challenge Corporation) was cited by most of the partners (the Bank, DFID, and the African Development Bank) as a prime example of donor coordination improving the quality of policy dialogue. The report was discussed at the cabinet level, and there was a real change in the policy dialogue. The Education CSR in Malawi was also cited as having led to an improvement in the quality of the policy dialogue, as it arrived at a consensus of what was important to address, the strengths and weaknesses of the sector, and the prioritization of interventions. The CSR resulted in the National Education Plan, which influenced the distribution of resources among different subsectors with more emphasis on primary education and addressing repetition rates. The Benin Health CSR was attributed with having a positive impact on the quality of the policy dialogue by virtue of its being a joint initiative with other partners—UNICEF and the Belgian Technical Cooperation.

Unlike their perceptions of the impact of joint missions, Bank task team leaders were generally more positive about the impact of joint analysis on their transaction costs than they were about joint missions. More Bank team leaders perceived that joint analysis had resulted in an improvement in their transaction costs than those that perceived that it had led to deterioration—this was the case for all three sectors (Table 26). Nonetheless, around 30 percent of task team leaders perceived that joint analysis had a negative effect on their transaction costs.

Bank task team leaders were generally more positive about the impact of joint analysis than they were about joint missions on reducing their transaction costs.

Table 26. Bank Task Team Leaders' Perceptions of the Impact of Joint Analyses on Their Transaction Costs

Perceived impact	*Education*	*HNP*	*Transport*	*All three sectors*
	Shares of respondents (in %) indicating			
Substantial deterioration	0	0	17	4
Moderate deterioration	38	21	17	26
No change	13	37	25	26
Moderate improvement	25	16	33	23
Substantial improvement	25	26	8	21
	Number of respondents			
	18	19	12	49

Source: IEG, based on country reviews and survey responses.
Note: HNP = health, nutrition, and population.

There are examples on both the *positive and negative sides of the effect of joint analysis on transaction costs to the Bank*. Malawi provides both such examples. The Malawi Country Economic Memorandum, which was done jointly, was a very costly exercise. In contrast, the preparation of the Malawi Education CSR resulted in moderate reduction in transaction costs to the Bank task team leader because some of the work was done by other development partners; as a result, the task team leader, who was based in Washington, did not have to spend as much time in the field. In Mali, the first education CSR was costly, although the second one was significantly less costly—in part because it was much less elaborate, but also in part because donors participated more in the second one. In Benin, the costs to the Bank of carrying out the health CSR were significantly reduced by the technical collaboration of UNICEF and the Belgian Technical Cooperation.

Coordinated Technical Assistance and Donor Coordination Objectives

Unlike joint missions and joint analysis, where respondents were more positive about the extent to which the objective of improving the quality of policy dialogue had been met than about the other two objectives, respondents' perceptions of the extent to which coordinated technical assistance had met the three objectives were very similar (Table 27). Seventy-nine percent of the respondents perceived that coordinated technical assistance had resulted in a moderate or substantial improvement in the quality of policy dialogue, with the same share perceiving the same for building government capacity; a slightly lower (73 percent) share perceived the same for reducing transaction costs to the government.

As with joint missions and joint analysis, the government was the most positive of the three groups of respondents on the extent to which coordinated technical assistance had met all three objectives. Donors were the least positive of the groups for all three objectives.

Table 27. Perceptions of the Impact of Coordinated Technical Assistance on Donor Coordination Objectives

Perceived impact	*Transaction costs to govt.*				*Quality of policy dialogue*				*Government capacity*			
	Govt.	Donor	TTL	All	Govt.	Donor	TTL	All	Govt.	Donor	TTL	All
	Shares of respondents (in %) indicating											
Substantial deterioration	2	0	0	1	2	1	0	1	3	0	0	1
Moderate deterioration	0	3	4	3	0	3	0	1	0	0	0	0
No change	15	30	23	24	10	24	17	18	11	27	20	21
Moderate improvement	42	48	40	44	52	51	48	50	55	58	53	56
Substantial improvement	42	19	32	29	36	21	35	29	32	15	27	23
	Number of respondents											
	41	73	47	161	42	75	46	163	38	66	45	149

Source: IEG, based on country reviews and survey responses.
Note: See Appendix P for the responses by sector. TTL = task team leader.

There are two examples from Uganda on *coordinated technical assistance reducing transaction costs*. One is in the context of the Joint Budget Support Framework. The other is in the context of the Joint Institutional Support Framework for capacity development in the transport sector, which is supported by the Bank (through two single projects), DFID (through trust funds), and parallel financing from the European Commission and Danida. This technical assistance is perceived to have reduced transaction costs to the government substantially.

In Lao PDR, the coordinated technical assistance in the context of the Human and Avian Influenza Project has reduced transaction costs to all the partner groups involved, as well as *improved the quality of the policy dialogue*. The latter has been achieved through improving the capacity of the government.

Bank task team leaders were more positive about the effect of coordinated technical assistance (compared with joint missions and joint analysis) on reducing their own transaction costs (Table 28). For the education and HNP sectors, a majority of task team leaders (60 and 63 percent, respectively) perceived that coordinated technical assistance had reduced their own transaction costs either moderately or substantially, although around one-fifth of them perceived moderate deterioration in their transaction costs in both sectors. For the transport sector, around the same number of task team leaders perceived that coordinated technical assistance either did not change their transaction costs (36 percent) or reduced them (35 percent); a smaller number (28 percent) perceived that their transaction costs had increased.

Bank task team leaders were more positive about the impact of coordinated technical assistance (compared to joint missions and joint analysis) on reducing their transaction costs.

Table 28. Bank Task Team Leaders' Perceptions of the Impact of Coordinated Technical Assistance on Their Transaction Costs

Perceived impact	*Education*	*HNP*	*Transport*	*All three sectors*
	Shares of respondents (in %) indicating			
Substantial deterioration	0	0	14	4
Moderate deterioration	20	21	14	19
No change	20	16	36	23
Moderate improvement	33	37	21	31
Substantial improvement	27	26	14	23
	Number of respondents			
	14	19	14	47

Source: IEG, based on country reviews and survey responses.
Note: HNP = health, nutrition, and population.

SWAps and Donor Coordination Objectives

The perceptions of the respondents on the effects of SWAps were generally positive, slightly more so regarding the effect of SWAps on improving the quality of policy dialogue than on the other two objectives (Table 29). Specifically, 85 percent of all respondents perceived either moderate or substantial improvements in the quality of the policy dialogue, and 81 and 79 percent, respectively, had such perceptions regarding the impact of SWAps on reducing transaction costs to the government and building government capacity.

Bank task team leaders were more positive than donor and government officials about SWAps meeting all three objectives.

Unlike for the other donor coordination activities (joint missions, joint analysis, and coordinated technical assistance), where government officials were more positive about the extent to which the various activities had achieved the donor coordination objectives, in the case of SWAps, Bank task team leaders were generally more positive than the other two groups of respondents. In particular, 92 percent perceived that there were either moderate or substantial improvements in both transaction costs to governments and building government capacity due to SWAps.

Government officials were the most positive regarding the effect of SWAps on improving the quality of policy dialogue, with 94 percent perceiving either moderate or substantial improvements on this front. Although they were generally positive about the effect of SWAps on all three objectives, one government education official in one country perceived substantial deterioration in transaction costs arising from SWAps.

The country reviews provide *positive and negative examples of SWAps reducing transaction costs to the government*. In line with the numbers presented in Table 29, there were more positive than negative examples.

On the positive side, the Malawi health SWAp has been credited by a senior government health official for major reductions in transaction costs to the government through joint missions, joint reviews, joint analysis, and unifying reporting requirements. "All the missions are joint, there are 2 reviews a year, whereas before the SWAp there were 12. All the partners discuss together instead of repeating the same analysis with each partner."

The HIV/AIDS SWAp in Malawi has also reduced transaction costs to the government through joint reporting, as there is now "one audit, one working plan, and one procurement report." In Mali, Bank task team leaders credited the education SWAp for reducing government transaction costs because of the integrated (rather than donor-specific) planning and the concentrated periods for receiving most of the donors missions (around the times of semi-annual reviews). In Ethiopia, the general perception is that the education SWAp (GEQIP) has reduced transaction costs to the government by reducing the number of missions and meetings—the SWAp entails twice-yearly two- to three-day meetings for the operation.

Table 29. Perceptions of the Impact of SWAps on Donor Coordination Objectives

Perceived impact	Transaction costs to govt.				Quality of policy dialogue				Government capacity			
	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL
	Shares of respondents (in %) indicating											
Substantial deterioration	6	0	8	3	6	0	8	2	6	0	0	1
Moderate deterioration	0	8	0	5	0	0	0	0	0	0	8	1
No change	12	14	0	11	0	17	8	12	12	26	0	20
Moderate improvement	29	44	67	44	41	45	50	45	29	47	75	48
Substantial improvement	53	35	25	37	53	38	33	40	53	26	17	31
	Number of respondents											
	9	27	6	42	9	27	6	42	9	27	6	42

Source: IEG, based on survey responses.
Note: See Appendix P for the responses by sector. TTL = task team leader, SWAp = sectorwide approach.

On the negative side, the recently established (June 2010) education SWAp in Malawi has yet to change transaction costs to the government, in part because of weak government capacity (see discussion in Chapter 6) and in part because donors have not adjusted their reporting requirements to conform to agreed annual and semi-annual reviews. Similarly, the HIV/AIDS SWAp in Kenya has not reduced transaction costs to the government much because donors continue to have individual meetings with the Director of National AIDS Control Council.

The type of financing arrangement used (whether in the presence of SWAps or not) has implications on transaction costs to the government, with pooled funding reducing transaction costs much more than parallel financing.

The type of financing arrangement used (whether in the presence of a SWAp or not) also has implications on government transaction costs. In Ethiopia, the pooled funding model of support (multidonor trust funds managed by the Bank) for several programs (PBS and the Productive Safety Net Program) has substantially reduced transaction costs for the government, as the model has one report and one-stop shop for the government because the government basically works only with the lead donor for each program (the Bank in both instances). In Nepal also, transaction costs have come down in both the education and health sectors as more donors have joined the pooled funding approach for the two sectors, although such costs have remained the same with donors that provide parallel financing.

In Kenya, joint financing agreements for pooling funds have reduced transaction costs to the government by reducing the number of missions (through joint reviews) and the reporting burden, although most of the funding is still on a parallel funding system, with attendant transaction costs. The presence of parallel financing was also a factor in transaction costs in Lao PDR not being reduced by as much as expected, even in the presence of coordinated aid, as such financing requires negotiations with and recordkeeping for each donors, as in the case of the Poverty Reduction Support Operations.

The country reviews found *positive effects of SWAps on the quality of the policy dialogue*. Two examples demonstrate. First, the education SWAp in Kenya was given credit by a senior government official for moderately improving the policy dialogue, specifically through achieving agreement on the overall strategy and through the joint review meetings of the SWAp. Second, the education SWAp in Ethiopia (GEQIP) was given credit by the coleaders (the Bank and DFID) for significantly improving the policy dialogue in the sector.

There are also examples of *SWAps improving the capacity of the government*. According to a government official, the Malawi health SWAp has had a major impact on the performance of the Ministry of Health. In particular, "a few years ago, the health sector was a poor performer, and now it can implement programs and reach its targets." The government has attributed the progress to the SWAp and is eager to implement SWAps in other sectors.

Task team leader perceptions regarding the extent to which SWAps have affected their own transaction costs were the most negative, with 50 and 60 percent of team leaders perceiving that transaction costs had increased in the education and HNP sectors, respectively (Table 30). The one task team leader that responded on the transport sector indicated there was no change in transaction costs to the Bank.

Table 30. Bank Task Team Leaders' Perceptions of the Impact of SWAps on Their Transaction Costs

	Education	***HNP***	***Transport***	***All three sectors***
Perceived impact	*Shares of respondents (in %) indicating*			
Substantial deterioration	17	0	0	8
Moderate deterioration	33	60	0	42
No change	0	0	100	8
Moderate improvement	50	20	0	33
Substantial improvement	0	20	0	8
	Number of respondents			
	6	5	1	12

Source: IEG, based on survey responses.
Note: HNP = health, nutrition, and population; SWAp = sectorwide approach.

Transaction costs associated with SWAps were much worse for Bank staff than transaction costs associated with the other joint activities.

The country reviews found that transaction costs were very high for the Bank both when it was involved in setting up and when it was involved in managing the SWAps. In Malawi, it took five years to establish the health SWAp and three years to establish the education

SWAp. With the education SWAp in place, transaction costs continue to be high, with at least two meetings a week with donors and daily informal interactions.

In Nepal, the Bank's field-based task team leaders are continuously engaged with donors participating in the education and health SWAps. Also, the increase in the number of donors participating in the joint financing agreement for the education SWAp in Nepal has raised the Bank's transaction costs substantially. In Ethiopia, transaction costs were high for the Bank, which managed the preparation of the education SWAp. In several of the countries reviewed, Bank staff indicated that transaction costs are high for them also because they need to spend time familiarizing non technical donors with the technical aspects of the task.

Other Benefits of Donor Coordination

The country reviews found other benefits of donor coordination: improved relations with other donors and hence improved reputation of the Bank; greater resource mobilization; and a more comprehensive and better framework for Bank operations.

Beyond the three objectives against which donor coordination has been evaluated, the country reviews found other benefits of coordination. First, there are *improved relations* with other donors (in Nepal) and *improved reputation* of the Bank (in Malawi). Second, more resources can be mobilized from donors because of the improved relations. In Nepal, more donors are joining the SWAps in education and health. In Lao PDR also, better relations with donors have increased funding for various Bank programs and projects. In Malawi, the education CSR that was jointly produced with the government and other development partners has been widely credited for being key in reaching an agreement on the Malawi Education Sector Plan and in turn leveraging FTI and donor resources. Third, donor coordination could provide a *more comprehensive and better framework* for Bank operations. In Ethiopia, Bank staff pointed out that the joint programs are more effective, as other development partners bring their anecdotal evidence from developments around the country, which the Bank is less able to do.

Summary of Findings on Donor Coordination Objectives

Overall, respondents were generally positive about the extent to which the various donor coordination activities achieved the three objectives, with the majority of respondents perceiving improvements on all three fronts (Table 31). Most of those who perceived improvements perceived them as moderate, although a fair number perceived substantial improvements. Only a small minority indicated that there had been deterioration in any of the objectives. Of the three objectives, donor coordination activities improving the quality of the policy dialogue received the most positive reviews, followed by reducing transaction costs to the government, then building government capacity.

Table 31. Consolidated Perceptions of the Effects of Donor Coordination Activities on Donor Coordination Objectives

Activity	*Transaction costs to government*	*Quality of policy dialogue*	*Government capacity*
	Share of respondents indicating moderate or substantial deterioration (%)		
Joint mission	3	3	3
Joint analysis	2	1	2
Coordinated technical assistance	3	2	1
SWAp	7	2	2
	Share of respondents indicating no change (%)		
Joint mission	24	14	31
Joint analysis	25	14	31
Coordinated technical assistance	24	18	21
SWAp	11	12	20
	Share of respondents indicating moderate or substantial improvement (%)		
Joint mission	73	84	66
Joint analysis	74	85	67
Coordinated technical assistance	73	79	79
SWAp	81	85	79

Source: IEG, based on country reviews and survey responses.
Note: Respondents include governments, donors, and Bank team leaders. SWAp = sectorwide approach.

The various Bank "inputs" (internal incentives, decentralization, capacity development of client countries, and changes in policies/initiatives) have an above-average effect on promoting SWAps in the countries examined.

How the joint activities have been undertaken also affects the extent to which objectives are met. In the case of SWAps, for example, transaction costs to the government were not reduced when donors did not adjust their reporting requirements or when they continued to have separate meetings with the government. Transaction costs to the government were reduced substantially under pooled financing, but not so much (or not at all) when there continued to be parallel financing.

Notwithstanding the various benefits, donor coordination entails costs, in particular transaction costs to the Bank. Although a substantial share of task team leaders perceives that their transaction costs had increased, a substantial share also indicated that such costs had decreased for them (Table 32). In fact, aggregating responses across the various coordination activities and for all the sectors, more respondents perceived a decrease in transaction costs to the Bank (45 percent of responses) than perceived an increase (32 percent of responses).

Table 32. Perceptions of Bank Team Leaders of the Effects of Donor Coordination Activities on Transaction Costs to the Bank

Activity	*Education*	*HNP*	*Transport*	*All three sectors*
	Share of respondents indicating moderate or substantial deterioration (%)			
Joint mission	65	28	21	39
Joint analysis	38	21	33	30
Coordinated technical assistance	20	21	29	23
SWAp	50	60	0	50
	Share of respondents indicating no change (%)			
Joint mission	12	17	50	25
Joint analysis	13	37	25	26
Coordinated technical assistance	20	16	36	23
SWAp	0	0	100	8
	Share of respondents indicating moderate or substantial improvement (%)			
Joint mission	24	56	29	37
Joint analysis	50	42	42	45
Coordinated technical assistance	60	63	36	54
SWAp	50	40	0	42

Source: IEG, based on country reviews and survey responses.
Note: HNP = health, nutrition, and population; SWAp = sectorwide approach

Chapter 6
Factors Important for Harmonization and Alignment

The Bank has committed to certain actions (the "inputs" in the logical framework presented in Chapter 1) to promote H&A. These actions include provision of staff incentives for undertaking H&A, decentralization of Bank staff, capacity development of client countries, and changes in operational procedures to facilitate H&A. This chapter discusses the effectiveness of these actions in promoting those H&A activities—SWAps, joint or coordinated analysis and technical assistance—that have been found to be "relevant" in terms of achieving the three donor coordination objectives.

The chapter then presents a more detailed discussion of two of the "inputs" that have been found effective in promoting H&A—internal incentives and decentralization. The third input on capacity building is discussed in Chapter 7.

In addition to Bank actions or "inputs," IEG finds that government ownership and leadership is a key element (if not the key element) for effective H&A. However, government ownership and leadership are not always present, such as when there is inadequate capacity—this is when the issue of the Bank's role arises. This chapter discusses findings on government ownership and leadership and the role of the Bank in leading H&A.

Finally, the evaluation also finds that the type of financing arrangement, and the number of donors active in a country or sector, could also affect the effectiveness of H&A. The chapter concludes with a discussion of this.

The findings in this chapter are based on evidence gathered from the 9 country reviews and survey responses of the three groups of stakeholders (government officials, donor officials, and Bank task team leaders) for the other 13 countries covered by the evaluation.

Evaluation Essentials

- Internal incentives matter for H&A, but they are not very strong in the Bank.
- Bank staff and managers engage in H&A because it makes sense to do so in the circumstances.
- When SWAps are not pursued, it is less because of a lack of incentives than because of the lack of country capacity to implement the SWAp.
- Decentralization is important for H&A, but it has drawbacks as well, particularly with regard to Bank staff's time to do analytical work and their integration in professional networks.
- Government capacity is critically important for effective coordination, but governments do not always want coordination, and it is not clear that external parties can influence this.
- The Bank generally has a very prominent role in coordination in low-income countries, in part because of the size of its support and its technical expertise, but donors also find the Bank a difficult partner.

Factors Important for Promoting SWAps

Interviews and surveys of Bank task team leaders undertaken for this evaluation reveal that, by and large, the various actions undertaken by the Bank (the "inputs") have an above-average effect on promoting SWAps. Specifically, when asked to rate the importance of various actions in the decision to undertake a SWAp, Bank team leaders gave—on average—a rating between 4 and 5 (on a scale from 1 to 6, where 1 is not at all important and 6 is very important) for each of the following: incentives provided by Bank management, Bank policy or initiative on SWAp, capacity development initiative for the country, and decentralization (Table 33).

Table 33. Bank Task Team Leader Perceptions on the Importance of Bank Actions in the Decision to Undertake a SWAp

Bank Inputs for Promoting SWAps	*Education*	*HNP*	*Transport*	*Average*
Incentives/encouragement by the Bank	3.9	5.2	3.0	4.3
Bank policy/initiative on SWAp	4.4	4.8	3.0	4.4
Capacity development initiative for the country	4.9	5.0	4.0	4.9
Task team leader based in field	4.4	5.0	4.0	4.6

Source: IEG, based on country reviews and survey responses.
Note: The rating scale is from 1 (no extent) to 6 (great extent). The ratings are provided by task team leaders on 20 credits across 14 countries, of a total portfolio of 27 credits supporting SWAps for the 22 countries. HNP = health, nutrition, and population; SWAp = sectorwide approach.

More specifically:

- On average, across the three sectors, capacity development initiative for the country is rated by Bank task team leaders as the most important factor behind the undertaking of a SWAp, followed by decentralization. These are also the two most important factors for the individual sectors.
- On average, incentives or encouragement provided by the Bank is rated least important for the undertaking of SWAps, although underlying this average rating is a wide range—from a low of 3 (below average) for transport to a high of 5 for HNP.
- Bank actions are perceived to be the strongest for promoting SWAps in HNP, followed by education, then transport. Together with the finding that HNP has the largest share of credits supporting SWAps (followed by education, then transport—see Table 9 in Chapter 4), this seems to indicate that Bank "inputs" are effective in promoting SWAps.
- The above-average ratings on incentives and particularly on Bank policy/initiatives on SWAp for the education sector are also consistent with findings from the country reviews that the Bank's African regional management has encouraged work in donor partnerships in the education sector. This trend has also been encouraged by the FTI, which requires a harmonized approach as a condition for assessing FTI funds.

In addition to these Bank actions, other factors were also found to be important for the undertaking of SWAps—these factors are demand from governments and demand from other development partners. Of the 14 credits supporting SWAps for which task team leaders responded on the question of the importance of various factors in undertaking SWAps, five team leaders indicated that these two additional factors are important. Three indicated government request/initiative/demand, two indicated donor demand, and one indicated both government and donor demand. Those who indicated that government demand was important gave the top rating of 6 to that factor.

When SWAps were not pursued, it was less because of a lack of incentives than because of the lack of country capacity to implement them.

The most prevalent reason that task team leaders gave for credits being coordinated but not part of SWAps is the lack of adequate capacity on the part of the government. This was the reason put forward for exactly half of the credits indicated as being coordinated but not supporting a SWAp (11 of 22 credits). With respect to the exact nature of the capacity that is lacking, general government capacity was cited most often (for 6 of the 11 credits), followed by specific mention of fiduciary, procurement, or safeguard capacity (for 3 of the 11 credits). Other reasons cited were lack of sufficient donor interest and lack of sufficient number of donors to warrant the high transaction costs involved (for 3 of the 11 credits). In one instance, the reason cited was that the government requested a stand-alone project.

For the four credits to which task team leaders responded on the question of why the credit is not coordinated at all, the reasons cited were government requesting a stand-alone project (for two credits), other donors already supporting other parts of the sector (for two credits), other donors not interested in the particular intervention of the Bank (for two credits), and other donors not interested in coordinating with the Bank (for one credit). None of them selected too time-consuming or lack of incentives provided by the Bank as reasons for not coordinating the operation with other development partners.

In sum, IEG finds that incentives provided by Bank management, Bank initiatives or policies on SWAp, decentralization, and capacity development initiatives for the country have all been effective in promoting SWAps. The lack of adequate government capacity is the most cited reason for the absence of SWAps when credits were being coordinated with other development partners. *In other words, when SWAps are not pursued, it has not been because of inadequate incentives provided by Bank management so much as because of the perception that the countries do not have adequate capacity for implementing SWAps.* The issue of building government capacity is addressed in Chapter 7.

Factors Important for Promoting Joint/Coordinated Analysis and Technical Assistance

JOINT /COORDINATED ESW

For the 17 ESW that task team leaders indicated in the country reviews and in the survey as being coordinated (joint and nonjoint) with other development partners (see Table 16), the reason team leaders cited most for the coordination was that it was the only option in the circumstances (Table 34). This was the reason given for more than half of the joint ESW and for one-third of the coordinated ESW. The other two reasons, cited with equal prevalence, are incentives/ encouragement provided by Bank management and government request for the Bank to coordinate.

Table 34. Bank Task Team Leader Reasons for Undertaking Joint/Coordinated ESW

	Joint	*Coordinated*	*All*
TOTAL NUMBER OF ESW FOR WHICH REASONS FOR JOINT/COORDINATED ESW	11	6	17
Coordination is the only option given circumstances	6	2	8
Incentives/encouragement by Bank management	4	1	5
Government requests Bank coordinates with donors	4	1	5
SHARES OF ESW (%) FOR WHICH REASONS FOR JOINT/COORDINATED ESW			
Coordination is the only option, given the circumstances	55	33	47
Incentives/encouragement by Bank management	36	17	29
Government requests Bank coordinates with donors	36	17	29

Source: IEG, based on country reviews and survey responses.
Note: ESW = economic and sector work.

The circumstances in which donor coordination was felt to be necessary were various. In a few cases, there were already other development partners active in that sector, and it made sense to coordinate with them. Two of these pertain to ESWs for the Bangladesh health sector (one joint and one coordinated) undertaken by two different task team leaders; both of them indicated that coordination was the only option.

Specifically, development partners already had a long-standing close relationship with each other under a health SWAp operating in the country. In these two instances, coordinating on the ESW was the obvious approach; in addition, one task team leader also indicated that it also helped to ensure a better product with broad ownership by the government and development partners. Other circumstances cited included the need to obtain FTI funds for which a harmonized approach was a condition for accessing funds (for an education sector ESW), and to ensure acceptance of the conclusions of the report.

Other than the reasons listed in Table 34, task team leaders also submitted the following reasons for pursing a joint or coordinated approach: it was the most efficient way to undertake the task and it reduced transaction costs; it increased the likelihood of the ESW having impact; and it leveraged more resources for the task. In two of the six cases where the ESW was coordinated but not joint, task team leaders cited the lack of capacity/expertise on the part of donors as the reason for not pursuing a joint task with them.

COORDINATED TECHNICAL ASSISTANCE

For the nine cases of technical assistance that task team leaders indicated were coordinated with other development partners (joint as well as non-joint, see Table 20), the most often cited reason for the coordination was incentives or encouragement by Bank management, although this was cited as the reason in only three of the nine cases (Table 35). This was followed by government request for the coordination (for two of the nine cases). Another two cases of technical assistance are under the Sub-Saharan Africa Transport Policy Program, a multidonor partnership, and are hence joint. Other reasons cited include greater cost effectiveness and leveraging more funding.

