Comprehensive Development Framework

Meeting the Promise?
Early Experience and Emerging Issues

September 17, 2001

CDF Secretariat
The World Bank
## ACRONYMS

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<th>Acronym</th>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CCA</td>
<td>Common Country Assessment</td>
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<td>CDF</td>
<td>Comprehensive Development Framework</td>
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<td>CFAAA</td>
<td>Country Financial Accountability Assessment</td>
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<td>Country Policy and Institutional Assessment</td>
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<td>Development Assistance Committee</td>
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<td>Organization for Economic Cooperation and Development</td>
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Foreword

At the 2000 Annual Meetings of the Boards of Governors of the World Bank and International Monetary Fund (IMF), Ministers requested that I keep them informed about progress in implementing the Comprehensive Development Framework (CDF). This is the aim of this report, which has benefited from comments by Executive Directors at an informal meeting of the Board on Wednesday, September 12, 2001.

As promised in our previous report of September 7, 2000, we have cast the net wider and have begun to assess how the CDF principles are being addressed in a group of countries much larger than the original CDF pilot group of twelve. This report covers experience in most developing countries involved in preparing Poverty Reduction Strategy Papers—which, according to the Development Committee Statement of September 1999, are to embed the CDF principles. Hence, this report provides context for our work on HIPC, harmonization, and the overall poverty reduction strategy that underlies the entire focus of the Bank’s work.

While experience is still at an early stage and the challenges of implementation posed by the CDF are considerable, this report shows that many countries are making steady progress, and some are close to achieving the major objectives embedded in the CDF principles. The report also highlights key areas where progress is uneven and even elusive. In particular, more concerted effort among development partners is needed in aligning their support with the emerging country priorities. The challenge posed by the lack of harmonization of operational policies and procedures remains real, but actions are being taken and we intend to continue to fully support these efforts. On the developing country side, short-term priorities still tend to prevail, and the involvement of national institutions is still incipient. These are areas where we intend to stay the course and provide support either directly or through strategic partnership with those who may be best placed to assist.

Earlier this year, our management team reaffirmed its support for the CDF as the guiding approach for all our country-level work, and the Board approved both the Strategic Directions and our budget request reflecting this. The challenges are many, both for low- and middle-income countries, as well as for our development institutions. This report shows, however, that a great deal is being done, and we look forward to working closely with all our partners to ensure that the CDF promise continues to be pursued with vigor.

James D. Wolfensohn
September 2001
Preface

Executive Directors discussed a draft of this report on September 12, 2001. Directors welcomed it as balanced, and asked a number of questions about how the Comprehensive Development Framework (CDF) linked with the country strategy process, and with the Poverty Reduction Strategy Papers (PRSP). These questions included the availability of empirical information, the role of the international development goals, the relationship between a country’s long-term vision and PRSP, and expectations and over-optimism about development results. These issues cut across many dimensions of the CDF. Several Directors also emphasized the applicability of the CDF in middle- not just low-income countries. This is an area where future assessments of progress will also focus.

The CDF is an approach based on a country’s long-term holistic vision, whose aim is to achieve, through ownership and partnership, sustainable development impact. Empirical evidence about development impact is expected to materialize in due course once CDF processes have been adopted by countries and development partners. Thus, it is unrealistic to expect measurable, development impact now, even after a few years of implementation of CDF. But it is crucial to focus on evidence of the adoption of the CDF processes that will deliver sustainable impact. Over time, as the principles are adopted, evidence of development impact will become available. Helping countries strengthen their capacity to focus on development results will accelerate the emergence of such evidence.

Countries need to develop both the long-term vision and a medium-term strategy —such as PRSP—in a well-concerted manner. The long-term vision must focus on country-determined development goals, and their sequencing and prioritization. Medium-term strategies should derive from the long-term vision, and care should be taken that they are not driven solely by short-term concerns. For this reason, the Development Committee decided in 1999 that PRSPs should be based on the principles embedded in the CDF.
# Contents

I. **INTRODUCTION** ................................................................. 1

II. **OVERVIEW, MAIN ISSUES AND ACTIONS** ......................... 2

   A. Overall Assessment .......................................................... 2
   B. Long-term Vision and Strategy ........................................... 2
   C. Enhancing Country Ownership ........................................... 3
   D. Partnership Among Stakeholders ....................................... 4
   E. Focus on Development Results ......................................... 5
   F. Implications for the World Bank Group .............................. 6