Table 35. Bank Task Team Leader Reasons for Undertaking Joint/Coordinated Technical Assistance

	Joint	*Coordinated*	*All*
TOTAL NUMBER OF TECHNICAL ASSISTANCE for which reasons for joint/coordinated technical assistance	6	3	9
Incentives/encouragement by Bank management	1	2	3
Government requests Bank coordinates with donors	2	0	2
Coordination is the only option given circumstances	1	0	1
SHARES OF TECHNICAL ASSISTANCE (%) FOR WHICH REASONS FOR JOINT/COORDINATED TECHNICAL ASSISTANCE			
Incentives/encouragement by Bank management	17	67	33
Government requests Bank coordinates with donors	33	0	22
Coordination is the only option given circumstances	17	0	11%

Source: IEG, based on country reviews and survey responses.

SUMMARY

The most important reason for coordinating ESW was that it was the only option under the circumstances.

The most important reason for task team leaders to coordinate with other development partners in undertaking ESW is that they felt coordination was the only option, given the circumstances. The most common circumstance is that other partners are already active in the sector (sometimes in the presence of a SWAp) such that coordination is the natural approach to take. Incentives provided by Bank management also play a role in fostering coordination in nonlending activities, but not the most important one. It appears to be more important in fostering coordination in technical assistance rather than ESW, but given the relatively small sample size (especially of technical assistance), the reliability of this finding is uncertain. Leveraging of funds was cited in the case of one ESW and one technical assistance program as a reason for coordination, as was greater efficiency (or reducing transaction costs).

Internal Incentives

Although internal incentives play a role in coordination, they are not very strong in the Bank, according to task team leaders.

The perception of Bank task team leaders is that internal incentives play a role in their undertaking coordination activities, but such incentives are not very strong in the Bank. *The pervasive view among staff is that there is insufficient recognition of time and effort spent on coordination.* According to Bank management, donor coordination is part of the performance evaluation of country directors in the Africa Region, but it cascades unevenly across the Region. The findings from the country reviews indicate that this practice does not seem to have cascaded to the staff level much, if at all. Tellingly, there appears to be no dedicated charge code for time spent on coordination for staff working in the nine countries reviewed. This is consistent with the recent finding of a Bank review on aid coordination that staff in only one-third of the countries reviewed have administrative budget earmarked specifically for work on aid coordination (World Bank 2011b).

The country reviews found numerous examples of the lack of incentives for donor coordination activities from Bank management:

- In Ghana, many staff expressed concern that time spent on coordination is not sufficiently recognized in their annual performance review. This can be a major issue for local staff reporting to managers in headquarters, who may not be aware of the heavy burden that donor coordination represents and who may focus on headquarters' priorities when evaluating their staff. One staff member noted that he was asked to do more analytic work, but this was very difficult when participating in three sector groups.
- In Kenya, the general view among staff is that donor coordination is not recognized in Washington; it does not figure in the budget or staff performance evaluation.
- In Malawi, staff perceive that the Bank's performance evaluation does not provide any incentives to implement the Paris Declaration principles. Because staff are evaluated by other Bank staff, at the end of the day, when there are trade-offs in the work load, staff have greater incentives to do the in-house work rather than joint work with development and government partners.
- In Mali, the lack of recognition of such efforts has been to the extent that one or two country office staff indicated that donor

coordination is not considered to be an acceptable activity for assignment of time in work planning or time recording.

- Various Bank staff working on Uganda indicated that there is a lack of incentives for or recognition of what is entailed in donor coordination. A former task team leader indicated that "in the Bank there are no incentives for donor coordination." Bank staff do not have the right incentives to undertake consensus building, which requires a lot of "patience and personal touch." *The incentives at the Bank are to deliver the project at a set time, whereas time is needed for consensus building.* Another team leader indicated that the Bank has yet to recognize the staff costs in donor coordination or to adjust staffing levels to avoid reductions in analytical work. Yet a third team leader indicated that management is still working within the old mind-set, and does not understand that donor coordination in the field requires more flexibility, including for the formatting of final documents to accommodate development partner contributions.

Decentralization

The country reviews found that it is the overwhelming view of Bank staff and management and of donor officials that the Bank's field presence is important for donor coordination. There are costs for the Bank, however, as discussed below.

PERSPECTIVES OF BANK TASK TEAM LEADERS AND MANAGEMENT FROM THE COUNTRY REVIEWS

The view among Bank task team leaders and management in virtually all nine countries reviewed is that having a field presence is important for donor coordination, although they also highlight that there are costs. Field presence is particularly important for countries in which there is a large donor presence, such that donor coordination is a fact of life and having Bank staff present in the field *facilitates*—and in some cases is even *essential*—for donor coordination. The following are some of the findings from the country reviews.

- A task team leader based in Ethiopia indicated that it would have been "impossible" for him to do his job based in Washington, as he has at least four conversations a day with donors that are part of a multidonor-funded operation he manages.
- All the Bank staff working on Lao PDR who were interviewed—including those based in Washington—believed that being in the field is preferable because it reduces costs, increases knowledge of local conditions, enables the develop-

ment of close relationships with counterparts, and increases availability for consultations and meetings.

- An implementation status report for a project supporting a health SWAp in Malawi included comments from Bank management that "SWAps are complex and require substantial, daily, hands-on coordination and management, which points to the need for a strong World Bank team based in the country office for success."
- Also in Malawi, although the Bank continued to provide financial support and fiduciary oversight for the HIV/AIDS SWAp, the lack of technical presence in country is a challenge. According to an implementation status report for the project, "...the Bank's continued lack of technical presence at the country level and consequent inability to fully participate in technical working groups exacerbates operational and technical challenges related to the joint financing arrangement."
- In Nepal, there is widespread perception that frequent contact in the field helps develop relationships that are important for donor coordination and project implementation. Field-based task team leaders can attend sector meetings regularly.
- The development of the post-primary education strategy in Uganda could not have been done from Washington, as it required weekly meetings with donors, and the Ministry often called the Bank for clarifications.

Being in the field is important for donor coordination, but it has costs.

Bank task team leaders and management also indicated that notwithstanding the benefits, there are also costs to being in the field. Three such examples were provided by Bank staff.

- First, time spent on interactions with government and donors in the field implies less time for analytical work. This was brought up by Bank staff and management working on Kenya and Uganda. One Bank team leader indicated that up to 70 percent of her time is spent on issues not directly related to the substantive aspects of the work, whereas being in Washington allows her to "…have a sharper focus." Less time for analytical work in turn means that Bank team leaders may not be at the cutting edge of knowledge needed to lead policy dialogue.
- Second, being in the field means that staff are not as tightly integrated into professional networks, which in turn is also important so staff can be at the cutting edge of knowledge to lead policy dialogue. This was mentioned by Bank staff working on Lao PDR and Kenya.
- Third, being in the field has at times reduced the sense of urgency for dealing with issues, as it could be more difficult to get the government's focused attention on issues.

The cost of having less time for analytical work highlights one of the sources of tension between the Bank and other development partners referred to earlier—the dichotomy in perception on the extent to which various coordination activities have been undertaken. Other development partners want the Bank to interact and coordinate with them, yet they also rely on the Bank to do analytical work. However, the time Bank staff take to interact and coordinate with them also means less time for Bank staff to do analytical work.

Finally, earlier IEG work indicates that there is no evidence that the location of a loan task team leader—whether the last team leader was in headquarters or in the field—results in a difference in project performance (IEG 2010b). This would suggest that decentralization is important for communication and coordination, but not necessarily for the performance of Bank operations. This would need to be evaluated further to be generalizable.[31]

PERSPECTIVES OF DONORS FROM THE NINE COUNTRY REVIEWS

Donors were nearly unanimous about the importance of Bank presence in the field, and some think the Bank has not decentralized enough.

Donors that were interviewed were nearly unanimous about the importance of Bank presence in the field. First, they pointed to *positive developments in programs when the Bank established its presence in the field.* The following are two specific examples from the country reviews.

- Problems were solved and programs improved when Bank task team leaders moved to the field (referring to the GEQIP and PBS in Ethiopia).
- The arrival of a Bank human development specialist in the Malawi country office accelerated the progress of the education SWAp. Prior to that specialist's arrival, the Bank's support to the sector had largely been managed by staff in Mozambique and in Washington. According to a development partner, the arrival of the human development specialist in the field helped move the SWAp forward because it gave development partners "a higher level of comfort." The Bank also became the leader of the sector, which it was not before even though it was very active in the sector, leading the CSR and the preparation of the SWAp.

Second, some development partners see the Bank as *not decentralized enough*. A few donors in Mali believe the Bank does not have as strong a field presence as they do in that country. In other instances, donors felt that Bank field staff are spread too thin and cover too many countries, such that they cannot devote adequate attention to matters of concern to other donors (such as in one case pertaining to multidonor budget support) or participate in donor coordination meetings regularly. Yet another view is that it is not just field presence per se, but field presence of international rather than national staff, that is important. According to one donor, it may be easier for international than national staff to engage in difficult policy discussions with the government.

Decentralization of decision-making power is particularly important to the Bank's donor partners.

Also, it is not decentralization per se but decentralization of decision-making power that donors would like to see more of. In particular, donors pointed to examples (the multidonor budget support program in Ghana and a multidonor private sector initiative in Mali) where policy dialogue or project preparation had reached quite an advanced stage with donors in the field, when at the last minute directives from Washington changed the design or parameters of the operation.

Virtually all donors interviewed indicated that the Bank needs to have a field presence or strengthen it, but there was one differing view from a donor indicating that the model of having a local economist with in-depth knowledge and a Poverty Reduction Support Credit task team leader based in Washington has often worked well (such as in the case of Uganda). This is because having the team leader arrive on mission creates a sense of urgency that is lost when the he or she is based locally. The development partner also indicated that there is a downside of staff becoming too parochial when based in the field.

PERSPECTIVES OF ALL THREE GROUPS OF RESPONDENTS IN THE SURVEYS ON THE OTHER 13 COUNTRIES

The widespread views of all three groups of stakeholders (Bank staff, donors, and government officials) on the importance of field presence from the 9 country reviews is mirrored in the responses of stakeholders covering the other 13 countries (Table 36). Specifically, in response to the question on the extent they think the Bank needs to further decentralize staff to better achieve the three donor coordination objectives, the vast majority of respondents from all three groups indicated that the Bank should decentralize moderately or substantially more (with more or less equal shares of all respondents together indicating one or the other). A somewhat larger share of task team leaders indicated no change is necessary compared with donors and government officials, and slightly fewer (70 percent) indicated more is necessary compared with the government (75 percent) and the donors (73 percent).

Table 36. Views on Changes Needed Regarding Decentralization of Bank Staff to Country Offices

Respondent	*Shares of respondents (%) indicating*					*Number of respondents*
	SUBSTANTIALLY LESS	SOMEWHAT LESS	NO CHANGE	SOMEWHAT MORE	SUBSTANTIALLY MORE	
Government	0	6	19	44	31	16
Donor	0	3	25	42	31	81
TTL	2	0	28	30	40	43
All	1	2	25	39	34	140

Source: IEG, based on survey responses.
Note: See Appendix Q for views by each of the three sectors. TTL = task team leader.

A large majority of task team leaders currently based in the field—87 percent—indicated that more decentralization is necessary, which may not be surprising (Table 37). However, half of those not based in the field also indicated that more decentralization is necessary. Only 1 of 43 Washington-based team leaders indicated there should be substantially less decentralization.

Table 37. Task Team Leader Views on Changes Needed Regarding Decentralization of Bank Staff to Country Offices

Location of TTL	*Number of task team leaders indicating*					*Total number of respondents*
	SUBSTANTIALLY LESS	SOMEWHAT LESS	NO CHANGE NEEDED	SOMEWHAT MORE	SUBSTANTIALLY MORE	
Washington based	1	0	9	8	2	20
Field based	0	0	3	5	15	23
	Shares of task team leaders (%)					
Washington based	5	0	45	40	10	100
Field-based	0	0	13	22	65	100

Source: IEG, based on survey responses.
Note: TTL = task team leader.

WHO SHOULD BE IN THE FIELD?

From the Bank's perspective, field presence of experienced staff is important in areas in which the Bank wants to play a substantial part. This was the view of Bank staff in Mali and was demonstrated in the case of the education sector in Malawi mentioned earlier.

Most Bank task team leaders interviewed consider that it is important to be in the field. These team leaders are almost all field based and include project, ESW, as well as CAS team leaders. One Washington-based task team leader had a different view. He had prepared a project supporting a SWAp while based in Washington, although he spent 50 percent of his time in the field during project preparation. His view was that it did not matter whether he was in the field, and that at the time of processing the loan documents, it was more useful for him to be in Washington.

Staff in the field not only need the right skills, they need the right personality to coordinate with donors.

Both the Bank and donors indicate that Bank staff having the right personality to coordinate with donors is the key. According to a Bank task team leader, donor coordination really depends on the people involved, so it is important to understand the dynamics of donors. Another Bank staff indicated that the person has to change the hearts and minds of development partners as well as the government, which means the person cannot be arrogant, must be able to interact with donors without being threatening or patronizing, can listen and achieve consensus, and is seen as trying to fit in.

These views are echoed by donors, one of whom indicated that "both personality and presence matter." Another donor gave the example of a Bank task team leader who relocated from Washington to the field but made no difference because his personality did not make him inclined to coordinate. Beyond personality, donors stressed that the staff in the field should have decision-making power and should be international, as discussed above.

Government Ownership and Leadership of Aid Coordination

IEG's findings have repeatedly highlighted the importance of government leadership for effective harmonization and alignment. The extent to which the government leads aid coordination is mixed across the nine countries, as well as across sectors within the same country (see Appendix R).

The country reviews found widespread views among Bank and donor staff on the need for governments to be more engaged. This was cited for Ghana, which is very involved in aid coordination at the international level, but much less so at the country level. Similar sentiments of the need to see more government leadership were voiced in regard to Kenya, Lao PDR, Malawi, and Nepal.

Government capacity is important for government ownership and leadership.

One factor that has emerged from the country reviews to be important for government ownership and leadership is ***government capacity***.[32] In Ethiopia, for example, the Ethiopia Roads Authority has strong capacity, having been in existence since the early 1960s (it was established in 1961–62 with help from and modeled after the U.S. Federal Roads Authority) and having very experienced staff. It develops and owns the Road Sector Development Program, to which all the development partners active in the road sector provide support. Also in

Ethiopia, the Ministry of Health has strong capacity, with the Minister being very prominent globally, being the chair of the Global Funds. The Ministry leads the strategy for the sector, although development partners have the view that its leadership of implementation of the strategy is not as strong.

Conversely, weak capacity has been identified as a factor behind weak government ownership of aid coordination. In Nepal, for example, the last meeting of the Nepal Development Forum convened by the government was in 2004. The lack of capacity of the government, together with political instability (which has prevented a stable consensus on a poverty reduction strategy), has meant that the government neither leads nor owns aid coordination; no development partners have stepped into that role either. The health sector in Kenya provides another example, where weak capacity has been cited as one of the reasons for weak aid coordination.

Adequate management capacity of the government has also been found to be important for achieving specific coordination objectives of reducing transaction costs to the government and improving the quality of the policy dialogue. In Benin, the Common Budgetary Fund (funded largely by the Education for All–FTI Catalytic Fund, a multidonor trust fund) was established for the education sector with the goal of, among other objectives, reducing transaction costs; such costs savings have yet to materialize because of weak management in Benin.

Capacity was also pointed to as being responsible for the absence of transaction cost savings in the case of the Malawi education SWAp. Although donors are coordinating, the government indicated that it still requires time and expertise to lead the sector and to engage in the coordination process. Hence, the frequency of interactions is the same, but this is necessary because of the low capacity of the Ministry, and the meetings help to bridge the capacity gap.

On the objective of the quality of policy dialogue, a government that is fully engaged and has the capacity to lead an active policy dialogue can get donors together to support its initiatives. In Ghana, for example, the new Deputy Minister of Finance and Economic Planning has a strong interest in moving public financial management reform forward and requested the support of donors in developing and implementing a new public financial management and budget system. At the request of the government, the Bank has now rejoined the public financial management working group and, together with DFID and the EU, is assisting the government develop the Ghana Integrated Financial Management Information System.

A government that is fully engaged and has the capacity to lead an active policy dialogue can get donors together to support its initiatives.

A senior government official in Uganda stated categorically that the quality of policy dialogue depends on the capacity of the government. In Lao PDR, as already mentioned, strengthened government capacity (through a coordinated technical assistance) has improved the quality of the policy dialogue.

Capacity of the government can be reflected in the existence of a sector strategy. For the Ghana education sector, where the government has a well-defined strategy to which donors adhere, and where government leads the process, transaction costs are lower although there were start-up costs to both development partners and the government in arriving at the comprehensive strategy. In Uganda, the unanimous view was that agreement on a Transport Sector Strategy has resulted in a major improvement in the quality of the policy dialogue.

Weak capacity can be attributed to several reasons. One is too few staff as well as staff with insufficient education (Benin, Lao PDR, and Malawi). Another reason is "cultural," in the sense that donors have traditionally taken a strong position and told the government what to do, and the mind-set has not changed so that the government still expects donors to take the lead (Malawi). Yet another reason is institutional. For example, the capacity of the health sector in Kenya has been further weakened by the splitting of the Ministry of Health into two different ministries.

Some governments do not want to have partners coordinating their provision of aid.

Factors other than weak capacity have also been found to be responsible for weak government aid coordination. Perhaps the most important of these is that some governments do not want to have development partners coordinating their provision of aid, which gives the governments more options. In Kenya, it was cited that the government perceives that donor coordination carries the risk of politicization of aid decisions (development partners "ganging up" to extract certain conditions from the government before disbursing aid).

Politicization aside, governments may simply want more options—if one partner is unwilling to finance a certain program or project because of policy or other differences with the government, the government could go to another partner, and it could be more difficult to do that if the development partners are coordinated. More generally, governments are also interested in more aid, and not as concerned about duplication—development partners have pointed to the lack of interest among sectoral ministries in Uganda in coordinated projects as an example of this.

It is not clear whether or how external parties can influence government ownership and leadership when it is not an issue of capacity.

Although government ownership and leadership is key, it is not clear whether, or how, external parties (the Bank or other development partners) can foster this when it is not an issue of capacity. In Malawi, efforts to support government leadership through the funding by the

Bank and DFID of a donor coordinator in the government have not worked, as the person was viewed as an outsider within the government. Similarly, external impetus (through provision of funding) to governments to produce an aid policy or strategy has not worked either.

This can be seen in two of the nine countries reviewed—Lao PDR and Malawi—both of which have aid effectiveness strategies (the Vientiane Declaration on Aid Effectiveness in 2006 followed by a Country Action Plan in 2007 in the case of Lao PDR, and the Malawi DAS in 2007 in that country). Yet aid coordination is perceived to be weak in both countries and, as discussed earlier, much of what was envisioned in the Malawi DAS has not been implemented.

The Bank's Role in Coordination

Aid coordination by governments is clearly necessary for aid effectiveness, although donor coordination helps facilitate aid coordination. Where governments do not have adequate capacity to coordinate aid, donor coordination becomes even more important, which raises the question of the role of the Bank.

The Bank's role in donor coordination often derives from the size of its financial support.

Although the Bank is one of many development partners active in the 22 low-income countries under study, it has a very prominent—and sometimes lead—role in donor coordination in many of them. This appears to be the case in most of the nine countries reviewed, where the Bank either has a key or a lead role by virtue of the size of its financial support/ability to leverage other financial support, its analytical capability and knowledge base, or a combination of these factors. In countries where there are joint operations—including joint budget support operations or in the context of SWAps—the Bank tends to lead by virtue of its lead role in these operations.

In terms of *financial support*, by the design of this evaluation (which covers countries for which IDA plays an important role), IDA ranks—on average—first in terms of the size of aid flows into the countries under study. In Ghana, the size of the Bank's financial support has been cited as one of the main reasons for the Bank's lead role in donor coordination in that country.

In Ethiopia, it is not just the Bank's financial support itself, but the ability of the Bank to leverage financial support from other development partners that accords the Bank the de facto lead role in donor coordination. In particular, the Bank has leveraged financial support from other partners in the form of multidonor trust funds that support various Bank operations (PBS I and II, GEQIP, and the Productive Safety Net Program). The government of Ethiopia has openly acknowledged the Bank's lead role and has expressed appreciation to the Bank for taking it on.

The Bank's technical expertise is also cited as a reason for its leadership role.

The Bank's *technical expertise* has been cited by development partners or government officials or both in many of the countries reviewed (Ethiopia, Ghana, Kenya, Nepal, and Uganda) as another important reason for the lead role the Bank takes in donor coordination. In Nepal, the government has commended the Bank for sharing its analysis and information. In Kenya, a senior government official has appreciated the Bank's rigorous approach to governance and indicated that other development partners count on the Bank to provide the framework and analytical basis for their assistance. In Uganda, other partners indicate that the Bank has the advantage of influencing policy dialogue as the government listens to the Bank, citing specifically the success of the Bank in getting the government's attention on public sector management and decentralization issues.

Some countries and partners like to have the Bank in a lead role.

In several of the countries reviewed, governments have expressed the desire to have the Bank take the lead role in relation to other donors. In Benin, high-level government officials emphasized the importance of Bank staff leading the donors—to focus on substantive issues and to make progress in dealing with them, not just to organize meetings and talk. They want to see more active and systematic participation of Bank staff—mainly country office staff, but also visitors from Washington—in thematic group meetings and to search for better ways to harmonize and align.

In Ethiopia, senior officials in the Ministry of Education have indicated that the Bank's role in coordinating donors facilitates aid coordination by the government. The same official indicated that if the Bank were not there to coordinate with other development partners, it would have been difficult for the government to do so. In both Nepal and Uganda, senior government officials have indicated their desire to see the Bank take more of a leadership role in coordinating donors and to have the latter adhere to Paris Declaration principles.

Some development partners also like to have the Bank take a lead role. In Nepal, for example, the Bank is an active partner but not a leader, and it has been a challenge for the Bank to meet development partners' expectations in joint funding arrangements not only to do the fiduciary work (which the Bank does by agreement), but also to lead the policy dialogue. This creates tension as, at the same time, Bank task team leaders are trying to abide by agreed channels of sector forums, where the appointed agency takes the lead in policy dialogue.

In Kenya, the Bank is viewed as having the resources and know-how that position it well to lead. Development partners in the health sector believe that the Bank's participation increases their leverage. One development partner would like to see the Bank play an overall leading role in transport, instead of what it does now, which is picking and choosing its areas of interest. And even though the Bank no longer chairs the donor group for transport, partners continue to look for Bank support and leadership, because the Bank has good relationships with the government, and the government trusts the Bank's technical capacity.

Development partners have also expressed the desire to see the Bank take a more active role in promoting coordination in some countries. In Malawi, development partners view the Bank as having the resources to make the case to the government of the benefits of aid coordination; they also see the Bank having the convening power to bring in smaller partners and other actors. In Kenya, partners would like to see the Bank use its convening powers to bring GAVI and the Global Fund into coordinating with the "traditional" (DAC bilateral and multilateral donors).

The generally positive views of the government and the more mixed (though still positive) views of other development partners on the lead role of the Bank in donor coordination found in the country reviews can be seen in the survey responses from stakeholders in the other 13 countries. Table 38 presents the responses at the sector level (from government and donor officials and task team leaders) and at the country level (from government donor coordinators and donor heads of agencies) to the question of whether the Bank should undertake more, or less, of the leadership role in donor coordination in order to better achieve the three donor coordination objectives.

Half of the government officials across the three sectors (education, HNP, and transport) who responded indicated that no change is necessary. Around 40 percent would like to see more Bank leadership, and only a very small 6 percent would like to see less. No government officials would like to see less Bank leadership in education and health, while one (of three) in transport would like to see less.

Donors are generally positive about the Bank's leadership role in coordination.

Donors are also generally positive (although less than government officials) on the leadership role of the Bank in donor coordination. Across the three sectors, slightly less than half (45 percent) indicated that no change is necessary, 39 percent would like to see more, and 17 percent would like to see less.

Table 38. Views on Changes Needed Regarding the Bank's Lead Role in Donor Coordination

Level	*Respondents*	*Shares of respondents (%) indicating*					*Number of respondents*
		SUBSTANTIALLY LESS	SOMEWHAT LESS	NO CHANGE	SOMEWHAT MORE	SUBSTANTIALLY MORE	
All three sectors	*Govt.*	0	6	53	29	12	17
	Donor	5	12	45	20	19	86
	TTL	0	5	30	30	35	43
	All	3	9	42	24	23	146
Country level	*Govt.*	0	9	18	27	46	11
	Donor	5	9	39	27	20	56
	All	5	9	36	27	24	67
All government and donors	*Govt.*	0	7	39	29	25	28
	Donor	5	11	43	23	19	142
	All	4	10	42	24	20	170

Source: IEG, based on survey responses.
Note: See Appendix Q for views by sector; TTL= task team leader.

Bank task team leaders—much more than government or donor officials—indicated that more Bank leadership of donor coordination is necessary to better achieve the three donor coordination objectives. In particular, 65 percent of task team leaders indicated more Bank leadership of donor coordination is necessary, 30 percent indicated that no change is needed, and only 5 percent thought that less is needed. That 5 percent represents 2 of 43 team leaders, both of whom are working in the HNP sector. None of the task team leaders working on education or transport indicated that less Bank leadership in donor coordination is needed in those sectors.

At the overall level, government donor coordinators and donor heads of agencies are even keener than their respective sectoral counterparts to see more Bank leadership of donor coordination. Seventy-three percent of government donor coordinators and 47 percent of donor heads of agencies (compared with 41 percent and 39 percent, respectively, of their sectoral counterparts) thought that more Bank leadership is needed to better achieve the three donor coordination objectives.

There are also some criticisms of the Bank's approach to coordination.

Notwithstanding the general view among government and donor officials that the Bank should lead more or take a stronger role in donor coordination, at the same time there are critical views of the Bank in regard to its approach to coordination. These views include the following:

- The Bank has a "go-it-alone" culture.
- The Bank "knows it all."
- The Bank displays the attitude that it does not need other development partners.
- The Bank sees harmonization as agreeing with them.
- The Bank does not listen to or consult with other development partners, is inflexible, and is not willing to accommodate the needs of the government and donors.

The Bank's "rigid internal systems and processes" have been cited in more than one country as being the main culprit. In one country, both a senior government official and a head of a donor agency indicated that the Bank continues to require separate missions, language and indicators, bringing in teams from headquarters and "letting a few development partners tag along."

This discussion on the role of the Bank in coordination highlights the delicate balance that the Bank needs to strike. On the one hand, in many instances, government and donor officials look to the Bank to lead because of its technical capacity, its financial resources, and its fiduciary risk management skills. Yet, at the same time, the Bank is often viewed as overbearing when it does lead. Striking this balance may require a somewhat different—or broader—skill set than Bank staff currently have. This brings back the point made earlier in this chapter that it is not field presence per se that matters but field presence of the right kind of staff. It certainly highlights the need for the Bank to adjust its internal incentive system to first recognize the need to coordinate; second, recognize the time needed by introducing charge codes in its administrative system for such purpose; and third, allocate adequate time for staff to undertake coordination.

The Number of Donors

The evaluation found that the more development partners there are that are active at either the overall or sector level, the more complicated the donor coordination structure is, the higher the transaction costs associated with it, and the lower the quality of the policy dialogue. Transaction costs are high not just for the government, but also for other development partners.

The more active donors there are, the more complicated the coordination structure and the higher the transaction costs.

In Ethiopia, some development partners perceive that having a large number of donors attend meetings of the Development Assistance Group (the apex coordination structure in the country) does not facilitate dialogue with the government, as the meetings become more like conferences. Some partners have stated that higher quality dialogue requires having a smaller number (two to three) of larger development partners to have private conversations with the government; it would also be easier to reach consensus with a smaller number. This view was echoed by another development partner, which indicated that such a set-up is already in place for humanitarian aid in Ethiopia. In Mali, the effort to be inclusive in the education thematic group was perceived to have led to confusion in the policy dialogue. A senior donor representative in Uganda indicated that the dialogue is better if it were less formal, which is possible when there are fewer donors.

In light of the situation of a large (and possibly rising) number of donors aggravating transaction costs and lowering the quality of the policy dialogue, some development partners have suggested establishing a minimum threshold of financial contribution to the country for partners to "have a seat at the table"—either with respect to the overall coordination structure or with respect to coordinated lending. This could be done in the form of delegated arrangements such as being proposed as part of the European Commission's division of labor exercise. In fact, delegated arrangements do not need to be confined to small donors either. In Kenya, for example, DFID is planning to maintain its involvement in some sectors as a "silent" (or delegated) partner because of internal budget constraints.

It was also perceived that the smaller donors may welcome the prospect of withdrawing from certain sectors if their contribution is below a certain threshold. This would allow them to concentrate their resources in a few sectors. It would also reduce the transaction costs of development partners that have small offices, for which such costs are particularly onerous. Specialization would also have the benefit of allowing partners to have technical staff instead of relying solely on generalists.

Summary

By and large, the view of most Bank staff is that the Bank does not provide strong incentives for donor coordination. Nonetheless, many (if not most) Bank managers and staff engage in coordination activities, though maybe not to the extent that some donors would like to see. The overriding reason is that "it makes sense" or that "it is an integral part of the work." Specifically, several country directors and country managers indicated that donor coordination is the sensible thing to do, given that donors are on the ground or that it would have been impossible to do their jobs otherwise. One country manager indicated that a coordinated approach is the only way to bring about systematic change that the country needs, and that is his or her main motivation for coordination. Even when staff efforts in donor coordination were recognized, as indicated by one staff member working on Lao PDR, he mainly emphasized that he undertook coordination activities because they facilitated the Bank work. Furthermore, even if there were no explicit incentives (such as performance evaluation), there were implicit ones: perceptions of inadequate coordination by other development partners would be expressed to the executive directors of the Bank and, in turn, Bank management.

It is the overwhelming view among Bank staff and government and donor officials that the presence of Bank staff in the field is important for donor coordination. Although a large majority of the Bank staff currently located in the field indicated that more decentralization is needed, half of those not located in the field indicated the same. Further, what is also important is not just field presence per se, but field presence of the right staff (with the personality for coordination) in areas in which the Bank wants to or plays a lead role, as well as international staff (or at least staff who are willing to engage in difficult policy discussions with the government).

At the same time, there are costs to decentralization for the Bank. In particular, field-based Bank staff have less time to do analytical work and are less integrated into professional networks, both of which are important for staff to be at the cutting edge of knowledge to lead policy dialogue.

Actions from the Bank (through internal incentives and decentralization) help promote H&A, yet it is government ownership and leadership that are the keys for effective H&A. However, government ownership and leadership are not always present, because either the government prefers to have options (through donors competing with each other rather than coordinating) or it lacks capacity.

Where government leadership is absent because of weak capacity, the role of the Bank becomes an important issue. The Bank, by virtue of its technical expertise and sizeable financial resources, has in many instances assumed the leadership role of coordinating donors. Although governments have generally welcomed this, the reception by donors is more mixed, although still positive. What is important here for the Bank is to strike a balance between leading but not being overbearing, which may require a broader skill set than the typical Bank staff currently have; certainly stronger internal incentives are important.

Finally, and not least, the number of donors active in a country has a large impact on the transaction costs, to both the government and other donors. One suggestion that has emerged from this evaluation to address this issue is to include in the agenda of the next High-Level Forum in Busan, Korea, an item on supporting country leadership of aid management and aid coordination, including through rationalizing and streamlining aid coordination mechanisms, such as through delegated arrangements.

Chapter 7
Country Systems

The use of country systems constitutes some of the key tenets of alignment in the H&A agenda of the various global aid coordination initiatives. According to the Bank (World Bank 2005a), the rationale behind the use of country systems is integral to the principle of government ownership and leadership—that is, development can only be successful if the country owns the process and the government leads the effort. The move to align the fiduciary requirements and development objectives of the Bank through the use of country systems has its root in this fundamental principle.

As a signatory to the Paris Declaration, the Bank has agreed to (i) reduce, to the maximum extent possible, its reliance on dedicated structures created for implementation of Bank-financed operations; (ii) use country financial management and procurement systems to the maximum extent possible; and (iii) provide capacity building support to strengthen these country systems. This chapter first discusses the extent to which the Bank has used country systems in each of the three areas—project implementation, financial management, and procurement. It then discusses the extent to which the Bank has undertaken capacity building support to strengthen country systems and the extent to which the use of country systems and capacity building support have resulted in strengthened capacity in the country. Finally, it discusses the factors that have affected the use of country systems in Bank projects. The findings in this chapter are based on the nine country reviews, surveys of Bank staff, and reviews of Bank documents.

Evaluation Essentials

- The Bank has made progress in reducing reliance on parallel project implementation structures, and in some countries, the government or relevant ministry has been proactive in eliminating parallel structures.
- The use of country financial management and procurement systems is uneven and progress is slow because of inadequate capacity, weaknesses in the systems, and the Bank's fiduciary obligations.
- Where country financial management systems have been used, they do not appear to have exposed the Bank to higher fiduciary risks.
- Bank support for strengthening capacity for financial management and procurement has most often been done effectively through components in projects.
- Although government officials have been positive about the capacity building effects of Bank support, other donors have been less so.
- Government officials also had a positive view about the extent to which the use of country systems had strengthened capacity.

The Use of Country Systems

USE OF COUNTRY STRUCTURES FOR PROJECT IMPLEMENTATION

Over the last decade, the Bank has expressed serious intentions to eliminate parallel project implementation units (PIU) and to use existing country structures of client countries for project implementation. The target for the monitoring indicator on avoiding parallel PIUs is for donors to reduce them by two-thirds by 2010. In October 2005, the Bank issued a Guidance Note on Project Management (World Bank 2005b) encouraging Bank staff to give priority to project implementation performance and to balance it with the need for sustainable capacity development beyond the project. The note states that the use of existing institutional structures should be the default mode, and pa-

The Bank has expressed an intention to eliminate the use of PIUs and mainstream implementation into existing country systems.

rallel PIUs should be used as an exception that needs to be justified in the PAD.

OECD-DAC defines a parallel PIU as an implementation arrangement that meets three or more of the four characteristics relating to its accountability, ownership and salary structure (Box 1).

Box 1. Paris Declaration Monitoring Survey Criteria of Parallel PIU

A PIU is parallel when three or more of the following four criteria are met:

- Accountable to the external funding agencies/donors rather than to the country implementing agencies (ministries, departments, agencies, and so forth).
- Most of the professional staff appointed by the donor (rather than the country implementing agencies).
- Terms of reference for externally appointed staff determined by the donor (rather than by the country implementing agencies).
- The salary structure of national staff (including benefits) higher than those of civil service personnel.

Source: OECD (2008, p. 147).

According to this definition, the Bank does not use parallel PIUs in any of the projects covered by this evaluation. Based on the responses to an IEG survey of Bank task team leaders covering 51 of the 70 projects (approved during FY05–09 in the three selected sectors in the 22 countries[33]), all PIUs, whenever used, are accountable to the government. The recruitment and preparation of the terms of reference of consultants hired for projects are always the responsibility of the government, although the selection and employment of such consultants has to follow the Bank's procurement guidelines (World Bank 2011e). Civil servants working for projects are paid by the governments, whereas consultants are paid from project money, and their salaries are higher than that of the civil servants.

Because one of the major motivations behind the elimination of parallel PIUs is country capacity development, from the capacity building perspective, the project implementation structures used in Bank operations can be classified into three groups, in descending order of capacity building potential. The group with the most capacity building potential consists of implementation arrangements being integrated into the government/country structure. This is followed by those that are not integrated but that have a PIU-type arrangement managed by civil servants, and last are nonintegrated PIUs that are staffed fully by consultants (Table 39). The third category can be considered as equivalent to a parallel PIU.

Based on this typology, the majority of Bank projects covered by this evaluation are integrated into government structures, whereas a relatively small share of projects is using parallel PIUs (Table 39). Further, there has been a reduced reliance on parallel PIUs over time (Figure 4).[34] Of the portfolio of 51 projects on which Bank task team leaders responded, three approved in FY05 had parallel PIU-like structures, two in FY06 and one in each of the years between FY07 and FY09.

Table 39. Implementation Arrangements of Projects Approved FY05–09 for the Three Sectors

Project implementation arrangement	*Number of projects*	*Percent of projects (%)*
Integrated into ministry/government structure staffed with	28	55
Civil servants only	7	14
Civil servants and national consultants	12	24
Civil servants, national and international consultants	8	16
National consultants only	1[a]	2
Non-integrated PIU managed by civil servants staffed with	15	29
Civil servants only	1	2
Civil servants and national consultants	7	14
Civil servants, national and international consultants	7	14
Non-integrated PIU staffed with national consultants only	8	16
Total number of projects	51	100

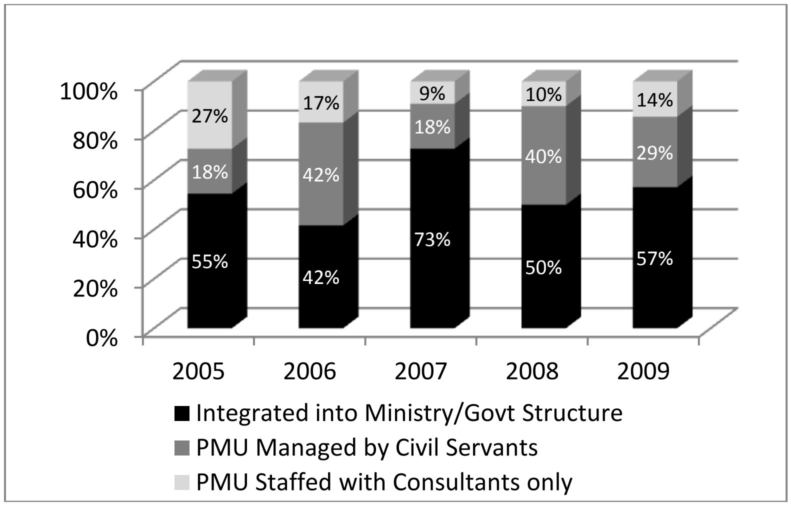
Source: IEG, based on country reviews and Bank staff responses to survey.
Note: PIU = project implementation unit.
a. According to the project task team leader, the implementation unit is an existing structure of the government created to coordinate the transport sector program in Niger.

The country reviews suggest a similar movement toward greater integration of Bank operations into existing government structures. In Malawi, the Education Sector Support Project (FY05) used the PIU that had been set up to manage the previous Bank Secondary School Education Project, whereas for the FY10 Education SWAp, implementation has been mainstreamed within the Ministry of Education. In Ghana, the Nutrition and Malaria Control for Child Survival Project (FY07) was fully integrated into the government structure at the request of the Bank's Country Management Unit.

In some countries, the government or ministry has also worked to eliminate PIUs.

In some countries, the government/ministry has also been proactively eliminating PIUs. Since 2009, the policy of the Ugandan government has been to mainstream all new projects. A similar position has been taken by the government in Malawi—according to a senior official in the Ministry of Health, the policy of the government is no PIU.

Figure 4. Implementation Arrangements of Projects Approved FY05–09



Source: IEG, based on Bank staff responses to survey.

Greater integration of projects into existing country structures is associated with greater implementation risks.

Although the Bank has moved toward greater integration of projects into existing country structure, it also recognizes the greater implementation risks. In Ghana, for example, government officials recognized that projects suffered fewer delays when managed by parallel PIUs because of dedicated staff with no other responsibilities and priorities, higher salaries, greater expertise, and less political interference. Some Bank staff expressed similar views. Further, IEG found that for the projects on which task team leaders responded, those implemented by consultants only (parallel PIUs) receive—on average—fewer unsatisfactory self-ratings by Bank staff in the project implementation status reports than projects with other types of implementation arrangements. Also, projects that are implemented by civil servants receive, on average, more unsatisfactory financial management and procurement ratings than projects with other staffing arrangements (Table 40).

Even in the absence of parallel PIUs, many projects still use consultants.

The Bank has made progress in reducing its reliance on parallel PIUs, although many projects still use consultants. Specifically, of the projects on which task team leaders responded, 84 percent use consultants (Table 39). This may be due to the higher risks (as reflected in the poorer implementation status report ratings mentioned above) associated with projects implemented by civil servants. Another reason may be inadequate capacity in the ministries, which was found to be the case in the majority of the countries reviewed. Weak capacity can be attributable in part to low salaries and incentives in the civil service—these issues will be addressed later in this chapter.

Table 40. Average Proportion of Times Projects (approved FY05–09) Received Unsatisfactory Implementation Ratings (percent)

Implementation status report components	Project implementation arrangement			Staffing arrangement			All projects
	Integrated	Civil servants managed	Consultants only	Civil servants only	Civil servants and consultants	Consultants only	
Financial management	16	10	9	21	12	8	11
Project management	12	13	3	7	14	2	9
Procurement	16	8	2	23	11	2	9
Monitoring and evaluation	13	10	4	11	13	4	9
Overall implementation progress	14	14	6	15	14	6	11

Source: IEG, based on project implementation status reports of the World Bank.

USE OF COUNTRY FINANCIAL MANAGEMENT SYSTEMS

The Bank's operational policy defines financial management as arrangements associated with the budgeting, accounting, internal control, funds flow, financial reporting, and auditing of the entity or entities responsible for implementing Bank projects.[35] In line with this definition, the Bank's Financial Management Sector Board classified the elements of country financial management system into five main categories: (i) budgeting; (ii) accounting and financial reporting; (iii) treasury management—funds flow; (iv) internal controls and internal audit; and (e) external audit (World Bank 2009c). This evaluation assesses the use of country financial management systems in eight areas spanning the above five categories (Table 41).

The use of country financial management (FM) systems in Bank operations is uneven according to Bank FM specialists.

The use of country financial management systems in Bank operation is uneven according to Bank financial management specialists who were interviewed and surveyed for this evaluation. Specifically, of the responses to 62 of the 70 projects covered by the evaluation, the share of Bank projects using country systems fully for the eight financial management areas ranges from a low of 16 percent for treasury management, to a high of 71 percent for budgeting (Table 41). Including partial use of country financial management (when there are mitigating measures to allay fiduciary risks[36]), then the use of the country system is also high in the areas of internal control and internal audit (84 and 73 percent, respectively).

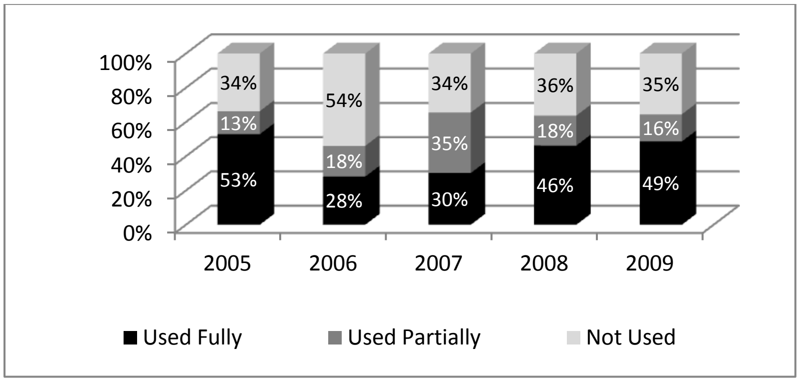
Table 41. Share of Projects Using Country Financial Management Systems, by Financial Management Components (percent)

Financial management system components	*Using country system*	*Using country system with mitigating measures*	*Not using country system*	*Using country system fully or partially*
BUDGETING				
Project expenditures, fully or partially financed by the Bank, included in the annual budget approved by the country's legislature	71	13	16	84
ACCOUNTING AND FINANCIAL REPORTING				
Accounting1: Project financial statements prepared using-the national accounting standards	22	33	45	55
Accounting2: Project used the relevant Ministry's accounting system for recording expenditures	35	21	44	56
TREASURY MANAGEMENT AND FUNDS FLOW				
Treasury1: Bank provided project funds deposited into regular Bank accounts maintained and operated by the treasury or Ministry of Finance	16	16	68	32
Treasury 2: Bank provided projects funds disbursed by the treasury or the Ministry of Finance using regular payment procedures	42	13	45	55
INTERNAL CONTROL AND INTERNAL AUDIT				
Internal control: Project used normal internal control procedures (such as authorization, approval) for implementing the project	56	27	16	84
Internal Audit: Internal audit of the project, if any, relied upon by the Bank	42	31	27	73
EXTERNAL AUDIT				
Project used country's Supreme Audit Institution to audit the project financial statements	31	13	56	44

Source: IEG, based on country reviews and Bank staff responses to survey.

There has been no sustained increase in the use of country systems for the various financial management components (including when mitigating measures are used) except for internal control procedures (see Appendix S). Across the eight financial management components, the use of country systems (fully or partially) for each of the years 2005 through 2009 averaged 66, 46, 66, 64, and 65 percent, respectively[37] (Figure 5). However, the country reviews suggest there has been a greater effort by Bank staff to use country financial management systems. For example, in the case of the health SWAp in Kenya, donors have been reluctant to use country systems because of concerns with governance and past instances of corruption in the sector. The Bank is an exception in this instance and is using country systems, although with significant risk mitigation measures.

Figure 5. Use of Country Financial Management Systems in Bank Projects Approved FY05–09 for the Three Sectors



Source: IEG, based on Bank staff responses to survey.

Operations supporting SWAps made more use of country FM systems than operations not supporting SWAps.

There is greater use of country financial management systems in operations supporting SWAps than in those that are not supporting SWAps (Table 42), which in line with the intention of SWAps of moving towards greater use of country systems (as discussed in Chapter 4). Specifically, for all financial management system components except disbursement and payment procedures, there is greater use of country systems for SWAps than non-SWAp operations.

Of the 62 projects on which financial management specialists have responded, only four use country systems fully in all aspects of financial management, and they are all SWAp operations—two in Nepal and one each in Bangladesh and Ethiopia. The greater use of country financial management systems in SWAp operations is in line with the finding from the country reviews that in cases of complex operations (which operations under SWAps are more likely to be), any parallel financial management system other than the country's own is inherently more inefficient and risky when implementation involves hundreds of implementing units in districts and villages.

The use of country financial management systems is uneven across countries. There is greater use of such systems in Benin, Ethiopia, Kenya, Nepal, Sierra Leone, and Uganda, where on average 75 percent of projects use country system (fully or partially). In contrast, the use of country financial management systems is lower in Mauritania, Tajikistan, Madagascar, and The Gambia, where on average less than 30 percent of projects use country system (fully or partially) (see Appendix T).

Table 42. Share of Projects Using Country Financial Management Systems (full or partial): SWAp versus Non-SWAp (percent)

Components of financial management systems	*Projects supporting SWAps (%)*	*Projects not supporting SWAps (%)*
Budgeting	88	82
Accounting1 (national accounting standards)	59	53
Accounting2 (ministry accounting system)	67	50
Treasury1 (funds disbursed into regular bank accounts operated by treasury/Ministry of Finance)	46	24
Treasury2 (funds disbursed using country procedures)	54	55
Internal control	88	82
Internal audit	83	66
External audit	58	34
Overall average	68	56

Source: IEG, based on country reviews and Bank staff responses to survey.

The uneven use of country financial management systems in Bank projects seems to be more reflective of implementing agency-specific risk rather than country-level risk (as captured by the PEFA score), both of which are determinants of the Bank's decisions on financial management arrangements for a project. In particular, there does not seem to be an association between the use of country systems and the PEFA scores for the country (Table 43). However, many project appraisal documents do not indicate the reasons for not using country systems and what deficiencies in the systems need to be addressed at the project level so that country systems could be used in the future.[38]

The use of country financial management systems does not appear to have exposed the Bank to higher fiduciary risks.

The Bank's use of country financial management systems does not seem to have exposed the Bank to higher fiduciary risks. In particular, for most areas of financial management, there is no significant difference in the average proportion of times projects receive unsatisfactory financial management ratings in implementation status reports between the projects that use country systems and the projects that do not. In fact, for the budgeting component, projects using country systems receive, on average, a lower proportion of unsatisfactory ratings than projects that do not, with the difference being significant at the 5 percent level (Table 44).

Table 43. Share of Projects Using Country Financial Management Systems (full or partial) and Average Public Expenditure and Financial Accountability Scores for the Country

Country	*Share of projects using country financial management systems (%)*	*Average PEFA scores*
Bangladesh	100	2.8
Benin	100	3.1
Burkina Faso	50	4.3
Ethiopia	69	4.2
Gambia, The	0	n.a.
Ghana	60	3.8
Kenya	100	4.0
Lao PDR	38	n.a.[1/]
Madagascar	13	3.7
Malawi	33	4.1
Mali	50	3.5
Mauritania	25	3.3
Nepal	93	3.4
Senegal	38	2.7
Sierra Leone	75	3.6
Tajikistan	25	3.3
Tanzania	71	4.1
Uganda	75	4.0
Vietnam	69	n.a.
Yemen, Rep. of	31	4.0
Correlation with PEFA Rating	–0.10	

Sources: IEG, based on country reviews and Bank staff responses to survey; PEFA scores are from the latest available Public Expenditure and Financial Accountability Assessments.
Note: The PEFA scores range from a low of D to a high of A, with provisions for + ratings. These scores have been converted to a 7-point scale, with 1 corresponding to a D rating and 7 corresponding to an A rating. 1/ As of the time of writing of this evaluation, the Lao PDR PEFA report (June 2010) has not yet been publicly disclosed.

Table 44. Average Proportion of Time a Project Received Unsatisfactory Financial Management Ratings in Project Implementation Status Reports

Financial management components	*Projects using country systems (%)*	*Projects not using country systems (%)*
Budgeting	**11**	**23**
Accounting1 (national accounting standards)	14	11
Accounting2 (Ministry accounting system)	13	11
Treasury1 (Bank accounts operated by treasury)	14	12
Treasury2 (Bank funds disbursed by treasury)	10	15
Internal control	13	7
Internal audit	14	8
External audit	14	12

Source: IEG, based on project implementation status ratings of the World Bank.
Note: Bold indicates a difference significant at 5 percent level.

USE OF COUNTRY PROCUREMENT SYSTEM

Procurement in Bank projects mostly follows one of two procedures—National Competitive Bidding (NCB) or International Competitive Bidding (ICB). The Bank has established country-specific ICB thresholds. Procurement below these thresholds follows NCB procedures.

Separately, there are also thresholds for prior reviews that apply to both ICB and NCB. The thresholds are determined by the risk rating of the specific implementing agency given by Bank procurement staff for the procurement assessment for each project. Procurements exceeding the threshold require a "no objection" from the Bank. Prior reviews are done by procurement specialists, regional procurement managers, and the Operational Procurement Review Committee, depending on the size of procurement. There are separate mandatory prior review thresholds for regional procurement managers and the committee.[39]

The Bank's Operational Policy allows the use of country procedures for NCB, although Bank procedures have to be followed for ICB[40] except for those countries and projects that were included in a piloting program on the use of country systems for ICB (Box 2). However, even under the piloting program, country systems would only be used if the country's procurement policies are equivalent to and consistent with the Bank's procurement policies. This was one of the reasons for the failure of the piloting program. To date, only four countries have qualified for the piloting program, and no Bank project has been approved that uses country systems for ICB.

For the nine countries reviewed, country systems are used for NCB whereas Bank procedures are followed for ICB.

For the nine countries reviewed, country systems are used for NCB, with exceptions to the country procedures listed in the loan agreement for all nine countries; Bank procedures must be followed for ICB. All ICB contracts are subject to prior reviews, although generally the first two NCB contracts and NCB contracts above the prior review thresholds are subject to prior reviews.