III. **COUNTRY STRATEGIES—ARE THEY COMPREHENSIVE?** ........ 7

   A. Long-term Vision and Medium-term Strategy ..................... 8
   B. Macro-economic and Sector Balance .................................. 8
   C. Integrating PRSPs with Existing National Processes .......... 8
   D. Performance Monitoring .................................................. 9
   E. International Development Goals ...................................... 9
   F. Steps to Accelerate Progress .......................................... 10

IV. **NATIONAL INSTITUTIONS—WHAT ROLE ARE THEY PLAYING?** ...... 11

   A. Role of National Institutions ........................................... 11
   B. National Dialogue and Ownership ..................................... 13

V. **WHAT CONTRIBUTION IS THE PRIVATE SECTOR MAKING?** .......... 16

   A. Private Sector Involvement in Country Strategies ............... 16
   B. The Private Sector’s Role in Country Ownership and Partnership .......... 17
   C. Implications for World Bank Group Action .......................... 18

VI. **ARE EXTERNAL PARTNERS MEETING THEIR COMMITMENT?** ........ 19

   A. Alignment with Country Strategy ..................................... 19
   B. Alignment of Analytical Work with the Country’s National Strategy ... 20
   C. Sector Alignment and SWAPs .......................................... 20
   D. Institutional Alignment and Harmonization .......................... 21

VII. **HOW MUCH PROGRESS HAS THE WORLD BANK GROUP MADE?** ...... 22

   A. Country Assistance Strategy (CAS) .................................... 22
   B. Economic and Sector Work (ESW) ..................................... 22
   C. Programmatic Lending ................................................... 25
   D. Sector Strategy Papers (SSP) .......................................... 26
   E. Board Practices ............................................................ 27
   F. World Bank Cultural and Behavioral Change ....................... 27
BOXES:

Box 1: Roundtable on the Role of Government in Strengthening Country Ownership .. 12
Box 2: Perspectives on National Dialogue ................................................................. 14
Box 3: The Vietnam Business Forum ........................................................................ 17
Box 4: Private Sector Involvement In Uganda ......................................................... 18
Box 5: Implementing The CDF Principles At The Country Level—General Guidelines23

ANNEXES:

Annex A: Methodology For Tracking Progress with Implementing CDF Principles and Country Assessments 29
I. Introduction

1. The Comprehensive Development Framework (CDF) is based on four inter-related principles—long-term holistic vision; country ownership; partnership; and a focus on development results—which experience suggests are a means of reducing poverty more effectively. These principles derive from the CDF proposal, launched in January 1999, and progress on their implementation has been monitored since March 1999.¹

2. This report looks at progress in the implementation of the Comprehensive Development Framework (CDF) principles in 46 countries that were either part of the original CDF pilot group or have prepared Interim Poverty Reduction Strategy Papers (I-PRSPs) or full PRSPs. PRSPs are based on CDF principles and also emphasize issues such as specific costing and links to the budget and the macro-economic framework.² This report identifies some important areas of progress and the principal challenges, and focuses attention on actions to better support countries in implementing the CDF principles. It does not cover every subject in-depth, but focuses on those areas that are known to be crucial for the successful implementation of CDF principles, especially where progress to date has been both uneven and elusive.

3. Progress in these 46 countries has been assessed based on information gathered from several sources: World Bank country team members, documentation prepared in the context of the PRSP process (including Joint Staff Assessments), country assistance strategy documents, visits to selected countries, roundtable discussions on implementing CDF principles, and views contributed by development cooperation partners—bilateral, multilateral, and UN.

4. Based on experience to date with implementation of CDF principles, the following questions are being given closer attention in this report:
   • How comprehensive and balanced are country strategies?
   • To what extent are national institutions involved in building ownership of the strategy and the consultations on policy and expenditure priorities?
   • Is the private sector playing a significant role in country strategy formulation and consultations?
   • Are the assistance strategies and programs of the external partners aligned to the country’s strategy?
   • What are the main challenges for the World Bank Group to support effectively the implementation of the CDF principles?

5. Annex A of this report provides systematic country-by-country assessments and a methodological note. These assessments also provide the basis for the overview below. Of the 46 countries covered in this report, 26 are in Africa; nine in Eastern Europe and Central Asia; five in Latin America and the Caribbean; three in East Asia; and three in the Middle East and North Africa.³ Twelve of these countries are conflict-affected.