The exceptions to the country procedures (see Box 3 for an example) follow from the Bank's procurement guidelines, which list four principles that guide the procurement requirements in Bank-financed operations: economy and efficiency in procurement; giving equal opportunity to all eligible bidders; encouraging development of domestic contracting and manufacturing industries; and transparency in the procurement process (World Bank 2011d). In the opinion of a Bank staff member, the Bank is not using the country system at all when there are exceptions to the country procedures, because these exceptions are for the most part violations of the use of country systems. If the Bank were to use country systems for procurement, it would have to rewrite its procurement policies and guidelines.

Box 2. The World Bank Pilot Program for the Use of Country Procurement Systems in Bank Operations

To promote stronger country procurement systems, the Bank launched a piloting program in April 2008 under which national procurement systems would be used for ICB (for goods and works, not consultants) in countries that have achieved procurement standards equivalent to those embodied in the Bank's procurement guidelines and have demonstrated capacity to carry out such procurement.

The program entailed identification of countries and projects for the use of country procurement systems through a three-stage selection process. Stage I entailed selection of a pool of potential countries based on various assessments of the quality of country systems. Stage II assessed the equivalence and consistency of the country's procurement policies with the Bank's procurement policies. Stage III involved a review of compliance with the country policies and procedures, and of the past performance and overall capacity of the government agencies designated to be responsible for the proposed projects to be covered by country pilots. Countries that meet the qualifying requirements for Stages I and II could use country procurement systems in any Bank-financed project as long as the implementing agency of the project meets the requirements of Stage III.

The pilot confronted problems at the very start when none of the candidate pilot countries were able to meet the qualifying thresholds for Stage I. Bank management then decided to move the candidate countries forward in the piloting program even if they do not meet all the required standards so long as the government commits to a country development action plan acceptable to the Bank to address the gaps. The pilot, originally approved for a period of two years, was extended by one year (until June 2011).
Of the 20 countries (of which 6 were low-income) that were initially proposed by Bank Regions or expressed an interest for the pilot, 14 made progress but only 4 (Brazil, Mauritius, Rwanda, and Senegal) have completed both Stages I and II. No projects using country procurement systems were approved under the pilot before its expiration in June 2011.

The piloting program has been deemed unsuccessful by Bank Management and is to be discontinued after June 2011. The main reasons for the failure were: (i) the concept of equivalence with Bank standards which proved to be an obstacle because of the uniqueness and specificity of some Bank rules which are aimed at ensuring no diminution of standards; (ii) incentives of client countries and Bank staff to use country systems, with the former being deterred by a new and uncertain framework, and the latter by higher fiduciary risks; and (iii) heavy pressures on workload of staff and at times absence of staff skills.

Notwithstanding the failure, the piloting program has yielded lessons and benefits. These include broader dialogue with countries on their public procurement and the development of a diagnostic tool covering the country's whole procurement framework, among others, all of which would help the Bank better support national procurement reforms in countries.

Source: World Bank (2008), World Bank (2009g), and World Bank (2010a).

Box 3. Exceptions to Country Procedures for NCB: Ethiopia

- If prequalification is used, IDA's standard prequalification document shall be used.
- Margin of preference shall not be applicable. (*No preference should be given to domestic bidders. Margin of preference is allowed under country procedures. Under NCB, the bidding is in local currency and so the foreign bidders are already taking the risk. They should not be discriminated further.*)
- Bidders shall be given a minimum of 30 days to submit bids from the date of availability of the bidding documents. (*Country procedures allow 15 to 21 days.*)
- Use of merit points for evaluation of bids shall not be allowed (*This refers to civil work and goods procurement. The quality should be predefined. Once the bid meets the minimum quality, there should be only price comparison.*)
- Foreign bidders shall not be excluded from participation.
- Results of evaluation and award of contract shall be made public.

Source: IEG, based on country reviews.

PERCEPTIONS OF GOVERNMENT AND DONOR OFFICIALS ON THE BANK'S USE OF COUNTRY SYSTEMS

Government officials interviewed and surveyed for the evaluation are more positive on the use of country structures for project implementation than for financial management and procurement. Specifically, 42 percent of them from 20 countries gave the Bank the highest rating (6 on a scale from 1 to 6) on this aspect of the use of country systems, with 82 percent altogether giving the Bank an above-average rating. Government officials were much less positive on the extent to which the Bank has used country financial management and procurement systems, with 61 and 46 percent, respectively, giving above average ratings on these two aspects of using country systems.

In the course of the country reviews, government officials indicated their desire to see the Bank use more country financial management systems but did not voice complaints on the Bank's financial management procedures. However, numerous government officials expressed their dissatisfaction with the complexity of Bank's procurement procedures and the time taken to receive "no objections" on procurement from the Bank.[41] According to Bank staff, unlike financial management, there are no international standards for procurement; hence, the Bank's procedures are international best-practices. These issues are to be addressed in an IEG evaluation on procurement currently planned for FY13 (Table 45).

Table 45. Extent of the Bank's Use of Country Systems—Views of Government Officials

Rating	*Ministry/Local institution implementing Bank-financed operation*	*Country financial management system*	*Country procurement system*
	Shares (%) of respondents indicating		
1 (no extent)	4	7	9
2	11	15	27
3	4	17	18
4	13	19	11
5	27	22	21
6 (great extent)	42	20	14
Number of responses	55	54	56
Average rating	4.7	3.9	3.5

Source: IEG, based on country reviews and survey responses.
Note: The rating scale is from 1 (no extent) to 6 (great extent).

The majority of donor officials surveyed are of the view that the Bank's use of country systems for project implementation has been appropriate but that the Bank should use country systems more for financial management and procurement (Table 46). At the same time, however, most of them are generally of the view that the country financial management and procurement systems are weak and country capacity low (Table 46).

Table 46. Appropriate Use of Country Systems—Views of Donors

Bank use of country systems	*Ministry/Local institution implementing Bank-financed operation*	*Country financial management system*	*Country procurement system*
	Shares (%) of respondents indicating		
The Bank could use substantially less	6	6	7
The Bank could use somewhat less	6	7	7
The Bank use is just right	48	41	40
The Bank could use somewhat more	31	35	35
The Bank could use substantially more	9	11	12
Total responses	54	54	60

Source: IEG, based on survey responses.

Table 47. Strength of Country Systems—Views of Donors

Rating	*Country project implementation capacity*	*Country financial management system*	*Country procurement system*
	Shares (%) of respondents indicating		
1 (lowest)	8	12	8
2	30	31	32
3	39	41	41
4	18	12	14
5	5	4	5
6 (highest)	0	0	1
Total responses	87	81	79
Average rating	2.9	2.6	2.9

Source: IEG, based on survey responses.

Bank Support to Strengthen Capacity for Financial Management and Procurement

Under the Paris Declaration and the Accra Agenda for Action, the Bank has committed to provide capacity development support to countries where country systems require further strengthening. The Bank has provided support to capacity building through the following four channels: (i) capacity strengthening components (in the form of training and technical assistance) embedded in Bank projects; (ii) financial management and procurement-specific projects and development policy loans; (iii) financial management and procurement-specific ESW; and (iv) technical assistance including through the use of grants from the Institutional Development Fund. Table 48 presents the ways in which the Bank has provided support for capacity building in the nine countries and three sectors reviewed.

The most prevalent way is through embedding capacity-strengthening components in Bank projects, which was found in all nine countries. A review of the PADs of all Bank projects in these countries and sectors found that 77 percent of the projects include provisions for training/technical assistance for financial management, and 97 percent include provisions for procurement training. Some projects also include provisions for recruitment of experienced staff/consultants, not only to assist in financial management and procurement but also in training the financial management and procurement staff involved in the project.

Table 48. Instruments through which the Bank Provided Capacity Development Support in Financial Management and Procurement

Country	*Lending*		*Economic and sector work*	*Technical assistance*		*Capacity building components embedded in projects*
	Investment lending	Development policy		Nonlending technical assistance	Institutional development fund grant	
Benin		√	√	√	√	√
Ethiopia	√		√			√
Ghana	√	√	√	√	√	√
Kenya	√		√			√
Lao PDR	√	√	√	√	√	√
Malawi	√	√	√	√	√	√
Mali		√	√		√	√
Nepal	√		√	√	√	√
Uganda	√	√	√	√		√

Source: IEG, based on review of the Bank's portfolio for the nine countries reviewed.

Extent to which Capacity Has Been Strengthened

Government officials are more positive than donors on the extent to which Bank support has strengthened capacity in project implementation, financial management, and procurement.

Capacity is difficult to measure; it is even more difficult to measure the effect of Bank support on capacity strengthening. Hence, this evaluation relies on perceptions of government officials and donor officials for assessing the effect of Bank support on strengthening country capacity.

OVERALL SUPPORT

Responses from government and donor officials working on 11 of the 13 countries surveyed gave above-average ratings (4 and higher on a scale from 1 to 6) on the extent to which Bank support strengthened project implementation and procurement and financial management capacity in the three sectors (Table 49). Government officials are more positive than donors on the extent to which Bank support has strengthened capacity; they are also more positive on the extent to which Bank support has strengthened project implementation capacity compared to capacities in financial management and procurement.

Table 49. Extent to which Bank Support Strengthened Capacity: Views of Government and Donor Officials

Ratings	*Project Implementation Capacity*		*Financial Management Capacity*		*Procurement Capacity*	
	GOVERNMENT	DONOR	GOVERNMENT	DONOR	GOVERNMENT	DONOR
	Shares (%) of respondents indicating					
1 (no extent)	0	7	6	10	0	7
2	12	16	6	16	25	11
3	0	15	28	19	6	18
4	35	25	22	21	31	33
5	29	27	22	26	25	18
6 (great extent)	24	10	17	8	13	13
No. of responses	17	68	18	62	16	55
Average rating	**4.5**	**3.8**	**4.0**	**3.6**	**3.9**	**3.8**

Source: IEG, based on survey responses.
Note: The rating scale is from 1 (no extent) to 6 (great extent).

Support through specific Bank instruments

The majority of government officials who responded to the survey perceived that Bank support in each of four ways mentioned in the previous section has built capacity in all three areas (project implementation, financial management, and procurement) to an above average extent (that is above 4 on a scale from 1 to 6) (see Appendix U). More specifically:

- 70 percent or more of the government officials who responded gave above-average ratings (4 and above on a scale of 1 to 6) to all four types of support in building *financial management capacity*.
- More than 70 percent of the government officials who responded gave above-average ratings to the Bank's technical assistance and capacity strengthening components in projects in building *project implementation capacity*.
- Capacity strengthening components embedded in projects was perceived to have built capacity in all three areas to a greater extent than any other types of Bank support.

Support through using country systems

The majority of government officials who were interviewed or surveyed gave above-average ratings (4 and above) on the extent to which the use of country systems had strengthened capacity (Table 50). They were more positive (86 percent gave ratings of 4 and above) about the use of country systems in strengthening project implementation capacity than in strengthening financial management and procurement capacities (65 percent gave ratings of 4 and above for financial management, and 61 percent gave ratings of 4 and above for procurement).

Donors were also relatively positive (64 percent gave ratings of 4 and above) about the use of country systems in strengthening project implementation capacity, but the majority of them were less positive about the use of country systems in strengthening financial management and procurement capacity (51 percent gave ratings of 3 and below for financial management, and 63 percent gave ratings of 3 and below for procurement).

Table 50. Extent to which Use of Country Systems Strengthened Capacity—Views of Government and Donor Officials

Rating	*Project implementation capacity*		*Financial management capacity*		*Procurement capacity*	
	GOVT.	DONOR	GOVT.	DONOR	GOVT.	DONOR
	Shares (%) of respondents indicating:					
1 (no extent)	2	8	4	10	5	9
2	2	13	7	18	9	12
3	10	14	24	23	25	42
4	37	32	48	27	48	20
5	37	21	17	22	11	10
6 (great extent)	12	11	0	1	2	7
No. of responses	49	90	46	74	44	69
Average rating	4.4	3.8	3.7	3.4	3.6	3.3

Source: IEG, based on country reviews and surveys.

SUMMARY

The general perception of government and donor officials is that Bank support has built some capacity in project implementation, financial management, and procurement; government officials are more positive than donors on the extent to which capacity has been built. Embedded components in projects have been more effective in strengthening capacity than any other type of Bank support. Both government and donor officials are more positive about the use of country systems in strengthening project implementation capacity than in strengthening financial management and procurement capacities.

Factors Constraining the Use of Country Systems in Bank Projects

The use of country financial management systems in Bank projects is uneven, and the use of country procurement systems is limited. The majority of Bank projects covered by this evaluation used only certain components of country financial management systems and very often with mitigating measures. Procurements in Bank-financed projects do not use country systems for ICB and require the Bank's prior reviews for all ICB contracts and some NCB contracts (which, according to some Bank staff, are meant to provide an extra layer of quality control to ensure transparency and efficiency in the procurement process). The Bank has made progress in reducing its reliance on parallel PIUs and using existing country structures to implement projects. However, there is still a continued reliance on consultants in a large majority of the projects.

The evaluation has identified, through the country reviews, three factors that have constrained the Bank's use of country systems in the nine countries reviewed. These are the Bank's fiduciary obligations; weaknesses in country systems; and inadequate human resource capacity in partner countries.

THE WORLD BANK'S FIDUCIARY OBLIGATIONS

Notwithstanding the Bank's commitment to the Paris Declaration targets for increasing the reliance on country systems, the Bank is required by its Articles of Agreement to "ensure that the proceeds of any loan are used only for the purposes for which the loans were granted, with due attention to consideration of economy and efficiency and without regard to political and other non-economic influences or considerations."[42] These principles have also guided the Bank's operational policies for both financial management and procurement. For financial management, in accordance with OP 10.02 on financial management, Bank staff have to meet their fiduciary obligations, using country systems only "where feasible." For procurement, the country's procurement policies need to be equivalent to and consistent with the principles of the Bank's procurement policies before country systems are used under the pilot program.

The limited progress made in the use of country systems in Bank operations, despite the Bank's efforts as discussed earlier, could be reflective of these fiduciary obligations. However, it is very difficult to evaluate whether the Bank has used country financial management systems "where feasible" for any given operation.

WEAKNESSES IN THE COUNTRY FM AND PROCUREMENT SYSTEMS

In most of the countries reviewed, financial management and procurement systems are generally weak due to incomplete reforms. The weak systems are reflected in low PEFA scores. All the eight countries for which PEFA Assessments have been done[43] scored C+ (on a scale from A to D) or below for accounting and financial reporting, as well as external audit (scores are constructed for these components based on selected PEFA indicators—see Appendix V). Six of the eight countries scored C+ or below for treasury management and funds flow and internal control and internal audit. For budgeting and competition, value for money and controls in procurement, five of the eight countries scored C+ or below.

WEAK HUMAN RESOURCE CAPACITY

Procurement capacities are generally weak, whereas financial management capacities are generally high in agencies but weak in ministries and in local governments.

The countries reviewed generally have weak procurement capacities, whereas financial management capacities are weak at the ministry and local government levels, although relatively high in agencies that are autonomous/semi-autonomous and have prior experience in implementing Bank projects. In at least 16 of the 22 countries surveyed and reviewed, Bank staff were of the view that financial management capacity is weak. In 17 of the 22 countries, Bank staff indicated low procurement capacity at the Ministry/implementing agency level. This is also supported by the fact that a large majority of Bank projects include provisions for recruitment of staff/consultants and training/technical assistance for financial management and procurement.

Low civil service salaries, leading to high turnover rates, are partially responsible for weak capacity.

Low salaries and the lack of incentives (in terms of career advancement), leading to high turnover rates, are partially responsible for weak capacity. This was the view of Bank staff in six of the nine countries reviewed. A recent Bank study to assess fiduciary risks in using country financial management systems in Bank projects (World Bank 2010b) singled out the difficulties in retaining qualified auditors in Malawi's Central Internal Audit Unit and National Audit Office (the latter being the Supreme Audit Institution of the country).

With regard to the Central Internal Audit Unit, only 11 of the 110 auditors were qualified. Development partners trained auditors, but staff retention was a major challenge. The National Audit Office faced similar problems. Its personnel were subject to the same service conditions, remunerations, and recruitment processes as the rest of the civil service. It was unable to fill positions and the office could not retain trained staff. The office has encouraged its personnel to acquire professional accountancy qualifications, but once they qualify, they move to the private sector or other better-paying employers. An example is the well-functioning and well-staffed external audit agency in Uganda, which has the legal backing under a new Public Audit Act that enables the auditors to receive salaries five to ten times above corresponding civil service salaries.

The country reviews indicate a similar problem in retaining skilled financial management and procurement staff in Benin, Ghana, Ethiopia, Kenya and Uganda. In the view of a Bank staff member working in Uganda, elimination of parallel PIUs and mainstreaming of project implementation have led to a high turnover at the ministry, with the planning staff leaving the ministry to work for development partners.

EFFECT ON FINANCIAL MANAGEMENT, PROCUREMENT, AND PROJECT IMPLEMENTATION ARRANGEMENTS

Incomplete reforms and weak capacities in country financial management and procurement systems imply higher fiduciary risks, which in turn have led to fiduciary safeguards in financial management and procurement arrangements in Bank projects. Low government capacities and salaries also seem to have been responsible for the continued high dependence on consultants to implement Bank projects, notwithstanding progress in eliminating parallel PIUs and using country structures to implement projects. In 12 of the 22 countries reviewed and surveyed, Bank staff were of the view that low civil service salaries do not provide enough incentives to implement projects expeditiously.

Findings and Summary

The Bank has made progress in reducing its reliance on the use of parallel PIUs, moving toward greater use of existing country structures to implement projects. However, progress in the use of country financial management and procurement systems has been limited because of a combination of factors: the fiduciary obligations of the Bank, weaknesses in country systems, and low country capacity.

Bank support has helped build country capacity in financial management and procurement, but capacity has been difficult to retain because of weak incentives including low civil service salaries resulting in loss of skilled staff to better paying opportunities in the private sector or with development partners. There is hence a need to put in place an incentive system to attract and retain skills that are lacking. However, this is a complex area involving broader civil service reforms issues, complicated by human resource constraints, inadequate government resources, and so on. Those issues would need to be further analyzed and addressed outside of this evaluation.

Chapter 8
Findings and Recommendations

Main Findings

The donor coordination agenda has been heightened over the last 10 years because of the international development community's commitment to ratchet up aid and the attendant concerns of rising aid flows on stressing the capacity of the recipient countries and reducing the effectiveness of aid because of poor coordination among donors. Several global initiatives were launched to address these concerns, culminating in the Paris Declaration in 2005, followed by the Accra Agenda for Action in 2008.

Notwithstanding the series of global initiatives, however, aid fragmentation appears to have worsened in the 22 low-income countries under review. In particular, the number of donors and projects increased during the period while the size of projects fell. At the same time, aid flows had actually fallen relative to the size of their economies during 2001–08.

Aggravating this phenomenon of aid fragmentation among "traditional" donors (bilateral DAC donors and multilaterals) is the rising presence of new partners in the aid arena, including non-DAC donors, private foundations, global and regional programs, and so forth. These "nontraditional" partners provide needed resources but further complicate an already complicated donor coordination agenda. Although many of them are signatories to the aforementioned global initiatives, they do not typically participate in the established aid and donor coordination architecture in these low-income countries, and information on their activities is scant and incomplete. Anecdotal information suggests that in some of the countries they may have overtaken the "traditional" donors in terms of the size of aid flows.

In the midst of this increasingly complex international aid landscape, IEG finds that the Paris Declaration has served a useful function—heightening the awareness among the development partners (at least the "traditional" ones) of the need to harmonize and align—and the World Bank has made some progress on these fronts. At the same time, however, IEG also finds that an important monitoring indicator for the Paris Declaration—use of SWAps, which is counted as a program-based approach—is ill defined and not systematically tracked by the Bank.

THE EXTENT TO WHICH THE BANK HAS UNDERTAKEN H&A

The Bank has made mixed progress in H&A efforts in the 22 countries and 3 sectors covered by the evaluation, but in some areas there are valid reasons for weaker progress. Little or no progress in some areas does not necessarily reflect the lack of effort so much as the realities that make more progress not feasible or—in some cases—not desirable. More specifically, progress has been "mixed" in the following senses.

First, ***there has been good progress in harmonization but uneven progress in alignment.*** In particular, the Bank has made good progress in coordinating lending with other donors in the three evaluated sectors, as reflected in the rising shares of SWAps (the highest level of lending coordination) in education and HNP, although not in transport. Even where there are no SWAps, much Bank lending is coordinated with other donors through some kind of joint or parallel financing. There has also been progress in coordinating analysis and technical assistance with other donors, as reflected in rising shares of joint ESW and technical assistance in all three sectors. The CASs of all nine countries were found to be aligned with the respective national poverty reduction strategies. Progress has also been made in using country structures to implement projects. In contrast, there has been little progress in the use of country financial management or procurement systems.

Second, governments are more positive than other development partners on the extent to which the Bank has undertaken various joint activities with other donors, notwithstanding the progress made in coordinating lending and nonlending activities, as indicated above. The less positive perceptions of donors reflect in part the different incentive systems between the Bank and other donor agencies, with the Bank focusing more on delivery of tasks and knowledge than some other development partners that focus more on the process of H&A. Despite these differences, all three groups of stakeholders indicate that more of these joint activities need to be undertaken.

Third, ***the Bank has undertaken some joint strategies but has moderated its approach based on lessons learned***. The experiences of joint strategies in three of the nine countries reviewed indicated that the transaction costs were high (not only for the Bank, but for other development partners and for the government as well) and the benefits limited. Different programming cycles, agency functions and corporate priorities of other development partners also made it difficult to pursue joint strategies. A coordinated approach seems preferable for maximizing the benefits from joint strategies while minimizing the costs.

Fourth, there are ***areas where the Bank has made limited progress in part due to circumstances on the ground***. Selectivity is a clear example of this, where the Bank has made some progress in two of the nine countries reviewed by withdrawing from direct new support to HNP and has plans to reduce its intervention in a third country. The reality is that governments and donors do not always want the Bank to be more selective because of the expertise and fiduciary oversight the Bank brings. It is also often not possible for other development partners to be selective because of political or corporate mandates of their headquarters. At the very least, what is needed is a consolidated database on all donor support at the country level linked to the government's budget to help reduce duplication, identify funding gaps, and improve government planning. Such a database is either absent or not fully functional, comprehensive, or up-to-date in the countries reviewed.

The use of country financial management and procurement systems is another example of limited progress. Although the Bank has made greater efforts to use country financial management systems, there has not been a sustained increase in such use during the evaluation period. Bank guidelines allow the use of country procedures for NCB, although Bank procedures have to be followed for ICB except for those countries and projects that were included in a pilot program on the use of country systems for ICB. To date, four countries qualified for the program, although no projects have yet been approved for these countries using country systems for ICB. The Bank deemed the piloting program to be a failure and discontinued it.

The limited progress in the use of country financial management and procurement systems is due to a combination of three factors: the fiduciary obligations of the Bank, weak country systems, and low country capacities in these areas. Although the Bank has helped build country capacity in financial management and procurement, capacity has been difficult to retain because of weak incentives including low civil service salaries resulting in loss of skilled staff to better paying opportunities in the private sector and development agencies.

THE EXTENT TO WHICH H&A HAVE ACHIEVED THEIR OBJECTIVES

H&A actions have generally achieved their objectives. By and large, the perceptions of all three groups of stakeholders (governments, donors, and the Bank) are that joint missions, joint analysis, coordinated technical assistance, and SWAps have achieved the three objectives of coordination (reducing transaction costs to the government, improving the quality of the policy dialogue, and building government capacity) at least to a moderate extent, and in some instances to a substantial extent. In other words, these donor coordination activities could be considered relevant for achieving the coordination objectives.

Looking forward, all three groups of stakeholders indicate that more of these activities are needed to better achieve the three donor coordination objectives. In this light, the new lending instrument that the Bank has proposed, P4R, is very timely, as it could provide another instrument for pursuing SWAps.

It is not just undertaking the joint activities per se that matters, but how they are undertaken. Some SWAps did not reduce government transaction costs (although they mostly did) when donors did not adjust their reporting requirements or when donors continued to have separate meetings with the government despite the presence of a SWAp. Transaction costs to the government were reduced substantially under pooled financing, but not so much (or not at all) when there continued to be parallel financing. Again, the new instrument being proposed by the Bank, the P4R, should help in this instance, as it is aimed, among other things, at facilitating pooled funding.

In addition to the three objectives against which IEG evaluated Bank donor coordination activities, IEG found other benefits of coordination: improved relations with other donors and hence improved reputation of the Bank; greater resource mobilization; and a more comprehensive and better framework for Bank operations.

Notwithstanding these benefits, donor coordination entails costs, in particular transaction costs to the Bank. Yet, even though transaction costs increased for some Bank task team leaders, they decreased for others, such that on balance, across the 3 sectors and the 22 countries, more respondents indicated that there had been an improvement in transaction costs for them than indicated deterioration.

THE FACTORS IMPORTANT FOR H&A

Internal incentives matter for H&A, but they are not very strong in the Bank. Coordination is part of performance evaluation for country directors in the Africa Region, but it does not seem to have cascaded down to the staff level. There appears to be no dedicated charge code for time spent on coordination for staff working on the nine countries reviewed.

The most important factor for Bank staff to undertake coordination is that they consider it the only option, or the sensible thing to do, given the circumstances. The realities are that other donors are already present and active, and it "makes sense" to coordinate with them, besides which it facilitates the Bank's work. Nonetheless, this does not mean the Bank does not need to strengthen its internal incentive system to further promote coordination, given the lead role (de-facto or otherwise) that it has assumed and that governments and other donors expect it to take on, but at the same time the negative perceptions of some donors of Bank staff who are assuming the role (see below).

Field presence is important for coordination, although there are costs to the Bank. It is the overwhelming view among Bank management and staff and donor officials that field presence of the Bank is important for donor coordination. Most country management staff are already in the field and are devoting significant amounts of time to H&A activities. As for sectoral staff, an overwhelming majority of those currently based in the field indicated that (substantially) more decentralization is necessary, and half of those currently based in Washington indicated the same.