³ This includes the West Bank and Gaza.
II. Overview, Main Issues and Actions

A. Overall Assessment

6. Since the CDF proposal was launched in early 1999 sustained progress has been made. Today, the CDF principles are embedded in the policy statements of most of our development partners, and in the World Bank’s own strategic and budget documents. A range of countries have made considerable progress, i.e., Bolivia, Burkina Faso, Ghana, Guinea, Mauritania, Mozambique, Rwanda, Uganda and Vietnam. The PRSP initiative has substantially expanded the number of countries seeking to develop strategies based on CDF principles. Nevertheless, implementation of the principles has been difficult and uneven among these countries, not least because most of them are among the poorest countries of the world. This is particularly true for the 13 of the 46 countries that have either recently emerged out of conflict or governance upheavals, or are in the midst of conflict. Considerable persistence will be required to realize our long-term goal of improving the effectiveness of the development process through application of the CDF principles.

7. The World Bank has taken many actions to better position itself to support the implementation of CDF principles more effectively. But much more needs to be accomplished in order to be able to claim that the CDF-way of working has been adopted. It is clear that more staff in the World Bank Group need to fully understand what is involved with this way of working, and apply this understanding to the way they work. Steps being taken will help ensure that the World Bank’s internal culture becomes more fully aligned with the poverty-focused and accountable organization that it is striving to become. There are signs of this happening, in large measure due to the introduction of the PRSPs. This report points to areas, both at the country level and within the World Bank, that merit special attention and practical support.

B. Long-term Vision and Strategy

8. A majority of the 46 countries covered by this report are developing long-term country visions or strategies, or have prepared one in the last five years. In most of those cases, these countries are reflecting a concern for comprehensiveness and balance between macro-economic concerns, and social, structural, and institutional issues. Similarly, most of the countries focus on achieving important development results. However, few recognize the International Development Goals (IDGs) as such and they are often seen as overly prescriptive for application at the country level.

9. Nearly all the 46 countries have developed medium-term programs—which in low-income countries are encapsulated in their Interim-Poverty Reduction Strategy Papers or full Poverty Reduction Strategy Papers (I-PRSPs/PRSPs). The introduction of the PRSP has helped to promote the formulation of country strategies that are comprehensive in analysis and balanced in addressing macro, social and structural issues. However, fewer than half of

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these countries have medium-term strategies well anchored on long-term strategies. Cross-sectoral linkages and priority setting across development goals are not strongly featured, and linkages to the public expenditure programs are often absent. The process of strategy formulation is often still dominated by short-term macroeconomic needs, and often fails to achieve a balance in addressing macroeconomic, social and structural issues.

10. Issue: While it is fundamental for countries to articulate a long-term vision and strategy and then derive from it a medium term strategy and goals, there are continuing practical difficulties in doing so, particularly where countries seek to build only on existing work. In particular, the urgent need to relieve the debt burdens of the Heavily Indebted Poor Countries (HIPC) has provided a strong incentive to press ahead with PRSPs to a tight deadline. The international community has explicitly recognized the tension between timeliness and quality and in low-income countries the PRSP process has been modified, through the I-PRSP process, to allow more flexibility. But the tension remains a very real one. This situation calls for strengthening the sustainability of the policies being put in place, so that the policy and institutional reforms being supported will not be reversed once countries have completed their HIPC process. Despite their best intentions, many governments are finding it hard to link their national long-term strategic thinking with the PRSP preparatory process or with their annual expenditure management systems. This problem also partly reflects the countries’ very real capacity constraints, and the difficulties faced in the formulation of balanced and holistic strategies.

11. Action: Most countries need concerted support in addressing the conceptual and practical challenges of linking their long-term strategy formulation processes and their expenditure priorities, whether these are reflected in their PRSPs, in a medium-term expenditure framework, or elsewhere. The World Bank and other external partners need to continue to help address these challenges, and review cases where progress has been made. Many countries, both low- and middle-income, have yet to find a clear path to doing so. There is clear scope for well-timed, upstream analytical support, to help countries identify and articulate key strategic elements and sequencing issues, and then support consensus-building processes focused on defining shared country priorities. The extent to which these priorities are linked to the IDGs should be a product of this process and not be imposed. In low-income countries, important dialogue around the preparation of PRSPs should be used to promote clarity on longer-term development objectives and trade-offs, without which decisions for the short-term are not likely to be sustainable.

C. Enhancing Country Ownership

12. Country ownership is the linchpin of the CDF. The record so far is promising as nearly four out of five countries have developed or are developing their national strategies based on internal debate around homegrown aspirations. The increasing participation of civil society, albeit from a low base, has helped to strengthen country ownership. However, considerable challenges remain. Experience shows that country ownership is dependent on country capacity. Such capacity, for instance in formulating and implementing strategies and programs that are drawn from internal consultations and debates, is often weak. Another area where progress has not been strong is in channeling through institutions the output from extensive consultations with stakeholders. Consequently, the products or outcomes of consultations are often left without a clearly defined institutional response, and without clear follow-up actions. In low-income countries, this is a major challenge as they move from
I-PRSPs to PRSPs. Parliaments are mostly absent from the debate, thus omitting a central actor from political discourse. Also, engaging the private sector in strategy processes has proven particularly difficult in many countries, although in roughly a third of the countries, the private sector is participating to some degree. Private sector commitment to the national strategy, a key pillar of any long-term development agenda, is therefore generally weak.

13. **Issue:** National strategies should involve a participatory process, and should provide the basis for debate in the countries’ national assemblies or other elected bodies. Expectations raised through the participatory process need to be addressed and managed in a forthright manner. Experience with participatory processes—including in the context of PRSP—suggests that the poor and the marginalized, even when invited to express their views, have no institutional outlet through which to follow up. In these circumstances, elected institutions have a key role to play in providing the vehicle through which their views are represented. Ad-hoc consultations can often be seen as little more than a justification for governments to validate their pre-set priorities. Yet, governments have a unique responsibility to reach out as widely and as effectively as possible if their actions are ultimately going to succeed. This is true even in areas for which there is broad national consensus. Freezing out those with different or opposite views challenges the legitimacy of government actions and ultimately—regardless of their merit—their sustainability.

14. **Action:** Governments that are preparing country strategies or PRSPs should be encouraged to identify institutional channels for discussing and acting on the results of the national dialogue or other national consultation mechanisms being used to elicit priorities. Ad-hoc consultations, that is, consultations without a clear and transparent link to elected institutions, should not be encouraged. Specifically, further emphasis should be given to ensuring that elected national assemblies should be invited by governments to play a role. National dialogues can provide a strong bridge towards institutionalizing a debate about priorities.

**D. Partnership Among Stakeholders**

15. When the CDF proposal was put forward, there were expectations that quick results would be possible in strengthening partnership—particularly partnership between the government and the donor community. Indeed, experience to date shows that several countries have made progress in bringing home their consultation meetings with donors, making the process more open and inclusive. In over half of the 46 countries, there are adequate in-country coordination mechanisms between the government and external partners. However, in most other areas of partnership, progress has been slow. This is partly explained by the time it takes countries to develop country-owned strategies on which donors can anchor their support. In addition, donors’ programs are normally multi-annual and therefore difficult to shift in the short-term.

16. In a large majority of countries, there are at least some donor coordination meetings for which government does not take the lead. This may reflect weak country ownership, or a preference to have, for example, the World Bank co-chair the meetings to ensure that financing discussions go smoothly, or a reluctance by donors to let go. In most of the 46 countries much work remains for donors’ assistance strategies to be well aligned to the country’s strategy—either long or short-term. Only a third of the countries are experiencing the benefits of greater donor selectivity.
17. **Issue**: The willingness in principle of donors to align their support is now part of the policy pronouncements of most key development agencies, yet little action has materialized at the country level. Countries, for their part, have a responsibility to improve the enabling environment for partnership by expressing clear leadership, and taking steps to address constraints to the more effective absorption of external support, for example, in the areas of financial management. Enhancing the impact of external support requires innovative operational instruments, new ways to work together such as sector-wide approaches (SWAPs), and a reduction of the costly fragmentation of the system, as evidenced by the lack of practical progress on harmonization of operational policies and procedures. To ensure continued rapid progress, it is critical that there be a resolve at the highest levels in donor capitals to reduce the obstacles that are impeding further progress.