But there are costs for the Bank as well, the most important of which are (i) the time required for coordination, leaving less time for analytical work, and (ii) field-based Bank staff not being as well-integrated into the professional networks at headquarters. At the same time, undertaking analytical work and being integrated into professional networks are important for Bank staff to be at the cutting edge of knowledge for leading policy dialogue. This highlights, again, the tension between the Bank and other development partners—other partners want the Bank to interact and coordinate with them, they also rely on the Bank to do the analytical work, but time taken for the former cuts into time for the latter.

It is also not just field presence per se, but field presence of the right staff with the right personality for coordination. In an internal tight budget environment, which may limit the extent of the field presence of Bank staff, the Bank should give priority to having field presence in areas or sectors it is *leading*. Finally, development partners also highlighted the importance of field presence of international staff, or at least staff who are willing to engage in difficult policy dialogue with the government (which national staff may be more restrained in doing).

Government ownership and leadership are key but not always present. Donor coordination—the focus of this evaluation—is important for facilitating aid coordination, which in turn is the purview of the government. Yet for aid coordination to be effective, government ownership and leadership is key—though it is not always present in the countries or sectors covered by this evaluation.

Sometimes governments do not strongly lead aid coordination because less coordination could allow more options, or just more aid, for the government. Some instances of uncoordinated aid (projects or technical assistance) have been pointed to by development partners as reflective of governments' interest in more aid, and hence a lack of concern about duplication. Government ownership and leadership is also needed in the areas of financial management and procurement reforms to strengthen these systems and to build capacities in these areas.

Although government ownership or leadership is key, it is not clear whether (or how) external parties (the Bank or other development partners) can foster this when it is not an issue of capacity. Where government leadership is weak because of capacity constraints, the issue of the role of the Bank arises.

The Bank could take a lead a role when governments do not have adequate capacity. The Bank has often assumed a lead role in coordination by virtue of its technical expertise and sizeable financial resources. This has generally been welcomed by governments, although the reception on the part of other donors on the Bank assuming this role is more mixed (if still positive). What is important here is for the Bank to strike the balance between leading but not being over-bearing at the same time, which may require a broader skill set than the typical Bank staff currently have; it certainly requires stronger internal incentives in the form of recognition and validation of the time taken for Bank staff to pursue H&A.

A large number of donors—both overall and at the sector level—lowers the effectiveness of harmonization actions. The increasing number of donors active in low-income countries has aggravated transaction costs, not just to the government, but to other donors as well. It has also lowered the quality of the policy dialogue in some instances. In this light, some development partners have proposed the idea of limiting the number of partners that have a "seat at the table," either through applying some minimum threshold of financial contribution to the country, or through delegated arrangements; DFID is planning to do this in Kenya.

Comparison with Findings from Other Evaluations

The findings of two other recently completed evaluations are of particular relevance to this evaluation, the Phase 2 Evaluation of the Paris Declaration (2011), and MOPAN (2010). The former is based on partner country evaluations and studies by donors (not including the Bank), all done on a voluntary basis. The latter entails surveys of national partners of multilateral organizations (including the Bank) and of bilateral donors that are MOPAN members.[44] A comparison of the findings from these two evaluations finds both areas of congruence as well as areas of divergence with this evaluation.

There are more areas of congruence than divergence with findings from the Phase 2 Paris Declaration Evaluation. The findings from the Paris Declaration Evaluation that resonate with this evaluation are:

- Progress has been made, particularly at the sector level, of more focused, efficient and collaborative aid. This echoes the positive findings on SWAps and coordinated lending in this evaluation.
- Country ownership and leadership is critically important for aid effectiveness. This is a key finding of this evaluation.
- Insufficient capacity continues to be a formidable obstacle in many countries despite some contribution of aid towards long-term institutional strengthening. This was found to be the case in this evaluation with regards to country financial management and procurement systems.
- Politics influence aid and aid reforms in donor countries. This is echoed by the finding of this evaluation that selectivity by donors is constrained by political and other mandates from their headquarters.
- There is a critical lack of transparency and reliable data on many of the other forms and flows of cooperation beyond the current scope of the evaluation. Similarly, this evaluation finds that non-DAC donors and other partners are playing an increasingly important role in partner countries. Their different modalities of aid delivery and the lack of adequate information on their activities are complicating the H&A agenda.

There is one area of divergence, though. The Phase 2 evaluation finds little or no reduction in the burden of aid management, whereas this evaluation finds that transaction costs have fallen for most of the government respondents, and have fallen for more Bank staff than they have risen.

There are also both areas of congruence and divergence with findings from MOPAN. Findings that are congruent with this evaluation are the Bank being perceived to be adequate in supporting national plans, and the Bank being perceived to be adequate in participation in program-based approaches. On the other hand, MOPAN members at the country level perceive that the Bank is inadequate in providing coordinated technical assistance in support of capacity development, contrary to this evaluation's finding of the Bank's adequacy on this front. Finally, it is difficult to determine consistency in findings regarding the use of country systems, as the MOPAN finding of the Bank not being adequate on this front is qualified by the indication that there appears to be a lack of awareness of Bank performance in this area.

In sum, findings from this evaluation largely resonate with findings of these two other evaluations. In light of the different (although overlapping) country coverage of these other evaluations, the consistency in findings implies that the recommendations of this evaluation are likely to be applicable to a wider set of countries beyond the 22 covered by this evaluation.

Recommendations

Based on the above findings, IEG makes two sets of recommendations to Bank management aimed toward improving the effectiveness of H&A. The first set is for Bank management to implement internally, and the second set is for Bank management to implement together with other development partners, and hence to table at international aid forums, in particular the next High-Level Forum on Aid Effectiveness.

RECOMMENDATIONS FOR THE BANK TO IMPLEMENT INTERNALLY

Provide recognition to Bank staff for undertaking H&A by introducing a specific budget code for staff to charge time spent on coordination, for both task- and non-task-related coordination activities.

The focus of the Bank's work, and indeed the Bank's mandate, is on the delivery of products and on high technical quality, rather than on the process of donor coordination. Its internal incentive system functions accordingly. Although donor coordination is part of the performance evaluation for country directors, it does not seem to have cascaded down to the staff level. Bank staff do not even have a budget code for charging time on coordination in the countries reviewed. Nonetheless, Bank staff have undertaken coordination activities, in large part because the realities on the ground are such that coordination with other donors makes sense, is the only option, or facilitates the Bank's work. Notwithstanding these efforts, there is a negative perception among some donors of the attitude of Bank staff (in particular sectoral staff) toward donor coordination.

The Bank needs to recognize and validate the time taken for coordination by introducing a specific budget code for staff to charge that time, for both task-related as well as and non task-related coordination activities. Even if recording the precise time spent on coordination is difficult, especially when tasks are joint, such that time taken to undertake the task and time taken to coordinate cannot be easily distinguished, the introduction of a charge code goes a long way toward recognizing and validating staff efforts in this regard. Also, sufficient budget needs to be allocated for staff to undertake coordination.

Promote the use of SWAps by encouraging the use of the new P4R instrument to facilitate SWAps and by instituting a system to track and report on all operations supporting SWAps.

IEG finds that SWAps have a leading role in coordinating lending, and that they have advanced the H&A agenda through reducing transaction costs to governments, improving the quality of the policy dialogue, and building government capacity. All stakeholder groups indicate they would like to see more SWAps in the future. The new P4R instrument should help facilitate SWAps. But for those countries that would not yet qualify for P4R (as the latter requires the complete use of country systems), promotion of SWAps through tracking and reporting on them continue to be important.

Set out in the project appraisal documents the reasons for not using country financial management systems when they are not used at the project and/or implementing agency level, identifying deficiencies in the existing systems for the client to address.

The Bank's current position is to use the country's financial management systems as the default option when the systems are assessed as adequate (that is, their use does not pose significant risks). This evaluation finds that where country systems are not being used, the project documents often fail to identify specific shortcomings of those systems. For the purposes of greater transparency and strengthening client capacity, the Bank should set out, in the project appraisal documents, why country financial management systems cannot be used at the project and/or implementing agency level, identifying deficiencies in the existing systems for the client to address.

RECOMMENDATIONS FOR THE BANK TO IMPLEMENT WITH OTHER DEVELOPMENT PARTNERS AND HENCE TO TABLE AT THE NEXT HIGH-LEVEL FORUM ON AID EFFECTIVENESS

The Bank should work with other development partners to provide technical and financial support to strengthen country leadership of aid management and coordination.

This evaluation finds that government leadership is key for aid management and coordination. However, government leadership is not always present because of capacity constraints. Inadequate data on aid flows at the country level also hamper effective aid management by the government. Further, IEG finds that increasing aid fragmentation is a major issue confronting effective coordination in countries. The rising number of donors is stressing the capacity not only of governments, but that of donors as well. There is therefore a need to streamline and rationalize aid coordination mechanisms.

Specifically, technical and financial support is needed for:

- Generating good practice case studies for aid management and coordination

- Developing and maintaining a country-level up-to-date, comprehensive, and functional database for aid that is linked to government budgets

- Government-led streamlining and rationalizing of aid coordination mechanisms, including through delegated arrangements.

Endnotes

Chapter 1

[1] The other principles are ownership, mutual accountability, and management for development results. Stern and others (2008, p. 2).

[2] The agenda initially focused on harmonization—see the Rome Declaration on Harmonization. However, even on the heels of the Rome Declaration, there was already "… explicit recognition that harmonization covers alignment with partner countries" (World Bank 2003, p. 1). By 2005, H&A had become recognized as two central tenets of donor coordination (see World Bank 2005a).

[3] This is taken from Booth and Evans (2006), who presented an indicative outline framework for the evaluation of the Paris Declaration in their paper for the DAC Evaluation Network.

[4] Drawing from Lawson (2009), which was undertaken for the Secretariat of the Paris Declaration, transaction costs in the context of aid delivery typically refer to the time taken by the different processes associated with the delivery of aid. These processes are associated with the following costs: (i) for the government to sell the project concept to appropriate funders and to identify the latter, and for donors to identify projects or programs to fund; (ii) of negotiating and agreeing to the financing arrangements for the project, or the policies and outcomes for budget support; and (iii) of enforcing the agreements. Specifically, transaction costs arise from meetings with donors and fulfilling reporting requirements for the use of donor funds.

[5] Bank H&A activities are identified in World Bank publications (2006a, 2007b, 2009d).

[6] There were only four sector-level development policy loans approved during FY05–09 in the sectors and countries covered by this evaluation.

[7] Nine of the 22 countries covered by this evaluation are covered in the Phase 2 Paris Declaration country evaluations. These are: Bangladesh, Benin, Ghana, Malawi, Mali, Nepal, Senegal, Uganda, and Vietnam. Three of the nine countries covered by the 2009 Multilateral Organizations Performance Assessment Network are covered by this evaluation—Ethiopia, Senegal, and Uganda.

[8] These are low-income countries classified by the Bank as of July 2009 as countries that have per capita incomes of $975 or less, with the classification being based on 2008 gross national income per capita.

[9] These are countries eligible for IDA Post-Conflict Allocations as of November 2009: Afghanistan, Burundi, the Democratic Republic of Congo, Eritrea, and Liberia.

Chapter 2

[10] The information on aid flows used in this chapter is from Project-Level Aid (Nielson, Powers, and Tierney 2010), which was established at the College of William and Mary (United States) in 2003 to compile and maintain a Web-accessible database on bilateral and multilateral aid. Project-Level Aid aims to fill the gaps in existing data on aid, such as the credit reporting system of OECD-DAC. 2008 was the most recent year for which full aid data is available from Project-Level Aid (as well as from the credit reporting system).

[11] Specifically, these are MDG #2 Achieve Universal Primary Education, MDG #4 Reduce Child Mortality, MDG #5 Improve Maternal Health, and MDG #6 Combat HIV/AIDS, Malaria and Other Diseases.

[12] During CY05–08, there were 25 operations (including supplemental financing) in education, 34 in HNP, and 24 in transport to the 22 countries, with an average credit size of $45 million for education, $31 million for HNP, and $67 million for transport.

Chapter 3

[13] This is in line with the Bank's finding of different collaborative models in the 2009 CAS Retrospective, ranging from fully joint CASs with joint upstream analysis and diagnostic work, joint activities and joint results, to ones that are collaborative but not joint, involving joint process of analysis and diagnosis, and activities that are coordinated but not carried out joint (World Bank 2009b).

[14] Actively providing lending support refers to the existence of at least one active operation in that sector in the country.

[15] The support has been in the form of some small studies and limited efforts, principally through the Poverty Reduction Support Credits to promote development and maintenance of rural roads.

[16] Bank support has been re-invigorated recently in the form of a $9 million grant under a regional project to improve air transport security and safety, and $75 million IDA commitment in support of Benin's part in a coordinated multicountry effort to upgrade the trunk trade route from Abidjan to Lagos and modernize customs and border-crossing facilities and procedures.

[17] Such as the multidonor trust funds for the Provision of Basic Services program and the General Education Quality Improvement program, or the multidonor Millenium Development Goal Fund.

[18] Under this initiative, the Bank has moved from an approach that spells out what information it can disclose to one under which the Bank can make public any information in its possession that is not on a clear list of exceptions. For example, much more information will be made available on key decisions made during project development and implementation, including decisions of project concept review meetings, project supervision missions, and mid-term project reviews.

Chapter 4

[19] http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,menuPK:64706195~pagePK:4715652~piPK:4715701~theSitePK:380832,00.html.

[20] Paris Declaration Indicators of Progress.

[21] http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,contentMDK:21361413~noSURL:Y~pagePK:51455324~piPK:51455326~theSitePK:380832,00.html.

[22] http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,menuPK:64706195~pagePK:4715652~piPK:4715701~theSitePK:380832,00.html.

[23] http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,contentMDK:21361413~noSURL:Y~pagePK:51455324~piPK:51455326~theSitePK:380832,00.html.

[24] The survey was carried out in 54 developing countries, with survey results sent to OECD-DAC through either a government or a donor focal point in each country.

[25] The Bank review indicates that the Bank's support to PBAs in these countries was almost 60 percent of total disbursements, short of the 66 percent target but greater than the 54 percent reported by OECD-DAC in its survey report.

[26] See Appendix M for the detailed list of operations and the characteristics each operation meets.

[27] For instance, if the last characteristic is excluded, the number of loans excluded would increase from one to two for education, from five to seven for HNP, and from eight to nine for transport.

[28] In comparison, the Bank's report to the OECD-DAC Monitoring Surveys for 2005 and 2007 for 33 countries indicates an increase in joint missions from 21 to 31 percent, an increase in joint analytic work from 49 to 56 percent, and an increase in coordinated technical assistance from 57 to 86 percent between the two years. These figures are for the entire Bank portfolio, compared to the coverage of three sectors in this evaluation. 15 of the 33 countries overlap with the countries covered in this evaluation, although not the same 15 for the two years.

[29] The 22 pieces of ESW represent 45 percent of the total number of ESW (49) covered by this evaluation. They are on 13 of the 22 countries covered by this evaluation. There were no responses from transport task team leaders.

[30] The 15 pieces of technical assistance represent 42 percent of the total number of technical assistance (36) covered by this evaluation. They are on 10 of the 22 countries covered by the evaluation.

Chapter 6

[31]This issue will be explored further in an IEG evaluation on decentralization planned for FY13.

[32] This was also found to be the case in the recent Bank review of aid coordination structures based on a survey of Bank staff (World Bank 2011a).

Chapter 7

[33] Excluding projects for additional financing of pre-existing projects.

[34] The Bank's report to the OECD-DAC Monitoring Surveys for 2005 and 2007 for 33 countries also indicate a reduction in the use of parallel PIUs from 223 to 79. These figures are representative of the Bank's whole portfolio, compared to this evaluation's focus on three sectors. Fifteen of the 33 countries overlap with the country coverage of this evaluation, although not the same 15 for the two years.

[35] OP 10.02 – Financial Management, The World Bank, July 2010.

[36] An example of a mitigating measure can be found for treasury management for the Education Sector Investment Program in Mali. The mitigating measure entails having the project account placed in a commercial bank but managed jointly by staff of the Education Ministry as well as the national treasury. In the absence of the mitigating measure, the funds would be managed by the national treasury alone.

[37] In comparison, the Bank's report to the OECD-DAC Monitoring Surveys for 2005 and 2007 for 33 countries indicates an increase in the use of country financial management systems from 42 to 54 percent of disbursements. These figures are representative of the Bank's whole portfolio, compared to this evaluation's focus on three sectors. 15 of the 33 countries overlap with the country coverage of this evaluation, although not the same 15 for the two years.

[38] The Bank has issued a good practice note that in the preparation of CAS products, financial management specialists should provide details of the extent to which current Bank operations are making use of country systems and identify the scope for further movement in this direction (World Bank, 2009b). However, IEG's review of CASs indicates that such instructions have not been implemented systematically since their issuance. More importantly, any discussion in the CASs pertaining to the use of/deficiencies in country systems is at the country-level, and does not include project-level or implementing agency-specific issues.

[39] BP 11.00 – Procurement, The World Bank, January 2011.

[40] OP 11.00 – Procurement, The World Bank, January 2011.

[41] The Bank's Africa Region has recently instituted a system for tracking the time taken for different steps in the procurement process. IEG's request for the data from this tracking system has not been met by the Region at the time of the writing of this evaluation.

[42] http://go.worldbank.org/TSLNEK1XT0.

[43] No PEFA Assessment has been done for Lao PDR.

Chapter 8

[44] MOPAN is an informal network of 15 donor countries. In 2009, members include Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, the Netherlands, Norway, the Republic of Korea, Spain, Sweden, Switzerland, and the United Kingdom.

Appendix A: Paris Declaration Monitoring Indicators and Responsible Parties

Paris Declaration principles	***Indicators***		***Responsible parties***
Ownership	#1	Share of partner country with operational development strategies	Partner countries
Alignment	#2	Share of partner countries strengthening their public financial management and procurement systems	Partner countries and donors
	#3	Share of aid flows for government sector reported on government's budgets	Donors
	#4	Share of technical cooperation flows implemented through coordinated programs consistent with national development strategies	Donors
	#5a	Share of aid flows using public financial management systems of partner countries	Donors
	#5b	Share of aid flows using partner country procurement systems	Donors
	#6	Number of parallel project implementation units	Donors
	#7	Share of aid not disbursed in the fiscal year for which it is scheduled	Donors
	#8	Share of aid that is untied	Donors
Harmonization	#9	Share of aid provided in context of program-based approaches	Donors
	#10a	Share of joint missions	Donors
	#10b	Share of joint analysis	Donors
Managing for Results	#11	Share of countries without transparent and monitorable performance assessment frameworks	Partner countries
Mutual Accountability	#12	Share of countries with mutual assessment reviews in place	Partner countries and donors

Source: Derived from Annex 1 of the Paris Declaration.

Appendix B: The Paris Declaration Evaluation

The Paris Declaration has envisioned that monitoring and evaluation were integral to the Declaration's commitments. Specifically, the Declaration has indicated that the signatories "will…. explore independent cross-country monitoring and evaluation processes…..to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives" (Paris Declaration, p. 3).[4]

Evaluation of the Paris Declaration has been done in two phases. Phase 1 assessed the early implementation of the Declaration, from March 2005 to late 2007. It comprised extensive assessments in 8 countries (4 of which overlap with the list of countries covered by this evaluation—see Appendix D) and less extensive studies of 11 development partner or "donor" agencies, focusing at the headquarters level. These agencies are: the Asian Development Bank, Australia, Denmark, Finland, France, Germany, Luxembourg, the Netherlands, New Zealand, United Kingdom, and the United Nations Development Group.

Phase 1 of the evaluation found mixed progress in implementation. It concluded with the publication of a synthesis report (Stern and others 2008) on the country and agency assessments and of four thematic papers.[5] The Phase 1 evaluation contributed to ongoing aid effectiveness policy debates at the Third High-Level Forum on Aid Effectiveness in Accra, Ghana (where the synthesis report was submitted), in September 2008 and in other fora.

The Phase 1 evaluation focuses on practical lessons learned about implementation, whereas the Phase 2 evaluation has a relative emphasis on results. It entails 21 country evaluations, 9 of which overlap with those covered by this evaluation (see Appendix D). It also entails seven donor and agency studies: the African Development Bank, Austria, Ireland, Japan, Spain, Sweden, and the United States. The Phase 2 evaluation will be submitted to the Fourth High-Level Forum in Busan in November 2011.

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[4] http://www.oecd.org/dataoecd/15/3/46874580.pdf.

[5] The four thematic papers are "Applicability of the Paris Declaration in fragile and conflict-affected situations" (August 2008), "Development Effectiveness of Untied Aid" (October 2008), "Paris Declaration, Aid Effectiveness and Development Effectiveness" (November 2008), and "Support to Statistical Capacity Building" (May 2009).

Appendix C: Bank Actions on Harmonization and Alignment

Paris Declaration commitments	*Bank actions (OPCS, 2006)*	*Bank actions (IDA and OPCS, 2007)*	*Bank actions (OPCS, 2009)*
ALIGNMENT			
Aid flows are aligned on national priorities	Aligning CASs to PRSPs	Aligns CAS with countries' poverty reduction strategies	Aligns CAS with countries' poverty reduction strategies
Use of country PFM systems	Use country PFM systems: • DPOs (by definition) • Investment lending	Continue to support countries' efforts to strengthen financial management and procurement systems as basis for progress in use of country systems	
Use of country procurement systems			Further efforts to develop and use country procurement systems through piloting program
Avoid parallel PIUs	Reduce reliance on parallel PIUs	Revise investment lending guidelines to require integration of PIUs into government structures as the default option for IDA projects; proposal to establish new PIUs will be considered as an exception and need to be clearly justified	Develop specific criteria to more aggressively move toward integrated systems, build country capacity, and provide explicit justifications when parallel PIUs are used
		Decentralization	Deepen decentralization
HARMONIZATION			
Use of common arrangement or procedures	Lending through: • SWAPs • DPOs • Projects with joint financing	• Coordinated budget support • SWAps • Encourage harmonization of legal documentation and provisions in multidonor financing arrangements	
Encourage shared analysis	Joint missions	Joint missions	
	Joint diagnostic and ESW (with donors/countries)	Joint diagnostic work	
		Mission-free periods	
		Co-chairing donor meetings	
	CASs to assess donor relations and measures to increase harmonization, and Bank support for building country's capacity to lead and improve aid management	Helping partner countries to improve their aid management capacities	
	Promote selectivity as an instrument of aid effectiveness	Country-led selectivity in CASs and participation in division of labor exercises; participate in joint or collaborative assistance strategies	Selectivity under country leadership—the Bank could do better in using the CAS process to be more selective
		Disseminating good practice from one country team to another	Gather best practices on key aid effectiveness issues including sectorwide and budget support, use of country systems and PIUs

Sources: IEG, based on the Paris Declaration, World Bank (2006a, 2007b 2009d).
Note: CAS = Country Assistance Strategy; DPO = development policy operation; management by objectives; ESW = economic and sector work; IDA = International Development Association; OPCS = Operations Policy and Country Services; PFM = public financial management; PIU = project implementation unit; PRSP = Poverty Reduction Strategy Paper; SWAp = sectorwide approach.

Appendix D: Countries Covered by the Evaluation and Some Key Attributes

Country	*Share of IDA in total aid (2005-08) (%)*	*Rank of IDA as source of aid (2005-08)*	*2009 population (in millions)*	*2009 GNI per capita, Atlas method (current US$)*	*Paris Declaration evaluation Phase 1*	*Paris Declaration evaluation Phase 2*
Bangladesh	29	1	162.2	580	x	x
Benin	11	4	8.9	750		x
Burkina Faso	18	2	15.8	510		
Central African Republic	11	3	4.4	450		
Ethiopia	21	2	82.8	330		
Gambia, The	14	2	1.7	440		
Ghana	12	3	23.8	1,190		x
Kenya	11	2	39.8	760		
Lao PDR	10	3	6.3	880		
Madagascar	15	2	19.6	420*		
Malawi	10	4	15.3	280		x
Mali	12	4	13.0	680		x
Mauritania	8	5	3.3	960		
Nepal	21	1	29.3	440		x
Niger	12	3	15.3	340		
Senegal	9	3	12.5	1040	x	x
Sierra Leone	8	4	5.7	340		
Tajikistan	11	4	7.0	700		
Tanzania	19	1	43.7	500		
Uganda	15	3	32.7	460	x	x
Vietnam	22	3	87.3	930	x	x
Yemen, Rep. of	17	2	23.6	1,060		

Sources: Aid data is aid on a commitment basis from Project-Level Aid. Population and GNI data are from the Development Data Platform of the World Bank. The list of countries participating in the Paris Declaration Evaluation is from the DAC Network on Development Evaluation, OECD. The selection of countries was based originally on at least 10 percent of total aid contribution by IDA from the OECD-DAC Aid Activity Database. Subsequent to the initial selection, the Project-Level Aid database is used for the purposes of this evaluation because of its wider coverage of aid activities.

Appendix E: Respondent Profiles of Country Reviews and Surveys for the Evaluation

Table E.1. Number of Respondents Interviewed in the Country Reviews

Country	*Bank management*	*Bank staff/ consultant*	*Government officials*	*Donor officials*	*Total*
Benin	2	15	10	9	36
Ethiopia	2	14	11	23	50
Ghana	4	10	6	7	27
Kenya	3	10	17	20	50
Lao PDR	1	15	9	9	34
Malawi	2	12	9	15	38
Mali	1	22	9	7	39
Nepal	1	11	12	12	36
Uganda	2	14	17	22	55
Non-country specific	7	3	—	—	10
All	25	126	100	124	375

Source: IEG.

Table E.2. Number of Survey Responses from Donor Agencies for the 13 Countries

Country	*Donor heads of agencies*		*Donor sector representatives*							
			EDUCATION		HNP		TRANSPORT		TOTAL	
	Number of respondents	Number of agencies	Number of respondents	Number of agencies	Number of respondents	Number of agencies	Number of respondents	Number of agencies	Number of respondents	Number of agencies
Bangladesh	3	3	9	8	7	6	1	1	17	15
Burkina Faso	3	3	3	3	0	0	1	1	4	4
Central African Republic	4	3	0	0	0	0	1	1	1	1
Gambia, The	1	1	3	2	2	2	0	0	5	4
Madagascar	2	2	1	1	2	2	0	0	3	3
Mauritania	4	3	4	4	4	3	1	1	9	8
Niger	2	2	1	1	3	3	0	0	4	4
Senegal	5	5	2	2	3	3	2	2	7	7
Sierra Leone	9	7	3	3	3	3	1	1	7	7
Tajikistan	2	2	5	4	6	5	1	1	12	10
Tanzania	11	10	3	3	4	4	3	3	10	10
Vietnam	3	3	3	2	1	1	0	0	4	3
Yemen, Rep. of	8	8	5	5	2	2	0	0	7	7
Total	57		42		37		11		90	

Source: IEG.
Note: HNP = health, nutrition, and population.