18. **Action**: The World Bank should continue to move ahead with the agenda for changing its own policies, procedures and practices, to better align its support, as discussed in a recent progress report on harmonization. This needs to include support for improving in-country capacity. The World Bank should also continue to proactively encourage governments to seek better alignment in the support provided by their partners. It also needs to strengthen its work with bilaterals, multilaterals and the UN system to make progress not only on harmonization of operational practices, but beyond that, seek harmonization and convergence of approaches at the level of country strategies, and the integration between global and country concerns. In April 2001 the Development Committee recognized the need to move more rapidly in this area. The World Bank progress report sets out a time-bound, action plan for progress over the next eighteen months on harmonization.

E. **Focus on Development Results**

19. Of the four main principles of the CDF, the focus on and accountability for development results is the area where least progress has been made. There are a number of reasons for this. There is still much to learn about how the linkages between policy actions and development results are operationalized. In part, limited progress can also be explained by the lack of monitoring capacity, a frequent lack of baseline data, weak capacity to select appropriate goals, and a lack of country ownership of monitoring systems which are often seen as externally imposed. Fewer than half the 46 countries have adequate development coordination information systems, and in only a quarter are governments putting in place a mechanism to track development results. Achieving accountability for results remains a challenging task, but the factors already cited cannot, on their own, account for the overall lack of progress. For example, only a small proportion of countries are making development information accessible in a transparent manner to all stakeholders.

20. Some countries have cited the link to the IDGs as a complicating factor. But, while the World Bank, and other external partners, have specified that the IDGs or MDGs should be

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7 This report regards the IDGs and Millennium Declaration Development Goals (MDGs) as interchangeable. They both originate in a series of UN conferences during the 1990s—and both represent a selection of goals and associated indicators. Work is currently underway among the UN, World Bank, IMF and OECD to consolidate the two sets. All references to the IDGs should be read as also referring to the MDGs.
central to their own strategic frameworks, the majority of the 46 countries, while recognizing that the IDGs are relevant to the issues which they need to address, also correctly stress the need to reinterpret them to fit the local situation.

21. **Issue:** Governments will not be able to effectively manage for results if the underlying infrastructure and willingness to do so is largely missing. This will put the delivery of their overall vision and strategy in jeopardy. Moreover, public demand for transparency, and for greater accountability of governments to their people and to the larger global community continues to increase. As stated earlier, consultations raise expectations of action and with this comes a demand for transparency. Some governments are beginning to see the benefit of engaging the media—in all its forms—in keeping people informed about follow-up actions. Sometimes where this is not the case, civil society representatives are organizing their own independent monitoring systems to hold governments accountable. In a few cases, the countries have opened up web sites to provide access to stakeholders on actions taken.

22. **Action:** The CDF principles have contributed to international efforts to stimulate better monitoring and transparency. Countries continue to need concerted support to develop monitoring and evaluation capacity which is consistent with domestic reporting, including on development results, and decision making processes. In low-income countries, their annual PRSP Progress Report will look at, amongst other things, how they are progressing in these areas. Public-private partnerships in this area may also offer important ways to bridge capacity gaps. The World Bank and other partners however also need to continue encouraging countries to give this effort the priority it deserves, building on current international initiatives such as the Global Gateway, the monitoring system called for by the UN Millennium Declaration, and PARIS21. Those efforts need to complement earlier suggestions made about ensuring that there are strong linkages between the people, their representatives, and elected institutions. The World Bank should also continue to promote an active engagement of the parliaments and of the media in the implementation of the CDF.

**F. Implications for the World Bank Group**

23. Steps to strengthen the World Bank Group’s response are addressed in this report, and Annex B indicates where progress stands on a series of measures which were articulated in the September 2000 *Report on Country Experience*. The World Bank has been taking steps fully to align its policies, procedures and products with the CDF principles, as witnessed in its Strategic Directions Paper. However, internal change is complex and will take time. In this respect, it is worthwhile highlighting the importance of culture and behavior, not only within the World Bank Group, but also within partner agencies. This report outlines some specific areas where much more emphasis is needed to support this change, including staff

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9 The PARIS21 Consortium— Partnerships In Statistics for Development in the 21st Century— was set up in November 1999, by the UN, OECD, World Bank, IMF and EC. Its membership is worldwide. It aims to build statistical capacity as the foundation for effective development policies by helping to develop well-managed statistical systems that are appropriately resourced. In the longer term PARIS21 aims to help to promote a culture of evidence-based policy making and monitoring in all countries, but especially in poor developing countries.
behaviors, support for country teams, and joint learning with other partners on how better to deliver on the CDF. This report also identifies how staff working with the private sector can encourage the private sector’s role to be more clearly articulated in the national development agenda and make further progress in reaching out to small private sector enterprises, given their vital role in reducing poverty.

24. The PRSP process is proving to be an effective instrument for implementing the CDF principles in low-income countries. The Development Committee has stressed that the same principles should guide the World Bank’s business with middle-income countries (MICs) as well, since fighting poverty in MICs is essential for achieving the IDGs. To help meet this challenge the World Bank Group should continue to strengthen its strategic alliances with key development partners. World Bank Group experience with implementing the CDF principles in MICs is just beginning to be gathered. The World Bank will be paying increasing attention to this area.

25. Finally, this review of progress proposes two additional areas of CDF work which have emerged from internal and external consultations. One concerns the CDF approach for conflict-affected countries, and work is under way to shed light on how the CDF approach can help. The second relates to the need to examine the benefits of the CDF approach, where the development interests of a group of countries transcend borders, be it in West Africa, the Caribbean, the Andean Region, or the Great Lakes Region of Africa. Future CDF progress reports will be addressing these topics. Furthermore, CDF progress will be addressed in the forthcoming OED/DEC evaluation of CDF, as well as the PRSP review.

III. Country Strategies—Are They Comprehensive?

26. The CDF approach promotes comprehensive development strategies, framed within a clearly-articulated long-term vision or agenda that balances the macroeconomic with the social, structural and institutional factors essential for sustainable development. In low-income countries, the vast majority of these strategies now take the form of PRSPs, while in middle-income countries these strategies are referred to by various other names. Less than half of the 46 countries are achieving a balance in addressing macroeconomic, social and structural issues in their strategy.

27. Governments are formulating country strategies, with the encouragement of external partners, including the World Bank and the International Monetary Fund (IMF), paying increased attention to not just the quality of the policies and institutions, but also to the process leading to broad ownership by the country’s stakeholders of the diagnosis, priorities and policy choices. However, many governments are finding it hard to link their national strategic thinking with the PRSP preparatory process or with their annual expenditure management systems. This problem is compounded by the very real capacity constraints that countries face in the formulation of a balanced and holistic strategy.

28. The extent to which IDGs are being reflected in the debate on an emerging country strategy provides an indication, although an incomplete one, of whether the resulting strategies are likely to be comprehensive. These goals have received wide endorsement at

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12 Development Committee Communiqué, April 30, 2001, paragraphs 2-5.
UN Summits and a variety of high-level meetings. The IDGs therefore provide a key point of reference for progress towards poverty reduction, and to motivate support for, and interest in, efforts to reduce world poverty. However, since most actions to reduce poverty are directed at the country or sub-national level, achieving the IDGs will depend crucially on the content of country strategies, and the way they are implemented.

A. Long-term Vision and Medium-term Strategy

29. In low-income countries, national visions have by-and-large been articulated in public statements preceding their PRSP process. Guyana’s ten-year National Development Strategy, The Gambia’s Vision 2020, Benin’s 2025, Kyrgyz Republic’s 2010 Vision are all illustrative of these vision statements. Of the middle-income countries among the 46, Romania has a comprehensive long-term vision covering the period to 2020 set up in its National Strategy for Sustainable Development that was sponsored by UNDP. Countries that have put together medium-term strategies, anchored in well-articulated country-owned long-term holistic visions include: Bolivia, Burkina Faso, Ghana, Guinea, Uganda and Vietnam. These are also among the few countries where their medium-term strategies are closely linked to a consistent budgetary framework, which is critical for setting priorities and striking a balance between short and medium-term public policy decisions.

B. Macro-economic and Sector Balance

30. In low-income countries, the introduction of the PRSP has helped promote the formulation of country strategies that are comprehensive in analysis and balanced in addressing macro, social and structural issues. However, progress on this front has been slow and limited. Countries have made significant gains in elaborating sector strategies, particularly in the social areas. But internally consistent linkages to the macroeconomic policy framework and to other key economic sectors such as infrastructure, banking and finance needed to address poverty reducing growth still remain weak. In countries facing economic difficulties, macroeconomic issues dominate over social and structural ones in terms of policy priorities. Across the board, cross sectoral issues—gender, environment, rural development, trade—also pose considerable challenges in terms of policy reform and action as do capacity limitations in data, analysis and human resources. This is true even in countries such as Uganda, Ghana, Burkina Faso, and Vietnam, where capacity is relatively stronger.