Table E.3. Number of Survey Responses from Government Officials for the 13 Countries

	Government donor coordinator	*Government sector representatives*			
		EDUCATION	HNP	TRANSPORT	TOTAL
Bangladesh	1	1	1	0	2
Burkina Faso	1	0	0	1	1
Central African Republic	1	1	0	0	1
Gambia, The	2	2	0	0	2
Madagascar	0	0	2	1	3
Mauritania	1	1	1	0	2
Niger	0	1	1	0	2
Senegal	3	1	0	0	1
Sierra Leone	2	0	0	0	0
Tajikistan	0	0	0	0	0
Tanzania	0	0	0	1	1
Vietnam	0	1	1	0	2
Yemen, Rep. of	1	1	0	0	1
Total	12	9	6	3	18

Source: IEG.
Note: HNP = health, nutrition, and population.

Table E.4.Coverage of Tasks Approved or Initiated during FY05–09 in the 13 Countries

	Education			*HNP*			*Transport*			*All three sectors*		
	NUMBER OF TASKS	NUMBER OF TASKS WITH SURVEY RESPONSES	COVERAGE	NUMBER OF TASKS	NUMBER OF TASKS WITH SURVEY RESPONSES	COVERAGE	NUMBER OF TASKS	NUMBER OF TASKS WITH SURVEY RESPONSES	COVERAGE	NUMBER OF TASKS	NUMBER OF TASKS WITH SURVEY RESPONSES	COVERAGE
Projects	14	12	86%	17	13	76%	12	11	92%	43	36	84%
DPLs	3	2	67%	0	0	0	1	1	100%	4	3	75%
All lending	17	14	82%	17	13	76%	13	12	92%	47	39	83%
ESWs	24	6	25%	17	6	35%	8	0	0%	49	12	24%
Technical assistance	13	2	15%	11	3	27%	13	4	31%	37	9	24%

Source: IEG.
Note: DPL = development policy loan; HNP = health, nutrition, and population.

The surveys were sent to all project and development policy loan task team leaders, aiming at 100 percent coverage. They were sent to 22 economic and sector work team leaders and 15 technical assistance leaders, less than 100 percent coverage, to reduce the burden on task team leaders who managed multiple tasks covered by the evaluation. The response rates on this subset of economic and sector work and technical assistance were 55 and 60 percent, respectively.

Appendix F: Aid Flows by Country and Sector, 2005–08

Table F 1. Bilateral and Multilateral Aid to the 22 Low-Income Countries, 2005–08

Country	Shares of total aid		Aid per donor ($ millions)		
	Bilateral (%)	Multilateral (%)	Total	Bilateral	Multilateral
Bangladesh	44	56	294	219	403
Benin	57	43	68	73	62
Burkina Faso	48	52	92	84	102
Central African Rep.	44	56	30	23	40
Ethiopia	52	48	276	251	310
Gambia, The	32	68	8	5	12
Ghana	66	34	174	199	139
Kenya	72	28	171	213	114
Lao PDR	52	48	51	46	58
Madagascar	41	59	116	90	144
Malawi	52	48	83	78	89
Mali	62	38	107	120	92
Mauritania	48	52	36	32	41
Nepal	55	45	76	66	91
Niger	43	57	62	47	81
Senegal	68	32	102	125	73
Sierra Leone	50	50	43	39	49
Tajikistan	49	51	33	28	41
Tanzania	66	34	258	310	194
Uganda	55	45	171	169	173
Vietnam	52	48	380	336	444
Yemen, Rep. of	46	54	58	47	72
All countries	55	45	125	122	128

Source: IEG, based on Project-Level AID Database.

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Table F.2. Number of Donors Contributing Less than One Percent of Aid to the 22 Low-Income Countries, 2005–08

Country	*Number of donors*	*Number of donors contributing less than 1 percent of aid*		
		ALL	BILATERALS	MULTILATERALS
Bangladesh	37	25	13	12
Benin	38	24	11	13
Burkina Faso	38	22	9	13
Central African Rep.	33	18	12	6
Ethiopia	40	24	13	11
Gambia, The	37	20	14	6
Ghana	40	26	13	13
Kenya	40	25	12	13
Lao PDR	33	16	9	7
Madagascar	38	24	11	13
Malawi	40	27	15	12
Mali	40	22	9	13
Mauritania	35	21	12	9
Nepal	37	23	14	9
Niger	39	21	11	10
Senegal	40	25	11	14
Sierra Leone	41	22	14	8
Tajikistan	36	20	13	7
Tanzania	40	24	10	14
Uganda	40	24	11	13
Vietnam	39	28	15	13
Yemen, Rep. of	35	20	13	7
All countries	**38**	**23**	**12**	**11**

Source: IEG, based on Project-Level Aid Database.

Table F.3. Sectoral Distribution of IDA Flows to the 22 Countries during CY05–08

SECTOR	SHARE OF IDA (%)
Agriculture and Rural Development	15.8
Economic Policy	11.9
Energy and Mining	11.7
Transport	9.5
Public Sector Governance	9.3
Education	6.7
Health, Nutrition and Population	6.2
Urban Development	5.8
Social Protection	5.6
Water and Sanitation	5.6
Poverty Reduction	5.4
Financial and Private Sector Development	4.1
Social Development	1.0
Environment	0.9
Global Information/Communications Technology	0.2
Procurement	0.1

Source: IEG, based on World Bank administrative data.

Table F.4. Shares of Aid Flows By Country and Sector, 2005–08

	Share of DAC + multilateral aid flows to:				*IDA Share of DAC+ multilateral aid flows to:*		
COUNTRY	EDUCATION (%)	HNP (%)	TRANSPORT (%)		EDUCATION (%)	HNP (%)	TRANSPORT (%)
Bangladesh	8	12	6		38	23	35
Benin	12	11	11		0	23	0
Burkina Faso	11	10	2		11	19	0
Central African Rep.	3	8	8		0	0	0
Ethiopia	5	18	10		9	3	29
Gambia, The	6	10	21		41	25	0
Ghana	7	12	9		0	7	7
Kenya	6	27	9		20	4	0
Lao PDR	7	10	9		0	11	15
Madagascar	6	6	10		0	24	4
Malawi	6	22	4		17	1	0
Mali	13	8	15		9	7	14
Mauritania	9	5	11		0	15	3
Nepal	10	13	11		42	19	24
Niger	5	12	13		0	17	9
Senegal	15	9	8		5	4	0
Sierra Leone	2	9	8		0	5	41
Tajikistan	3	11	14		0	12	0
Tanzania	4	17	11		35	3	18
Uganda	5	21	6		8	1	0
Vietnam	6	6	30		13	21	16
Yemen, Rep. of	14	11	8		12	0	25
All countries	**7**	**13**	**12**		**15**	**9**	**15**

Source: IEG, based on Project-Level Aid Database.
Note: DAC = Development Assistance Committee; HNP = health, nutrition, and population.

Table F.5. Shares of Bilateral and Multilateral Aid to the 22 Low-Income Countries, by Sector, 2005–08

	Education		*HNP*		*Transport*	
	BILATERALS (%)	MULTILATERALS (%)	BILATERALS (%)	MULTILATERALS (%)	BILATERALS (%)	MULTILATERALS (%)
Bangladesh	41	59	53	47	42	58
Benin	74	26	43	57	31	69
Burkina Faso	88	12	41	59	17	83
Central African Rep.	95	5	16	84	8	92
Ethiopia	88	12	57	43	8	92
Gambia, The	56	44	5	95	5	95
Ghana	98	2	65	35	54	46
Kenya	80	20	85	15	48	52
Lao PDR	71	29	45	55	57	43
Madagascar	96	4	37	63	6	94
Malawi	70	30	73	27	18	82
Mali	89	11	61	39	37	63
Mauritania	86	14	25	75	5	95
Nepal	33	67	57	43	52	48
Niger	87	13	38	62	1	99
Senegal	95	5	63	37	12	88
Sierra Leone	86	14	29	71	0	100
Tajikistan	62	38	56	44	47	53
Tanzania	42	58	68	32	62	38
Uganda	83	17	79	21	6	94
Vietnam	73	27	57	43	51	49
Yemen, Rep. of	83	17	54	46	18	82
All countries	75	25	63	37	39	61

Source: IEG, based on Project-Level Aid Database.
Note: HNP = health, nutrition, and population.

Table F.6. Aid per Donor (Bilateral and Multilateral) by Country and Sector ($ millions)

	Education		*HNP*		*Transport*	
	BILATERALS	MULTILATERALS	BILATERALS	MULTILATERALS	BILATERALS	MULTILATERALS
Bangladesh	18	86	45	71	27	186
Benin	17	39	8	18	11	98
Burkina Faso	22	23	8	21	1	17
Central African Republic	4	1	2	8	3	75
Ethiopia	25	22	61	106	10	250
Gambia, The	1	4	0	4	1	31
Ghana	24	5	35	33	35	75
Kenya	15	41	84	32	32	77
Lao PDR	7	18	6	11	14	32
Madagascar	20	3	8	25	5	101
Malawi	7	14	31	18	7	33
Mali	27	21	13	17	41	102
Mauritania	9	4	1	5	2	45
Nepal	4	38	11	22	28	51
Niger	7	6	7	20	1	64
Senegal	31	16	14	16	6	142
Sierra Leone	2	2	4	15	0	27
Tajikistan	2	2	7	6	19	29
Tanzania	8	58	61	64	52	82
Uganda	15	22	52	34	4	123
Vietnam	26	37	24	34	162	439
Yemen, Rep. of	18	12	10	11	9	43
Average	15	25	26	27	34	105

Source: IEG, based on Project-Level Aid Database.
Note: HNP = health, nutrition, and population.

Table F.7. Number of Bilateral and Multilateral Donors by Country and Sector, 2005–08

	Education		*HNP*		*Transport*	
	BILATERALS	MULTILATERALS	BILATERALS	MULTILATERALS	BILATERALS	MULTILATERALS
Bangladesh	20	6	16	9	10	2
Benin	13	2	16	9	8	2
Burkina Faso	16	2	18	10	8	3
Central African Republic	7	1	8	9	2	1
Ethiopia	20	3	18	8	9	4
Gambia, The	13	2	9	7	3	2
Ghana	19	2	16	9	10	4
Kenya	21	2	19	9	9	4
Lao PDR	13	2	13	8	6	2
Madagascar	12	3	14	7	5	4
Malawi	18	4	17	11	3	3
Mali	18	3	16	8	6	4
Mauritania	10	4	11	9	4	3
Nepal	21	5	19	7	6	3
Niger	15	3	15	9	5	5
Senegal	19	2	17	9	6	2
Sierra Leone	14	3	13	8	2	5
Tajikistan	13	6	10	10	4	3
Tanzania	22	4	20	9	13	5
Uganda	20	3	22	9	6	3
Vietnam	23	6	21	11	14	5
Yemen, Rep. of	13	4	12	9	3	3
Average	16	3	15	9	6	3

Source: IEG, based on Project-Level Aid Database.
Note: HNP = health, nutrition, and population.

Table F.8. Number of Multilateral and Bilateral Donors Contributing Less than 1 Percent of Aid, by Country and Sector, 2005–08

	Education				*HNP*				*Transport*			
	Total number of donors	Number of donors contributing less than 1%			Total number of donors	Number of donors contributing less than 1%			Total number of donors	Number of donors contributing less than 1%		
		Total	*Bilateral*	*Multi-lateral*		*Total*	*Bilateral*	*Multi-lateral*		*Total*	*Bilateral*	*Multi-lateral*
Bangladesh	26	13	10	3	25	12	9	3	12	10	6	0
Benin	15	5	4	1	25	12	10	2	10	8	5	0
Burkina Faso	18	5	5	0	28	12	9	3	11	8	6	0
Central African Republic	8	5	5	0	17	6	5	1	3	2	1	0
Ethiopia	23	9	8	1	26	14	10	4	13	9	6	1
Gambia, The	15	5	5	0	16	7	7	0	5	3	2	0
Ghana	21	13	12	1	25	13	10	3	14	10	4	0
Kenya	23	12	11	1	28	19	13	6	13	9	6	0
Lao PDR	15	4	3	1	21	10	7	3	8	6	2	0
Madagascar	15	8	7	1	21	12	10	2	9	5	3	0
Malawi	22	13	11	2	28	15	11	4	6	3	2	0
Mali	21	11	10	1	24	9	6	3	10	6	4	0
Mauritania	14	9	6	3	20	11	8	3	7	4	3	0
Nepal	26	17	15	2	26	17	15	2	9	6	3	0
Niger	18	7	6	1	24	9	6	3	10	5	5	0
Senegal	21	12	11	1	26	11	11	0	8	6	3	0
Sierra Leone	17	4	3	1	21	8	7	1	7	2	2	0
Tajikistan	19	9	7	2	20	6	4	2	7	4	2	0
Tanzania	26	13	13	0	29	16	10	6	18	13	9	0
Uganda	23	10	10	0	31	19	14	5	9	6	4	0
Vietnam	29	14	11	3	32	13	9	4	19	14	11	3
Yemen, Republic of	17	9	7	2	21	11	8	3	6	3	2	1
All countries	20	9	8	1	24	12	9	3	10	6	4	0

Source: IEG, based on Project-Level Aid Database.

Table F.9. Number and Size of Projects, Overall and by Sector, 2001–08

Sectors	***Average number of projects per country per year***		***Median Size of Projects (US$ thousands)***		***Mean Size of Projects (US$ millions)***	
	2001–04	**2005–08**	**2001–04**	**2005–08**	**2001–04**	**2005–08**
Education	51	90	66	36	1.4	0.9
HNP	89	136	72	68	0.8	1.2
Transport	10	9	183	401	8.3	15.3
Overall	474	765	89	70	1.7	1.5

Source: IEG, based on Project-Level Aid Database.
Note: HNP = health, nutrition, and population.

Appendix G: Examples of Non-DAC Bilateral and Other Partner Interventions in the 22 Countries in the Three Sectors

Education Sector

	Ethiopia	*Kenya*	*Malawi*	*Nepal*	*Uganda*
China	• Constructed 2 technical and vocational education and training institutes and 5 primary schools. • Providing scholarships to Ethiopian students to study in China. • Providing soft loans for Information and Communications Technologies to the Ministry of Education Philippines providing volunteers to technical and vocational training institutes.	Providing support at the university and technical vocational levels—agreements have been signed although projects have not started yet. Providing $130 million outside of the Kenya Education Sector Support Program framework.	Built a university.	Built a polytechnic and provides scholarships.	
India	Providing scholarships to Ethiopian students to study in India.			Building schools and vocational training institutes and providing scholarships.	Providing assistance in higher education and training in selected areas such as information technology, small-scale industry, and so forth.
Philippines	Providing volunteers to technical and vocational education and training.				
BADEA			Supporting tertiary education.		
OPEC Fund		Building schools.	Setting up a teacher training college.		
Aga Khan Foundation		Plays a large role in basic and tertiary education.			
Islamic Aid		Active in the north and on the coast.	Funding teacher training institutions, and will fund 5 new universities over the next 10 years.		

Source: IEG, based on country reviews.
Note: BADEA = Arab Bank for Economic Development in Africa.

Health, Nutrition and Population

	Benin	*Ethiopia*	*Kenya*	*Malawi*	*Nepal*	*Uganda*
China	Providing services of some 25 doctors (main staff for two regional hospitals), and donated substantial medical supplies.	Constructing hospitals and providing Chinese medical teams to hospitals—20–30 persons in different hospitals.	Building hospitals.	Providing doctors and clinicians and funding a hospital.	Built a cancer center and currently building an Aryuvedic research center.	Building hospitals, and donating malaria drugs; has expressed interest in supplying equipment.
India					Built hospitals, health centers, and medical training institutions and provided equipment and ambulances and scholarships.	
BADEA				Building a hospital with loan funding.		
OPEC Fund			Operating through the African Development Bank.	Building two district hospitals.		

Source: IEG, based on country reviews.
Note: BADEA = Arab Bank for Economic Development in Africa.

Transport

	Ethiopia	*Kenya*	*Lao PDR*	*Malawi*	*Nepal*	*Uganda*
China	Providing low-interest loans (1–2 percent interest, 20 years grace period, 30–40 years maturity) for roads (Chinese companies are contractors).	Funded five road projects totaling $26 million since 2004.	Completed three projects of $30–40 million each and has committed to another four of about the same amount.	Provided a grant to build a 100 km. road (connecting Malawi with Zambia) worth more than $90 million.	Building roads along its common border with Nepal, with estimated assistance of about $15 million.	Provided a $100 million soft loan for transport equipment, with 60 percent of the loan earmarked for equipment procured directly from China.
India					Estimates of commitments in the $100–$200 million range for developing roads along the border between the two countries and for postal roads. Also built airports, bridges and railway lines.	
Thailand			Four projects of $30–$35 million each.			
Vietnam			A project of $43 million.			
BADEA and OPEC Fund		Together financed four projects totaling $100 million.				

Source: IEG, based on country reviews.
Note: BADEA = Arab Bank for Economic Development in Africa.

Appendix H: Donor Coordination Structure in the Nine Countries Reviewed

Country	*Formal coordination structure*	*Separate political and development groups*	*Frequency of meetings of development groups*
Benin	No	No	Monthly
Ethiopia	Yes	Yes	Monthly plus ad hoc
Ghana	Yes	Yes	Monthly
Kenya	Yes	No	Monthly
Lao PDR	Yes	No	Roundtable meetings every three years; annual implementation meetings and quarterly informal meetings
Malawi	Emerging	Yes	Monthly
Mali	Yes	No	Monthly
Nepal	No	No	Informal subgroups, some of which meet regularly
Uganda	Yes	Yes	Monthly

Source: IEG, based on country reviews.

Appendix I: Sectoral Presence of Bank Investment Lending in the 22 Low-Income Countries

Country	*ARD*	*E&M*	*EDU*	*ENV*	*EP*	*FM*	*FPD*	*GICT*	*HNP*	*PROC*	*PSG*	*SD*	*SP*	*TRAN*	*UD*	*WAT*	*Total*
Bangladesh	√	√	√	√			√		√	√		√	√	√	√	√	**12**
Benin	√	√					√	√	√				√		√		**7**
Burkina Faso	√	√	√				√		√		√			√	√	√	**9**
Central African Republic		√							√			√			√		**4**
Ethiopia	√	√	√	√			√		√		√		√	√	√	√	**11**
Gambia, The	√		√		√												**3**
Ghana	√	√	√	√		√	√	√	√		√		√	√		√	**12**
Kenya	√	√	√		√		√		√		√		√	√	√	√	**11**
Lao PDR	√	√	√	√	√				√		√		√	√			**9**
Madagascar	√	√		√					√		√		√	√	√		**8**
Malawi	√	√	√				√		√				√			√	**7**
Mali	√	√	√				√							√			**5**
Mauritania	√	√	√				√		√		√			√	√		**8**
Nepal	√	√	√				√		√				√	√		√	**8**
Niger	√								√		√			√	√		**5**
Senegal	√	√	√				√		√			√		√	√	√	**9**
Sierra Leone	√	√				√							√	√		√	**6**
Tajikistan	√	√	√		√				√		√					√	**7**
Tanzania	√	√	√	√			√		√		√		√	√	√	√	**11**
Uganda	√	√	√	√			√		√		√		√	√	√		**10**
Vietnam	√	√	√		√		√		√		√			√	√	√	**10**
Yemen, Republic of	√	√	√						√				√	√	√	√	**8**
Total	**21**	**20**	**17**	**7**	**5**	**2**	**14**	**2**	**19**	**1**	**12**	**3**	**13**	**17**	**14**	**13**	

Source: IEG, based on Bank administrative data.

Note: ARD = Agriculture and Rural Development; E&M = Energy and Mining; EDU = Education; ENV = Environment; EP = Economic Policy; FM = Financial Management; FPD = Financial and Private Sector Development; GICT = Global Information and Communications Technology; HNP = Health, Nutrition and Population; PROC = Procurement; PSG = Public Sector Governance; SD = Social Development; SP = Social Protection; TRAN = Transport; UD = Urban Development; WAT = Water and Sanitation.

Appendix J: Perceptions of Development Partners on Selectivity of the Bank, of Other Development Partners, and of Themselves

Views of Other Development Partners on the Bank's Selectivity

Surveys of other development partners found mixed views on the extent to which the Bank is selective. Specifically, of the 55 donor heads of agency from 23 agencies working on the 13 countries who responded to the question on the Bank's sectoral presence, around half view the Bank as being selective enough; the other half view the Bank as not being selective enough (Table J.1). The views are mixed for the majority (10 of 13) of the countries—that is, in these countries, there are development partners on either side of the issue regarding the Bank's selectivity. For Niger and Vietnam, partners believe that the Bank is involved in too many sectors, whereas in The Gambia, they have the opposite view (although only one partner responded for this country). There is no country for which development partners have the view that the Bank is involved in too few sectors.

Of the heads from 23 agencies who responded, only those from 6 agencies have views on both sides of the issue (Table J.2). Of those responding from the remaining 17 agencies, more (heads working for the same agency in different countries) view the Bank as being involved in too many sectors (10) than in the right number of sectors (7).

Table J.1. Views of Donor Heads of Agency on the Bank's Selectivity, by Partner Country

Country	*Number of respondents whose view is that the Bank is involved in:*		*Total number of respondents*
	THE RIGHT NUMBER OF SECTORS	TOO MANY SECTORS	
Bangladesh	1	2	3
Burkina Faso	1	2	3
Central African Republic	3	1	4
Gambia, The	1	0	1
Madagascar	1	1	2
Mauritania	2	2	4
Niger	0	2	2
Senegal	4	1	5
Sierra Leone	7	2	9
Tajikistan	1	1	2
Tanzania	6	4	10
Vietnam	0	3	3
Yemen, Rep. of	1	6	7
Total	28	27	55

Source: IEG, based on surveys.

Table J.2. Views of Heads of Donor Agencies on the Bank's Selectivity, by Agency

Agency	Number of respondents whose view is that the Bank is involved in:			Agencies with heads whose views are *mixed* on the Bank's selectivity	Agencies with heads whose view is that the Bank is *selective enough*	Agencies with heads whose view is that the Bank is *not selective enough*
	THE RIGHT NUMBER OF SECTORS	TOO MANY SECTORS	TOTAL			
AfD	2	4	6	✓		
AfDB	0	1	1			✓
Belgium	1	0	1		✓	
CIDA	1	1	2	✓		
Denmark	1	0	1		✓	
DFID	3	3	6	✓		
EC	2	6	8	✓		
Finland	0	1	1			✓
FAO	0	1	1			✓
GTZ	0	2	2			✓
ILO	0	1	1			✓
IMF	3	0	3		✓	
JICA	4	0	4		✓	
Netherlands	0	1	1			✓
Spain	0	1	1			✓
Sweden	0	1	1			✓
Switzerland	0	1	1			✓
UNDP	1	1	2	✓		
UNFPA	1	0	1		✓	
UNICEF	5	1	6	✓		
USAID	3	0	3		✓	
WFP	0	1	1			✓
WHO	1	0	1		✓	
Total	28	27	55	6 agencies	7 agencies	10 agencies

Source: IEG, based on surveys.
Note: AfD = Agence Française de Développement ; AfDB = African Development Bank; CIDA = Canadian International for Development Agency; DfID = Department for International Development; EC = European Commission; FAO = Food and Agriculture Organization; GTZ = Deutsche Gesellschaft für Internationale Zusammenarbeit; ILO = International Labor Organization; IMF = International Monetary Fund; JICA = Japan International Cooperation Agency; UNDP = United Nations Development Program; UNFPA = United Nations Population Fund; UNICEF = United Nations Children's Fund; USAID = United States Agency for International Development; WFP = World Food Programme; WHO = World Health Organization.

Views of Other Development Partners on Other Agencies' Selectivity

A preponderance (70 percent) of the heads of agencies who responded indicated that other agencies should be more selective (Table J.3). Compared with only half of them finding the Bank not selective enough (as discussed earlier), this indicates that more partners find selectivity to be an issue with other partners than with the Bank.

Table J.3. Views of Heads of Donor Agencies on Other Agencies' Selectivity, by Partner Country

Country	*Number of respondents whose views is that other partners are involved in:*			*Total number of respondents*
	THE RIGHT NUMBER OF SECTORS	TOO MANY SECTORS	TOO FEW SECTORS	
Bangladesh	0	2	1	3
Burkina Faso	0	2	1	3
Central African Republic	0	3	1	4
Gambia, The	0	1	0	1
Madagascar	0	2	2	4
Mauritania	0	2	0	2
Niger	0	2	0	2
Senegal	3	2	0	5
Sierra Leone	3	6	0	9
Tajikistan	0	2	0	2
Tanzania	4	6	0	10
Vietnam	0	3	0	3
Yemen, Rep. of	1	6	1	8
Total	11	39	6	56

Source: IEG, based on surveys.

Views of Other Development Partners on Their Own Selectivity

Other development partners also have mixed views on the selectivity of their own agencies, although more consider themselves to be involved in the right number of sectors (34 of 55, or 62 percent) than those that do not. Interestingly, though, more than one-third (19 of 55) view their own agencies as being involved in too many sectors (Table J.4).