C. Integrating PRSPs with Existing National Processes

31. PRSPs should be consistent with and derivative from other expressions of a country’s development strategy (i.e. its long-term vision). The integration of the country’s comprehensive development strategy process with the formulation of the PRSP has so far not been seamless and there have been a wide variety of experiences. In Guyana, the development strategy underwent intensive national consultations over a decade, but has so

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13 At the recent Genoa Summit, the G8 Communiqué, July 22, 2001, committed them to working “.... with developing countries to meet the International Development Goals”. The overlapping MDGs—see footnote 7—were endorsed by Heads of State and Government at the UN Millennium Summit, September 2000 (see UN Resolution 55/2, adopted by the UN General Assembly on September 8, 2000; The United Nations Millennium Declaration), and reaffirmed at the Third UN Conference for the Least Developed, Brussels, May 2001 (see UN Document A/CONF.191/12 of July 2, 2001; The Brussels Declaration).
far only weak linkages to the PRSP process. In the cases of Kyrgyz Republic and Cambodia, parallel processes and bureaucracies were set up, before steps were taken to merge them. Even in Vietnam, which has engaged in many CDF-consistent national strategy processes, there needs to be closer integration of its recently published vision statement with its five-year plan, the government’s own Hunger Eradication and Poverty Reduction Strategy, and a Comprehensive Growth and Poverty Reduction Strategy (its PRSP). In some countries, however, such as Ghana and Uganda, there have been very strong linkages between the PRSP and the prior strategy development process.

D. Performance Monitoring

32. PRSPs provide for annual progress reports which will record countries’ progress with respect to policy goals and monitorable indicators, including work needed to strengthen mechanisms for monitoring. This is particularly important as most countries preparing PRSPs today do not yet have well-developed performance monitoring capacity and development information systems to monitor progress. Bolivia has a results-based budget, which links the initial country strategy objectives and resource allocations with actual outlays and results achieved in an iterative cycle. However, putting such a system in place has taken time—in this case, it took a year for all donors and government agencies to agree on the indicators to be used. Uganda has also invested in monitoring and evaluation arrangements focused on development results, using for example innovative approaches to track public expenditures in water management and in education. Many other countries still need support to develop and strengthen their arrangements for monitoring progress. Countries that have recognized this as a particular problem and have plans to address it include Burkina Faso, Ghana, Honduras, Mali, and Mauritania (see Annex A).

E. International Development Goals

33. The IDGs provide a very useful frame of reference for addressing policy targeting at the country level, taking into account its specific situation, as well as for poverty reduction monitoring at the global level. They can serve as a reference point for defining policy performance measures and will work best when the monitoring system becomes an integral part of the country’s strategy development process, instead of being an afterthought, or an externally driven concern. Experience shows that IDGs cannot be imposed from outside the country.

34. Only a few of the 46 countries see the IDGs as central to their decision making or have taken steps to address them in a consistent manner with their strategy formulation process (e.g. Bolivia, Mauritania, Mozambique, Rwanda, Uganda), although about half of the countries recognize the issues reflected in IDGs as relevant to their country needs. For a number of transition countries (e.g. Armenia, Georgia, Moldova), where poverty is regarded as a recent phenomenon, they see only a limited role for the IDGs. Thus, in the social sectors, their concern is to maintain their current near-OECD achievements, rather than set new goals.

35. Most of those countries that acknowledged the IDGs’ relevance stressed the need to reinterpret them to address their national situations (e.g. Bolivia, Kyrgyz Republic, Guinea).

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A number of countries considered the IDGs too ambitious for them, (e.g. Guinea Bissau, Mali), while others thought them not ambitious enough (e.g. Mauritania, Vietnam). This evidence suggests that the IDGs, while politically important, cannot be translated simplistically into country level goals, but will help inform country level debate and focus it on key areas of public policy.