Table J.4. Views of Heads of Donor Agencies on Their Own Agencies' Selectivity, by Partner Country

Country	*Number of respondents whose views is that their own agency is involved in:*			*Total number of respondents*
	THE RIGHT NUMBER OF SECTORS	TOO MANY SECTORS	TOO FEW SECTORS	
Bangladesh	2	1	0	3
Burkina Faso	1	2	0	3
Central African Republic	1	3	0	4
Gambia, The	1	0	0	1
Madagascar	1	1	0	2
Mauritania	1	3	0	4
Niger	2	0	0	2
Senegal	5	0	0	5
Sierra Leone	6	2	1	9
Tajikistan	1	1	0	2
Tanzania	8	2	0	10
Vietnam	1	2	0	3
Yemen, Rep. of	4	2	1	7
Total	34	19	2	55

Source: IEG, based on surveys.

Appendix K: Sector Coordination Mechanisms

EDUCATION				
Country	***Sector Working Group Meetings***	***Joint review meetings***	***Other meetings***	***Existence of Sector Strategy***
Benin	Monthly	Semiannual reviews of Common Budgetary Fund for Education Sector Program	None	Ten-Year Education Sector Program
Ethiopia	Monthly	Joint sector review in the context of the Provision of Basic Services II Program	None	Education Sector Development Plan
Ghana	Monthly	Annual reviews of Education Strategic Plan	None	Education Strategic Plan
Kenya	Monthly	Joint annual review and budget planning meeting with all KESSP stakeholders	Quarterly meetings between development partners and permanent secretary to discuss policy issues	Kenya Education Sector Support Program II
Lao PDR	Semiannual	Meetings every week to discuss progress in implementing sector framework	Quarterly technical meetings	Education Sector Framework
Malawi	Biweekly	Education Sector Working Group supported by SWAp secretariat with bi-weekly meetings	Eight technical working groups, which are expected to meet every month but actual frequency of meetings varies widely	Education Sector Strategy
Mali	Monthly	Semiannual reviews of progress of all education programs	None	Ten-Year Education Plan
Nepal	Biweekly	Semiannual joint review for Education (JARE) to support government's school sector reform program	Quarterly meetings to review progress and other ad hoc meetings	School sector reform program
Uganda	Monthly	Education Sector Coordinating Committee meets every 2 months	None	Education Sector Strategic Plan

Source: IEG, based on country reviews.

Health, Nutrition, and Population							
	Health				**HIV/AIDS**		
COUNTRY	**SWG MEETINGS**	**SECTOR STRATEGY**	**JOINT REVIEWS**	**OTHER MEETINGS**	**FORUMS**	**FREQUENCY OF MEETINGS**	**GLOBAL FUND COUNTRY COORDINATING MECHANISM**
Benin	Monthly	3-year sector plan	Meetings every three months for all agencies, bilaterals, multilaterals and nongovernmental organizations providing support to health sector	None	Yes	N.A.	None
Ethiopia	Monthly	HSDP	Annual reviews of HSDP	Joint sector reviews of Provision of Basic Services II cover health issues; JCCC (government-led technical group has weekly meetings)	HAPCO	Monthly	Yes
Ghana	Monthly	National Health Policy	Quarterly business meetings, two of which were combined with a summit to include wider participation	None	Partnership Forum	Semiannual	Yes
Kenya	Monthly	Kenya Health Policy Framework (1994–2010) and developing new strategic plans from 2012	Elaborate coordinating mechanism that is not functioning	Elaborate coordinating mechanism that is not functioning	Elaborate coordinating mechanism for SWAp-like structure but not functioning	N.A.	Yes

	Health				HIV/AIDS		
	SWG meetings	**Sector strategy**	**Joint reviews**	**Other meetings**	**Forums**	**Frequency of meetings**	**Global Fund Country Coordinating Mechanism**
Lao PDR	Semiannual	None but govt. is working on a sector strategy/ framework	None	Quarterly operations level meetings to discuss technical reports from three technical working groups that meet monthly			
Malawi	Monthly	Sectorwide strategy	Joint annual review of health swap and smaller review every year focusing on more technical and service issues	Ten technical working groups that are supposed to meet every quarter but during 2008–09 most technical working groups only meet twice and some not at all	HIV/AIDS Partners Group coordinates with National Aid Council	Semiannual joint review of HIV/AIDS SWAp and quarterly review with partners that are part of HIV/AIDS pool	Global Funds is part of HIV/AIDS SWAp pool
Mali	Monthly	10-Year Plan Décennal de Développement Sanitaire et Social (PRODESS 2)	Semiannual govt. Convened partnership framework meetings	Annual meetings on budget support review health sector issues			
Nepal	Quarterly	Health Sector Strategy (2010–15)	Semiannual joint review for the health sector	Frequent supportive technical meetings and a budget review meeting			
Uganda	Monthly	HSSP III	Annual joint health sector reviews	Joint review for PRSC is main instrument for dialogue	HIV/AIDS donor group	World Bank not involved (no HIV/AIDS project)	

Source: IEG, based on country reviews.

Transport				
Country	***SWG meetings***	***Sector Strategy***	***Joint Reviews***	***Other Meetings***
Benin	Semiannual	None	None	None
Ethiopia	Bimonthly	RSDP	Annual joint progress reviews of RSDP	None
Ghana	Monthly	TSDP	Annual joint progress reviews of TSDP	None
Kenya	Monthly	National Transport Policy and Road Sector Investment Plan, both not yet implemented	None	None
Lao PDR	Annual	None but developing one with World Bank support	None	None
Malawi	Supposed to be biannual	None	None	None
Mali	Bimonthly	None	None	None
Nepal	Irregular	Rural Transport Infrastructure Development Strategy	Semiannual Transport Sector Steering Committee for Rural Roads to monitor joint project	None
Uganda	Monthly	National Transport Master Plan	Annual joint transport sector reviews	Quarterly performance reviews

Source: IEG, based on country reviews.
Note: HAPCO = Federal HIV/AIDS Prevention and Control Office; HSDP = Health Sector Development Program; HSSP = Health Sector Strategic Plan; JCCC = Joint Core Coordinating Committee; RSDP = Road Sector Development Program; SWAp = sectorwide approach; SWG = sector working group; TSDP = Transport Sector Development Plan.

Appendix L: Evolution and Different Definitions of Sectorwide Approaches

The definition of sectorwide approaches (SWAps) has evolved over time. This, together with the lack of a precise or unique definition of SWAps, has led to confusion among different stakeholders as to the definition of SWAps. The following sections summarize: the evolution of SWAps over time and the varying definition of SWAps by different development agencies.

Evolution of the Definition of SWAps

The definition of SWAps has been evolving over time. In 1995, the Bank defined a new lending instrument—the Sector Investment Program—that came to be the precursor to the SWAp (Harrold and Associates 1995). A Sector Improvement Program encompasses six principles: sectorwide in scope, a coherent policy framework, local stakeholders in driving seat, all donors sign on, common implementation arrangements, and minimal long-term technical assistance. The first donor meeting to discuss the sector-wide approach took place in 1997, when the term "sectorwide approach" was coined and a consensus was reached to commission a SWAp guide for the health sector. The basic attributes of a SWAp in health according to this guide is presented in Box L.1.

Appendix Box L.1. Basic Attributes of a SWAp in Health

A SWAp to health development:

- Is a ***sustained partnership***, led by national authorities, involving different representatives of government, groups in civil society, and one or more donor agencies
- Has the ***goal of achieving improvements in people's health*** and contributing to national human development objectives
- Is in the context of a ***coherent sector***, is defined by an appropriate institutional structure and national financing program
- Works through a collaborative program of work focusing on—
    - The development of sectoral policies and strategies, which define the roles of the public and private sector in relation to the financing and provision of services, and provide a basis for prioritizing public expenditures,
    - The preparation of ***medium-term projections of resource availability and sector financing and spending plans***, consistent with a ***sound public expenditure framework***,
    - The establishment of ***management systems*** by national government and donor agencies, which will facilitate the introduction of ***common arrangements*** for the disbursement and accounting of funds, procurement of goods and services, and monitoring of sectoral performance, and
    - ***Institutional reform and capacity building*** in line with sectoral policy and the need for systems development
- Has established ***structures and processes for negotiating strategic and management issues, and reviewing sectoral performance*** against jointly agreed milestones and targets.

Source: Cassels 1997 from Vaillancourt 2009.

In 2003, the Canadian International Development Agency defined a SWAp as support for a single sector policy and expenditure program, under government leadership, adopting common approaches across the sector, and progressing towards relying on government procedures to disburse and account for all funds.

The World Bank defines a SWAP as "…an approach to a locally-owned program for a coherent sector in a comprehensive and coordinated manner, moving toward the use of country systems. SWAPs represent a …shift in the focus, relationship and behavior of donors and governments. They involve high levels of donor and country coordination for the achievement of program goals, and can be financed through parallel financing, pooled financing, general budget support, or a combination."[6]

The absence of a precise or unique definition of SWAps was noted in various studies of SWAps. Foster and others (2000) state, "The working definition thus focuses on the intended direction of change rather than just the current attainment." Jeffreys and Walford's (2003) review of 11 case studies identifies a sequence of events for launching a SWAP noting that "…some consider all stages to be part of a SWAp, while others consider only the latter stages." Sundewall and Sahlin-Andersson (2006) find in their comparative study of Uganda, Zambia, and Bangladesh no explicit definition of SWAps in any of the relevant country documents, noting that it was discussed only in very general and ambiguous terms. They observe that SWAps take on different shapes and characteristics as experience unfolds in a particular country context: "SWAp is a clear label with unclear content."

Qualifying Criteria Used by Development Agencies

Table L.1 summarizes the qualifying criteria used for SWAPs[7] by various development agencies.[8] The criteria for the Bank are inferred from various Bank documents. However, as the discussion in Chapter 4 shows, not all SWAps in the case of the Bank contain all the SWAp characteristics.

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[6] http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,hlgIndex:64715069~menuPK:64706206~pagePK:51454040~piPK:51454042~theSitePK:380832,00.html.

[7] Some organizations use slightly different terminology, but the understanding remains much the same. For instance, the European Union and the Strategic Partnership with Africa both refer to sector programs. Belgium speaks of sector support (CIDA 2003).

[8] Criteria 4 and 5 are used by the Strategic Partnership with Africa and the Netherlands, but not by other organizations. These criteria indicate the need for a sound macroeconomic framework, and relate to the Partnership's original mandate, which was closely associated with the macroeconomic reform agenda and quick disbursing forms of aid. Likewise, criterion 9, relating to the participation of key stakeholders in program definition and policy, points to a desirable feature of SWAPs, but is not generally considered a defining feature.

Table L.1. Qualifying Criteria for SWAps Used by Different Development Agencies

Criteria	*SPA*	*ODI*	*SIDA*	*Netherlands*	*EC*	*DAC*	*DFID*	*CIDA*	*World Bank*
1. Comprehensive sector policy and strategy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Annual sector expenditure program and medium-term expenditure framework	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Government-led donor coordination	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. Sound macroeconomic framework	Yes	No	No	Yes	No	No	No	No	No
5. Consistency of sector expenditure program and macroeconomic framework	Yes	No	No	Yes	No	No	No	No	No
6. Major donors provide support within the sector framework	Yes	Yes	Yes	Ideally	Yes	Yes	Yes	Yes	?
7. Donors move towards greater reliance on government financial and accountability systems	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
8. Significant donor movement towards the adoption of common approaches to implementation and management	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9. Participation of key stakeholders in sector policy	No	No	No	Yes	Yes	No	No	No	No

Source: The matrix is adapted from CIDA 2003. It is also available on the OPCS Web site.
Note: The current agreement in DFID is that all of criteria 1, 2, 3, and 6, and at least one of criteria 7 or 8, should be met. SPA = Strategic Partnership for Africa; ODI = the Overseas Development Institute; SIDA = the Swedish International Development Agency; EC = European Commission; DAC = Development Assistance Committee of the OECD; DFID = the Department for International Development; CIDA = the Canadian International Development Agency.

Appendix M: Operations that Support SWAps (active in CY2007) and SWAp Characteristics Met

Education Sector

Country	***Project name***	***Criteria 1: Comprehensive sector policy and strategy***	***Criteria 2: Annual Sector Expenditure Program and/or MTEF***	***Criteria 3: Donor Coordination***	***Criteria 4: Joint Supervision or Review***	***Criteria 5: Donors move toward greater reliance on government financial and accountability systems***
Bangladesh	Primary Education Development Program II	Y	Y	Y	Y	Y
Burkina Faso	BF-Basic Edu Sec SIL (FY01)	Y	Y	Y	Y	Y
Burkina Faso	BF-Post Primary Education SIL (FY06)	N	N	Y	Y	Y
Ghana	GH-Edu Sec SIL (FY04)	Y	Y	Y	Y	Y
Kenya	KE-Edu Sec Sup Project (FY07)	Y	Y	Y	Y	Y
Mali	Edu Sec Exp Prgm APL (FY01) - (PISE)	Y	Y	Y	Y	Y
Mauritania	MR-Edu Sec Dev APL (FY01) - (PNDSE)	Y	Y	Y	Y	Y
Mauritania	MR-Higher Education (FY05)	Y	Y	Y	N	Y
Nepal	Education for All Project	Y	Y	Y	Y	Y
Niger	NE-Basic Education SIL (FY04)	Y	Y	Y	Y	Y
Senegal	SN-Quality EFA APL 1 (FY07)	Y	Y	Y	Y	Y
Vietnam	VN-EFA Support Program	Y	Y	Y	Y	Y
Yemen, Republic of	RY-Basic Education Development Program	Y	Y	Y	Y	Y

Health, Nutrition, and Population						
Country	***Project name***	***Criteria 1: Comprehensive sector policy and strategy***	***Criteria 2: Annual Sector Expenditure Program and/or MTEF***	***Criteria 3: Donor Coordination***	***Criteria 4: Joint Supervision or Review***	***Criteria 5: Donors move toward greater reliance on government financial and accountability systems***
Bangladesh	HNP Sector Program	Y	Y	Y	Y	Y
Burkina Faso	BF-Health Sector Sup. & AIDS Proj (FY06)	Y	Y	Y	Y	Y
Burkina Faso	BF-HIV/AIDS Disaster Response APL (FY01)	Y	Y	Y	N	Y
Ghana	GH-Health Sec Prgm Supt 1 (FY03)	Y	Y	Y	Y	Y
Ghana	GH-Multi-Sect HIV/AIDS - M-SHAP (FY06)	Y	Y	Y	Y	Y
Lao PDR	LA-Avian and Human Influenza Control	Y	N	Y	N	No information available
Madagascar	MG-MultiSec STI/HIV/AIDS Prev I (FY01)	Y	N	Y	Y	Y
Madagascar	MG-MultiSec STI/HIV/AIDS Prev II (FY06)	Y	Y	Y	Y	Y
Madagascar	MG-Sust. Health System Dev. (FY07)	Y	Y	Y	Y	Y
Malawi	MW-Health Sec Supt SIM (FY05)	Y	Y	Y	Y	Y
Malawi	MW-Multi-sectoral AIDS - MAP (FY04)	Y	Y	Y	Y	Y
Mali	ML-Health Sec Dev Prog SIL - (PRODESS)	Y	Y	Y	Y	Y
Mauritania	MR-Health & Nutrition Supt (FY06)	Y	Y	Y	Y	Y
Nepal	Nepal Health Sector Program Project	Y	Y	Y	Y	Y
Niger	NE-Inst Strngt & Hlth Sec Prgm (FY06)	Y	Y	Y	Y	Y
Niger	NE-MultiSec STI/HIV/AIDS 1 (FY03)	Y	Y	Y	N	Y
Sierra Leone	SL-Health Sec Reconstr & Dev (FY03)	Y	Y	Y	Y	Y
Tanzania	TZ-HIV/AIDS APL (FY04)	Y	Y	Y	Y	Y

Transport						
Country	***Project name***	***Criteria 1: Comprehensive sector policy and strategy***	***Criteria 2: Annual Sector Expenditure Program and/or MTEF***	***Criteria 3: Donor Coordination***	***Criteria 4: Joint Supervision or Review***	***Criteria 5: Donors move toward greater reliance on government financial and accountability systems***
Madagascar	MG-Rural Transp APL 2 (FY03)	Y	Y	Y	N	Y
Kenya	KE-Northern Corridor Transp SIL (FY04)	Y	Y	Y	N	Y

Source: IEG, based on review of project appraisal documents.
Note: MTEF = Medium-Term Expenditure Framework.

Appendix N: Inconsistencies in Bank Teams' Definition of SWAps

The absence of a precise definition of SWAps has led to inconsistencies in Bank's staff definition of SWAps, manifested in different ways.

First, there are discrepancies between operations identified by Bank teams as SWAps (in the internal Bank review of operations supporting program based approaches—see Chapter 4) and operations that meet the five SWAp characteristics used by IEG for the evaluation—see Table N.1. The discrepancies are much more prevalent on the "exclusion" than the "inclusion" side—that is, more operations having the five characteristics were excluded by Bank teams as supporting SWAps than operations that were included but not supporting SWAps.

Table N.1. Inclusion and Exclusion of Credits as those supporting SWAps by the Bank

Sector	*Total credits active in CY 2007*	*Number of credits excluded by the Bank as supporting SWAps when all 5 characteristics were met*	*Number of credits included by the Bank as supporting SWAps when not all 5 characteristics were met*
Education	39	1	2
Health, Nutrition, and Population	39	5	4
Transport	32	8	2
AS SHARES OF TOTAL CREDITS ACTIVE IN CY 2007 (%)			
Education		3	5
Health, Nutrition, and Population		13	10
Transport		25	6

Source: IEG, based on review of project appraisal documents.
Note: The five SWAp characteristics are: (i) comprehensive sector strategy and policy; (ii) annual sector expenditure program/medium-term expenditure framework; (iii) donor coordination mechanisms; (iv) joint supervision and/or review; and (v) movement toward use of local systems.

The "inclusionary errors" are, by construction, all attributed to the characteristics that have been used in the comparison. The characteristic that is most often not met is "joint review/supervision." That is the case with both education and transport—the two credits in each of these sectors that were included by Bank teams as supporting SWAps do not have this characteristic. In the case of health, nutrition, and population (HNP), of the four credits included, three do not have the "joint review/supervision" characteristic, and two do not have the "annual sector expenditure program or medium-term expenditure framework" characteristic.

The "exclusionary error" is particularly large for the transport sector. Of 32 credits, 8 (that is, one-quarter) were not included by Bank teams as supporting SWAps even though they have all five characteristics. The errors are smaller for the other 2 sectors—5 of 39 credits for HNP (13 percent) and 1 of 39 credits for education (3 percent).

Second, there are inconsistencies between operations that have referenced the term SWAp in project appraisal documents and operations reported by the Bank as those supporting SWAps in the internal Bank review indicated above—see Table N.2. There is quite a significant overlap between credits for which the Project Appraisal Documents referenced the term SWAp specifically, and the credits that have the five SWAp characteristics.[9] Again, the transport sector fared the worst in terms of "exclusionary errors," with a fairly large share of credits (19 percent) being excluded as supporting SWAps in the Bank's internal review when SWAp references were actually made in the PADs (the share goes up to 28 percent if references to pre-SWAps are also counted). "Inclusionary errors" were also the largest for the HNP sector, where 13 percent of credits reported as supporting SWAps in the Bank's internal review did not have any mention of SWAps in their Project Appraisal Documents.

Table N.2. Inconsistencies in Defining SWAps in Project Appraisal Documents versus Bank Report to OECD-DAC

	Total credits active in CY2007	*Number of credits excluded by the Bank as supporting SWAps that has references to SWAps in PADs*			*Number of credits included by the Bank as supporting SWAps that has no such reference in PADs*
		REFERENCE TO SWAP	REFERENCE TO PRE-SWAP	REFERENCES TO SWAPS AND PRE-SWAPS	
Education	39	1	6	7	1
Health, Nutrition, and Population	39	2	6	8	5
Transport	32	6	3	9	1
As shares of total credits active in CY 2007					
Education		3%	15%	18%	3%
Health, Nutrition, and Population		5%	15%	21%	13%
Transport		19%	9%	28%	3%

Source: IEG, based on review of project appraisal documents.
Note: PAD = Project Appraisal Document; SWAp = sectorwide approach.

Third, there are inconsistencies between operations characterized by Bank staff as supporting SWAPs in the country reviews and those that meet the five SWAp characteristics; see Table N.3.

[9] The one loan in the education sector and the two in HNP that were excluded by the Bank as supporting SWAps meet all five characteristics and the term SWAp was referenced in the respective PADs. The same was true for four of the six loans excluded in transport.

Table N.3. Extent of Coordination of Operations and SWAp Characteristics Met from Surveys of Bank Task Team Leaders

	Number of operations		
	COORDINATED AND PART OF A SWAP	COORDINATED BUT NOT PART OF A SWAP	NOT COOR-DINATED
Total number of operations	10	22	6
TOTAL NUMBER OF OPERATIONS MEETING THE FOLLOWING SWAP CHARACTERISTICS			
Coordinated with development partners	10	22	0
Comprehensive sector strategy	9	18	6
Annual sector expenditure program	9	16	5
Medium-term expenditure framework	9	13	0
Significant donor movement towards common approaches	9	18	0
Movement toward greater reliance on local systems	6	14	0
SHARES OF OPERATIONS MEETING THE FOLLOWING SWAP CHARACTERISTICS (%)			
Coordinated with development partners	100	100	0
Comprehensive sector strategy	90	82	100
Annual sector expenditure program	90	73	83
Medium-term expenditure framework	90	59	0
Significant donor movement towards common approaches	90	82	0
Movement toward greater reliance on local systems	60	64	0

Source: IEG, based on survey responses of Bank task team leaders.
Note: SWAp = sectorwide approach.

Appendix O: Views on the Need for Changes in Joint Activities Going Forward, by Sector

Joint Analyses

	Education				HNP				Transport			
	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total
	Shares of respondents indicating											
Substantially less	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Somewhat less	0%	0%	0%	0%	0%	3%	0%	2%	0%	9%	0%	4%
No change	13%	13%	13%	13%	0%	9%	20%	11%	0%	9%	15%	11%
Somewhat more	50%	55%	47%	52%	67%	57%	40%	54%	100%	73%	69%	74%
Substantially more	38%	33%	40%	35%	33%	31%	40%	34%	0%	9%	15%	11%
No. of respondents	8	40	15	63	6	35	15	56	3	11	13	27

Joint Missions

	Education				HNP				Transport			
	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total
	Shares of respondents indicating											
Substantially less	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Somewhat less	0%	0%	7%	2%	0%	0%	0%	0%	0%	0%	0%	0%
No change	25%	20%	20%	20%	33%	9%	27%	16%	33%	18%	23%	22%
Somewhat more	38%	49%	33%	44%	50%	53%	40%	49%	67%	64%	46%	56%
Substantially more	38%	32%	40%	34%	17%	38%	33%	35%	0%	18%	31%	22%
No. of respondents	8	41	15	64	6	34	15	55	3	11	13	27

Coordinated Technical Assistance

	Education				HNP				Transport			
	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total
	Shares of respondents indicating											
Substantially less	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Somewhat less	0%	0%	0%	0%	0%	0%	0%	0%	0%	9%	0%	4%
No change	0%	15%	13%	13%	0%	9%	13%	9%	0%	9%	8%	7%
Somewhat more	88%	51%	40%	53%	50%	53%	53%	53%	100%	46%	62%	59%
Substantially more	13%	34%	47%	34%	50%	38%	33%	38%	0%	36%	31%	30%
No. of respondents	8	41	15	64	6	34	15	55	3	11	13	27

SWAps

	Education				HNP				Transport			
	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total	Govt.	Donor	TTL	Total
	Shares of respondents indicating											
Substantially less	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Somewhat less	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
No change	13%	34%	33%	31%	17%	36%	29%	32%	67%	46%	23%	37%
Somewhat more	25%	49%	40%	44%	50%	33%	50%	40%	33%	46%	69%	56%
Substantially more	63%	17%	27%	25%	33%	30%	21%	28%	0%	9%	8%	7%
No. of respondents	8	41	15	64	6	34	15	55	3	11	13	27

Source: IEG, based on survey responses.
Note: TTL = task team leader; HNP = health, nutrition, and population; SWAp = sectorwide approach..

Appendix P: Views on the Extent to Which Various Joint Activities Met the Three Donor Coordination Objectives

Table P.1. Perceptions of the Impact of Joint Missions on Donor Coordination Objectives

	Shares of respondents indicating											
	Transaction costs to government				*Quality of policy dialogue*				*Government capacity*			
	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL
Education												
Substantial deterioration	7%	3%	0%	3%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	0%	6%	1%	0%	3%	6%	3%	0%	3%	0%	2%
No change	20%	21%	6%	17%	0%	10%	11%	8%	13%	30%	36%	29%
Moderate improvement	27%	33%	41%	34%	40%	39%	44%	40%	63%	57%	55%	57%
Substantial improvement	47%	44%	47%	45%	60%	49%	39%	49%	25%	10%	9%	12%
No. of respondents	15	39	17	71	15	39	18	72	8	30	11	49
Health, nutrition, and population												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	6%	5%	4%	0%	11%	0%	4%	0%	17%	0%	7%
No change	8%	39%	21%	24%	8%	26%	21%	20%	17%	25%	46%	32%
Moderate improvement	62%	28%	42%	42%	23%	42%	42%	37%	50%	50%	46%	48%
Substantial improvement	31%	28%	32%	30%	69%	21%	37%	39%	33%	8%	8%	13%
No. of respondents	13	18	19	50	13	19	19	51	6	12	13	31
Transport												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
No change	36%	25%	50%	38%	15%	21%	8%	15%	33%	33%	43%	38%
Moderate improvement	43%	67%	43%	50%	46%	50%	46%	48%	67%	50%	43%	50%
Substantial improvement	21%	8%	7%	13%	39%	29%	46%	38%	0%	17%	14%	13%
No. of respondents	14	12	14	40	13	14	13	40	3	6	7	16
All three sectors												
Substantial deterioration	2%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	1%	4%	2%	0%	4%	2%	3%	0%	6%	0%	3%
No change	21%	26%	24%	24%	7%	17%	14%	14%	18%	29%	42%	31%
Moderate improvement	43%	38%	42%	40%	37%	42%	44%	41%	59%	54%	48%	53%
Substantial improvement	33%	33%	30%	32%	56%	38%	40%	43%	24%	10%	10%	13%
No. of respondents	42	69	50	161	41	72	50	163	17	48	31	96

Source: IEG, based on country reviews and survey responses.
Note: TTL = task team leader.

Table P. 2. Perceptions of the Impact of Joint Analyses on Donor Coordination Objectives

	Shares of respondents indicating											
	Transaction costs to govt.				*Quality of policy dialogue*				*Government capacity*			
	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL
Education												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	2%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
No change	27%	17%	6%	16%	6%	7%	11%	8%	22%	34%	30%	31%
Moderate improvement	33%	54%	44%	47%	25%	56%	39%	45%	44%	56%	50%	53%
Substantial improvement	40%	27%	50%	35%	69%	37%	50%	47%	33%	9%	20%	16%
No. of respondents	15	41	18	74	16	41	18	75	9	32	10	51
Health, nutrition, and population												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	17%	0%	0%	3%
Moderate deterioration	0%	4%	0%	2%	8%	4%	0%	3%	0%	0%	8%	3%
No change	8%	27%	37%	26%	8%	25%	26%	22%	0%	35%	46%	33%
Moderate improvement	62%	50%	32%	47%	15%	46%	32%	35%	33%	53%	39%	44%
Substantial improvement	31%	19%	32%	26%	69%	25%	42%	40%	50%	12%	8%	17%
No. of respondents	13	26	19	58	13	28	19	60	6	17	13	36
Transport												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	6%	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%
No change	36%	35%	42%	37%	7%	26%	0%	13%	33%	33%	17%	28%
Moderate improvement	36%	41%	33%	37%	64%	32%	39%	44%	33%	56%	67%	56%
Substantial improvement	29%	18%	25%	23%	29%	42%	62%	44%	33%	11%	17%	17%
No. of respondents	14	17	12	43	14	19	13	46	3	9	6	18
All three sectors												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	6%	0%	0%	1%
Moderate deterioration	0%	4%	0%	2%	2%	1%	0%	1%	0%	0%	3%	1%
No change	24%	24%	27%	25%	7%	17%	14%	14%	17%	35%	35%	31%
Moderate improvement	43%	50%	37%	45%	35%	48%	36%	41%	39%	55%	48%	51%
Substantial improvement	33%	23%	37%	29%	56%	34%	50%	44%	39%	10%	14%	16%
No. of respondents	42	84	49	175	43	88	50	181	18	58	29	105

Source: IEG, based on country reviews and survey responses.
Note: TTL = task team leader,.

Table P.3. Perceptions of the Impact of Coordinated Technical Assistance on Donor Coordination Objectives

	Shares of respondents indicating:											
	Transaction costs to govt.				*Quality of policy dialogue*				*Government capacity*			
	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL	GOVT.	DONOR	TTL	ALL
Education												
Substantial deterioration	6%	0%	0%	2%	6%	0%	0%	1%	6%	0%	0%	2%
Moderate deterioration	0%	3%	7%	3%	0%	5%	0%	3%	0%	0%	0%	0%
No change	22%	28%	7%	22%	11%	22%	7%	16%	6%	21%	7%	14%
Moderate improvement	44%	53%	50%	50%	56%	54%	43%	52%	59%	68%	71%	66%
Substantial improvement	28%	17%	36%	24%	28%	19%	50%	28%	29%	12%	21%	19%
No. Of respondents	18	36	14	68	18	37	14	69	17	34	14	65
Health, nutrition, and population												
Substantial deterioration	0%	0%	0%	0%	0%	4%	0%	2%	0%	0%	0%	0%
Moderate deterioration	0%	0%	5%	2%	0%	0%	0%	0%	0%	0%	0%	0%
No change	0%	42%	16%	24%	8%	38%	28%	27%	27%	40%	26%	32%
Moderate improvement	58%	42%	58%	51%	54%	33%	50%	44%	46%	45%	47%	46%
Substantial improvement	42%	17%	21%	24%	39%	25%	22%	27%	27%	15%	26%	22%
No. of respondents	12	24	19	55	13	24	18	55	11	20	19	50
Transport												
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	8%	0%	3%	0%	0%	0%	0%	0%	0%	0%	0%
No change	18%	15%	50%	29%	9%	7%	14%	10%	0%	25%	25%	18%
Moderate improvement	18%	46%	7%	24%	46%	71%	50%	56%	60%	50%	42%	50%
Substantial improvement	64%	31%	43%	45%	46%	21%	36%	33%	40%	25%	33%	32%
No. of respondents	11	13	14	38	11	14	14	39	10	12	12	34
All three sectors												
Substantial deterioration	2%	0%	0%	1%	2%	1%	0%	1%	3%	0%	0%	1%
Moderate deterioration	0%	3%	4%	3%	0%	3%	0%	1%	0%	0%	0%	0%
No change	15%	30%	23%	24%	10%	24%	17%	18%	11%	27%	20%	21%
Moderate improvement	42%	48%	40%	44%	52%	51%	48%	50%	55%	58%	53%	56%
Substantial improvement	42%	19%	32%	29%	36%	21%	35%	29%	32%	15%	27%	23%
No. of respondents	41	73	47	161	42	75	46	163	38	66	45	149

Source: IEG, based on country reviews and survey responses.
Note: TTL = task team leader.

Table P.4. Perceptions of the Impact of Sector-wide Approaches on Donor Coordination Objectives

	Shares of respondents indicating											
	Transaction costs to govt.				*Quality of policy dialogue*				*Government capacity*			
	Govt.	Donor	TTL	All	Govt.	Donor	TTL	All	Govt.	Donor	TTL	All
						Education						
Substantial deterioration	11%	0%	17%	5%	11%	0%	17%	5%	11%	0%	0%	2%
Moderate deterioration	0%	7%	0%	5%	0%	0%	0%	0%	0%	0%	17%	2%
No change	22%	4%	0%	7%	0%	4%	17%	5%	11%	15%	0%	12%
Moderate improvement	11%	41%	67%	38%	22%	44%	17%	36%	11%	56%	50%	45%
Substantial improvement	56%	48%	17%	45%	67%	52%	50%	55%	67%	30%	33%	38%
No. of respondents	9	27	6	42	9	27	6	42	9	27	6	42
						Health, nutrition, and population						
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	10%	0%	7%	0%	0%	0%	0%	0%	0%	0%	0%
No change	0%	25%	0%	17%	0%	40%	0%	27%	0%	40%	0%	27%
Moderate improvement	40%	40%	60%	43%	60%	35%	80%	47%	60%	40%	100%	53%
Substantial improvement	60%	25%	40%	33%	40%	25%	20%	27%	40%	20%	0%	20%
No. of respondents	5	20	5	30	5	20	5	30	5	20	5	30
						Transport						
Substantial deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate deterioration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
No change	0%	20%	0%	11%	0%	0%	0%	0%	33%	33%	0%	30%
Moderate improvement	67%	80%	100%	78%	67%	83%	100%	80%	33%	33%	100%	40%
Substantial improvement	33%	0%	0%	11%	33%	17%	0%	20%	33%	33%	0%	30%
No. of respondents	3	5	1	9	3	6	1	10	3	6	1	10
						All three sectors						
Substantial deterioration	6%	0%	8%	3%	6%	0%	8%	2%	6%	0%	0%	1%
Moderate deterioration	0%	8%	0%	5%	0%	0%	0%	0%	0%	0%	8%	1%
No change	12%	14%	0%	11%	0%	17%	8%	12%	12%	26%	0%	20%
Moderate improvement	29%	44%	67%	44%	41%	45%	50%	45%	29%	47%	75%	48%
Substantial improvement	53%	35%	25%	37%	53%	38%	33%	40%	53%	26%	17%	31%
No. of respondents	17	52	12	81	17	53	12	82	17	53	12	82

Source: IEG, based on country reviews and survey responses.
Note: TTL = task team leader.

Appendix Q: Views on Changes Needed Regarding Decentralization of Bank Staff and the Role of the Bank

Table Q. 1. Views on Changes Needed Regarding Decentralization of Bank Staff to Country Office, by Groups of Respondents and by Sector

Sector	*Respon dent*	*Shares of respondents indicating*					*Number of respondents*
		Substantially less (%)	*Somewhat less (%)*	*No change (%)*	*Somewhat more (%)*	*Substantially more (%)*	
Education	Govt.	0	13	13	38	38	8
	Donor	0	3	21	49	28	39
	TTL	0	0	13	33	53	15
	All	0	3	18	44	36	62
Health, Nutrition, and Population	Govt.	0	0	0	60	40	5
	Donor	0	3	26	36	36	31
	TTL	0	0	27	47	27	15
	All	0	2	24	41	33	51
Transport	Govt.	0	0	67	33	0	3
	Donor	0	0	36	36	27	11
	TTL	8	0	46	8	39	13
	All	4	0	44	22	30	27
All three sectors	Govt.	0	6	19	44	31	16
	Donor	0	3	25	42	31	81
	TTL	2	0	28	30	40	43
	All	1	2	25	39	34	140

Source: IEG, based on survey responses in 13 countries.
Note: TTL = task team leader.

A larger share of task team leaders (86 percent) indicated that more decentralization is needed in the education sector compared to donors (77 percent) and government (76 percent). Government officials are keenest to have more decentralization in HNP (all respondents indicated more is needed) and the least keen to see more decentralization in transport (although there are the fewest number of respondents from the government for this sector). Donors are keen to see more decentralization in education and HNP (a bit over three-quarters of respondents indicated more decentralization is needed in both sectors), and a little less so in transport (63 percent indicated more is necessary).

Table Q.2. Views on Changes Needed Regarding the Bank's Lead Role in Donor Coordination, by Groups of Respondents and by Sector

Sector	Respondent	*Shares of respondents indicating*					*Number of respondents*
		Substantially less (%)	*Somewhat less (%)*	*No change (%)*	*Somewhat more (%)*	*Substantially more (%)*	
Education	Govt.	0	0	63	13	25	8
	Donor	3	10	45	25	18	40
	TTL	0	0	27	27	47	15
	All	2	6	43	24	25	63
Health, Nutrition, and Population	Govt.	0	0	33	67	0	6
	Donor	6	14	37	17	26	35
	TTL	0	13	33	27	27	15
	All	4	13	36	25	23	56
Transport	Govt.	0	33	67	0	0	3
	Donor	9	9	73	9	0	11
	TTL	0	0	31	39	31	13
	All	4	7	52	22	15	27
All three sectors	Govt.	0	6	53	29	12	17
	Donor	5	12	45	20	19	86
	TTL	0	5	30	30	35	43
	All	3	9	42	24	23	146
Country Level	Govt.	0	9	18	27	45	11
	Donor	5	9	39	27	20	56
	All	4	9	36	27	24	67
All government and donors	Govt.	0	7	39	29	25	28
	Donor	5	11	43	23	19	142
	All	4	10	42	24	20	170

Source: IEG, based on survey responses.
Note: TTL = task team leader.

Appendix R: Government Leadership of Aid Coordination in the Nine Countries Reviewed

Country	***Government leadership***	***Comments***
Benin	Increasing	Weak in health although expected to increase with the signing of the International Health Partnership; very weak in education.
Ethiopia	Yes	Leads overall; leads in roads, health (less so on the implementation side) and increasing in education.
Ghana	Mixed	Does not lead overall, but leads in health, education, and transport.
Kenya	Increasing	Coordination has been widely viewed to be donor-led with limited government participation but this is changing with increasing government involvement; however, it is still perceived that aid coordination is not a government priority.
Lao PDR	Mixed	Although the government clearly convenes and chairs all the round table meeting processes, several development partners cast doubt on its leadership. It leads in education.
Malawi	Increasing	Government appears to be unwilling to direct aid overall. Aid coordination is stronger in health than in other sectors; gaining strength in education with the establishment of a SWAp, and increasing in roads with Roads Authority taking on leadership.
Mali	Yes	The government owns the Poverty Reduction Strategy Paper and its programs, sectoral and otherwise. It also owns aid coordination in that it considers it important to ensure resources for its priority programs such as budget support.
Nepal	Mixed	Does not lead overall but leads in education.
Uganda	Mixed	Strong during 1997–2005, waned since 2005 from donor fatigue (too many donors and too many meetings). Strong in public financial management, education, energy, and joint budget support framework but other sectors led by development partners.

Source: IEG, based on country reviews.

Appendix S: Use of Country Systems by Financial Management Components for the Three Sectors

Figure S.1: Project Expenditure in Country's Annual Budget

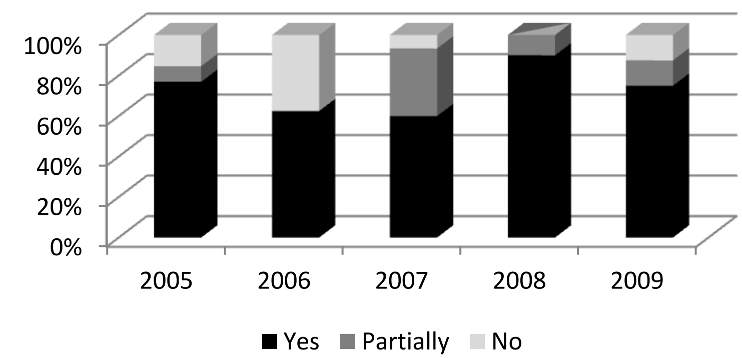


Figure S.2: Financial Statements Prepared Using National Accounting Standards

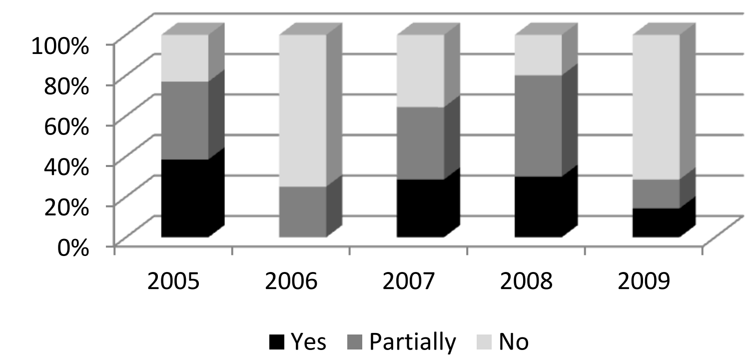


Figure S.3: Recording Project Expenditures Using Ministry's/Agency's Accounting System

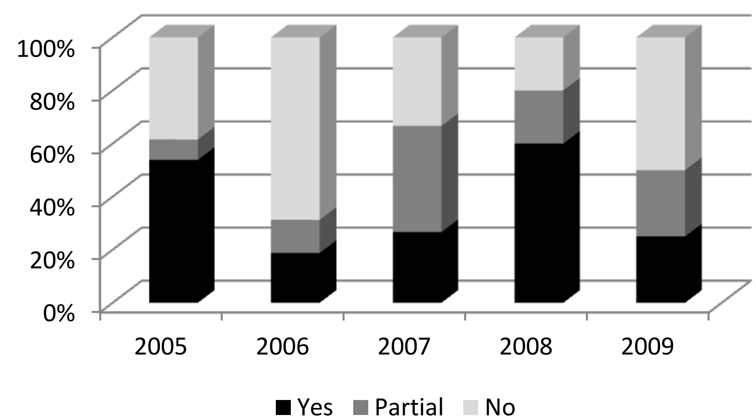


Figure S.4: Bank provided project funds deposited into regular Bank accounts maintained and operated by the treasury or Ministry of Finance (MoF)

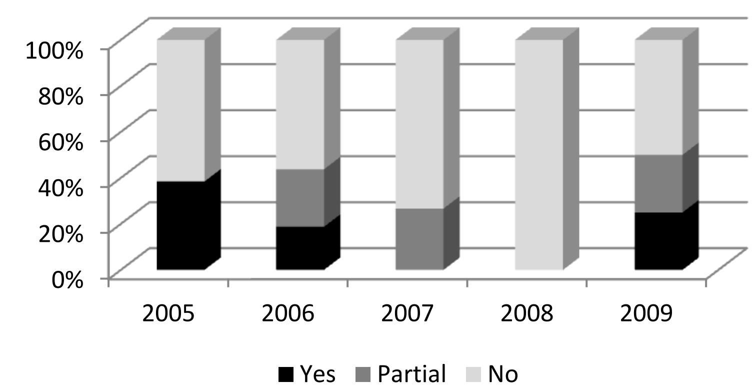


Figure S.5: Projects funds disbursed by the treasury or the MoF using regular payment procedures

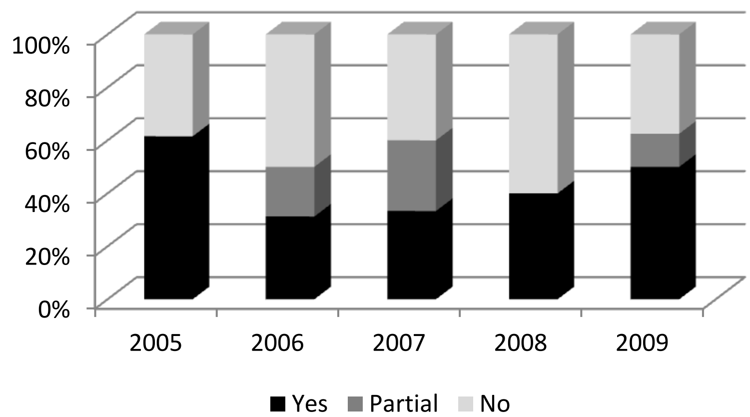


Figure S.6: Regular internal control procedure used for project implementation

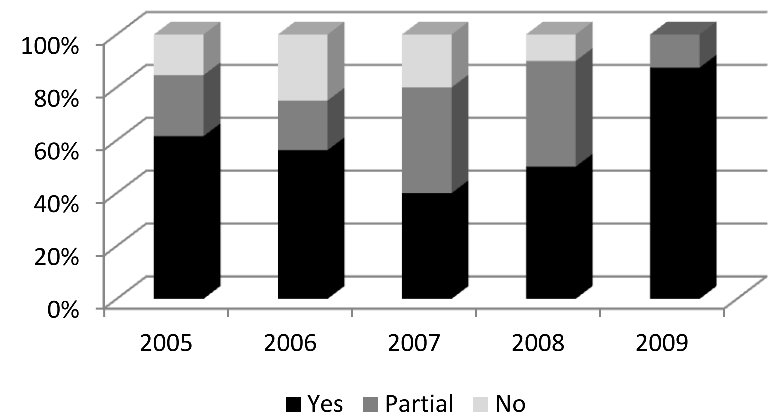


Figure S.7: Internal audit relied upon by the World Bank

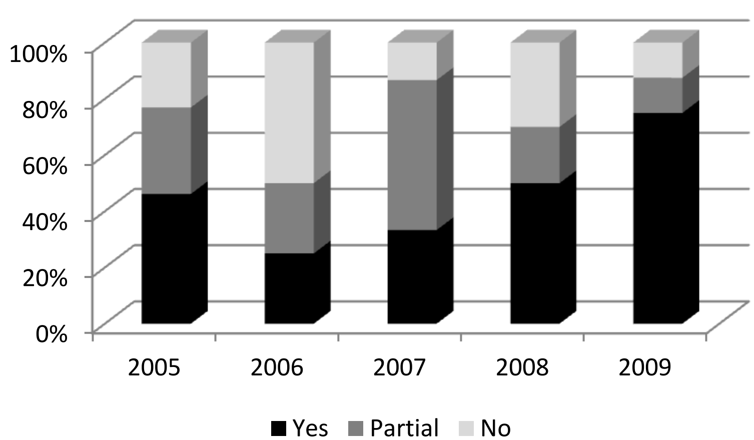
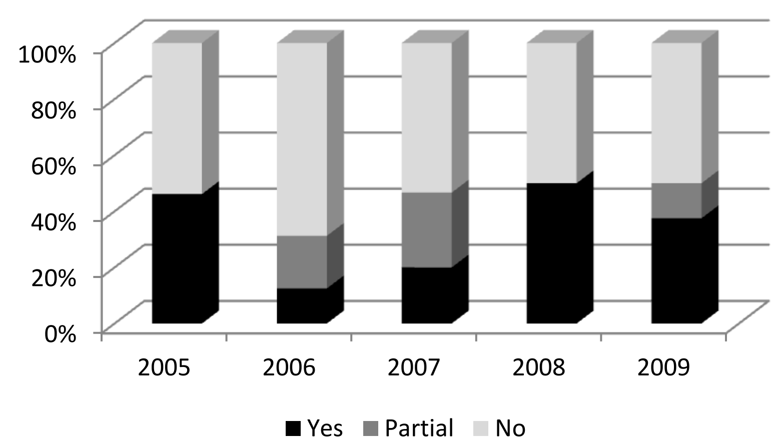


Figure S.8: Supreme Audit Institution (SAI) used to audit the project financial statements



Appendix T: Shares of Projects Approved FY05–09 Using Country Financial Management Systems Fully or Partially, by Financial Management Components and Country

Country	No. of projects	Budgeting (%)	Accounting 1 (%)	Accounting 2 (%)	Treasury 1 (%)	Treasury 2 (%)	Internal control (%)	Internal audit (%)	External audit (%)	Average (%)
Bangladesh	1	100	100	100	100	100	100	100	100	100
Benin	2	100	100	100	100	100	100	100	100	100
Burkina Faso	2	100	0	0	50	50	100	100	0	50
Ethiopia	6	100	100	83	17	50	100	100	50	75
Gambia, The	1	0	0	0	0	0	0	0	0	0
Ghana	5	100	0	80	0	0	100	100	100	60
Kenya	2	100	100	100	100	100	100	100	100	100
Lao PDR	2	0	0	0	100	100	50	50	0	38
Madagascar	1	0	0	0	0	0	100	0	0	13
Malawi	3	33	33	33	0	0	33	67	67	33
Mali	2	100	0	50	50	50	50	100	0	50
Mauritania	3	0	0	0	0	0	100	100	0	25
Nepal	5	100	100	100	40	100	100	100	100	93
Senegal	4	75	0	0	25	50	75	75	0	38
Sierra Leone	1	100	0	100	100	100	100	0	100	75
Tajikistan	1	100	0	0	0	0	100	0	0	25
Tanzania	3	100	100	67	0	0	100	100	100	71
Uganda	3	100	0	0	100	100	100	100	100	75
Vietnam	11	100	100	100	27	100	100	27	0	69
Yemen, Rep. of	4	100	100	0	0	0	0	50	0	31

Source: IEG, based on responses of Bank staff.
Note: For Ethiopia, Burkina Faso and Madagascar, information for one project each is missing and for Bangladesh, the evaluation team did not receive any FM-related information on two projects. Accounting 1 refers to the use of national accounting standards; Accounting 2 refers to the use of ministry account system; Treasury 1 refers to funds deposited into regular bank accounts operated by the treasury or the Ministry of Finance; and Treasury 2 refers to funds disbursed using country payment procedures.

Appendix U: Extent to which Different Types of Bank Support Strengthened Capacity—Views of Government Officials

Ratings	*Financial management capacity*	*Procurement capacity*	*Project implementation capacity*
ECONOMIC AND SECTOR WORK			
1 (no extent)	8%	8%	8%
2	0%	8%	8%
3	15%	33%	23%
4	54%	17%	23%
5	0%	17%	31%
6 (great extent)	23%	17%	8%
Number of responses	13	12	13
Average rating	4.1	3.8	3.8
TECHNICAL ASSISTANCE			
1 (no extent)	6%	0%	0%
2	0%	14%	6%
3	18%	21%	24%
4	29%	36%	35%
5	41%	29%	18%
6 (great extent)	6%	0%	18%
Number of responses	17	14	17
Average rating	4.2	3.8	4.2
CAPACITY BUILDING PROJECTS			
1 (no extent)	6%	0%	0%
2	0%	20%	14%
3	24%	20%	21%
4	29%	13%	21%
5	29%	33%	36%
6 (great extent)	12%	13%	7%
Number of responses	17	15	14
Average rating	4.1	4.0	4.0
CAPACITY BUILDING COMPONENTS IN BANK PROJECTS			
1 (no extent)	6%	0%	6%
2	0%	19%	6%
3	12%	13%	12%
4	24%	25%	29%
5	35%	13%	29%
6 (great extent)	24%	31%	18%
Number of responses	17	16	17
Average rating	4.5	4.3	4.2

Source: IEG, based on survey responses. Note: Rating scale is from 1 (no extent) to 6 (great extent).

Appendix V: Average PEFA Scores for Procurement and Different Areas of Financial Management in Countries Reviewed

Country	*Budgeting*[a]	*Accounting and reporting*[b]	*Treasury management and funds flow*[c]	*Internal control and internal audit*[d]	*External audit*[e]	*Competition, value for money and controls in procurement*[f]
Ethiopia	C+	C+	D+	B	C+	C+
Uganda	B	C+	C+	C+	C+	D+
Nepal	C+	C+	C+	C	D+	C
Mali	B	D+	C+	C+	D	C
Kenya	C+	D+	B+	C+	C+	B
Ghana	C+	C+	D+	C	C+	B+
Benin	C+	D+	C	C	D	B
Malawi	B	C	B	B	D+	D

Source: World Bank; latest available PEFA scores for different countries.

a. Scores are averages of the following PEFA indicators:
PI-1: Aggregate expenditure out-turn compared to original approved budget
PI-2: Composition of expenditure out-turn compared to original approved budget
PI-5: Classification of the budget
PI-6: Comprehensiveness of information included in budget documentation
PI-11: Orderliness and participation in the annual budget process
PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting
PI-16: Predictability in the availability of funds for commitment of expenditures
PI-27: Legislative scrutiny of the annual budget law

b. Scores are averages of the following PEFA indicators:
PI-23: Availability of information on resources received by service delivery units
PI-24: Quality and timeliness of in-year budget reports
PI-25: Quality and timeliness of annual financial statements

c. Scores for PI-16: Predictability in the availability of funds for commitment of expenditures have been used.

d. Scores are averages of the following PEFA indicators:
PI-18: Effectiveness of payroll controls
PI-20: Effectiveness of internal controls for non-salary expenditure
PI-21: Effectiveness of internal audit
PI-22: Timeliness and regularity of accounts reconciliation

e. Scores for PI-26: Scope, nature and follow-up of external audit have been used.

f. Scores for PI-19: Competition, value for money and controls in procurement have been used

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