F. Steps to Accelerate Progress

36. Work remains to be done to better understand the macro-economic/sectoral linkages that contribute to sustainable poverty-reducing growth strategies. The balance being sought between macro-economic and the social, sectoral and structural issues remains weak in most countries. Few strategies deal fully with, for example, the integration of macroeconomic policy, employment creation, rural/urban strategy, and poverty reduction. The integration of sector strategies in the macroeconomic framework, disciplined by the budget constraint, is being hampered by weak capacity to cost the sector policies and a lack of consistent medium-term expenditure frameworks. These capacity constraints need to be addressed urgently in a coordinated manner with the support of external partners if priority policy measures focused on country specific poverty needs are to be developed, agreed, and implemented.

37. In this context, the PRSP, from the preparatory to the completion stage, provides a vehicle for countries to articulate and address their capacity constraints, and through their growing role in the Consultative Group process, to elicit tailored and well-coordinated support from external partners.

38. As stated in prior CDF Progress Reports, time and space need to be given to countries to integrate poverty reduction strategies into the longer-term framework of their national development agenda. In an operational context, care should be taken not to let the PRSP be regarded as a document prepared solely as a means of securing financial assistance from the World Bank, the IMF and other external partners. In this context, World Bank and IMF institutional deadlines (e.g. Poverty Reduction and Growth Facility (PRGF) review, HIPC, CAS) are still perceived to be driving the process, despite the flexibility that has been introduced by these institutions in providing access to significant debt relief by introducing interim PRSPs, and in proposing floating completion points for commitments to irrevocable debt relief. When a country is making a serious effort to prepare a national development strategy or poverty reduction strategy, all efforts should be made to find workable alternatives to avoid imposing intrusive scheduling pressures that can risk derailing politically sensitive processes. The international community has explicitly recognized the tension between timeliness and quality and the PRSP process has been modified, through the I-PRSP process, to give countries more flexibility. But the tension remains a very real one, as will be examined in detail in the Spring 2002 comprehensive review of PRSP progress.

39. Improved understanding is needed that not only the content, but also the process of arriving at national strategic directions and policy priorities matter in determining development results. In cases where the process of developing national strategies becomes misaligned with the PRSP process, attention should be paid to ensuring that these are not separate and competing processes. Emphasis should be placed on ensuring that they are part of the same process of building comprehensive and balanced poverty reduction strategies, and provide advice and assistance as necessary for their integration.
40. Unless there is a more systematic use of the IDGs at the country level as a frame of reference for policy debate, formulation and implementation, the question remains what is the appropriate yardstick to measure progress at the country level and monitor progress consistently at the global level. The road map to achieving the IDGs that will be presented at next year’s UN Conference on Financing for Development should provide an opportunity to focus on supporting countries in addressing this issue.

IV. National Institutions—What Role are They Playing?

41. It is now generally accepted that national debate and the search for consensus on a long-term vision and a national strategy should extend beyond government, and involve a broad spectrum of the population and national institutions. Former Chilean President, Patricio Aylwin, recently stated that consensus about a nation’s agenda, in contrast with a government’s agenda, is an essential feature of mature democracies. The statement by African heads of state, in their “New Africa Initiative”, that they will promote “participative governance at the national and sub-national level”, is an example of the acceptance in principle of such open processes. The recent discussion among senior African civil servants held in Accra (see Box 1) also confirms the wide consensus that governments have a special role in engaging a broad spectrum of the population, including the political opposition, and more generally parliaments, in a dialogue on the national vision and strategy. Yet, in only a minority of the 46 countries are national institutions such as parliaments or national assemblies engaged in these processes. This raises important questions about the sustainability of decisions made.

A. Role of National Institutions

42. With the importance that CDF places on country ownership and inclusion, specifically given attention through the PRSP consultation process, questions about who should be participating and the nature of representation of various stakeholders have become more frequent. In addition, there is a growing recognition that PRSP consultation processes need to be institutionalized to avoid becoming short-lived, one-off events.

43. While there has been substantial progress on the involvement of government leadership and civil society, there are growing concerns about the often-limited involvement of the private sector and its associations, the media and, most notably, national assemblies or parliaments, and other elected institutions. The frequent absence of parliamentary involvement in national strategy consultation and setting, in particular the absence of the parliamentary opposition, while both domestic and foreign civil society organizations are involved, have raised important questions about representation. Greater parliamentary involvement would help to strengthen sometimes weak democratic institutions.

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15 UN Conference on Financing for Development, Monterrey, Mexico, March 2002.
Box 1: Roundtable on the Role of Government in Strengthening Country Ownership

Between June 18 and 20, 2001 senior government officials from nine African countries met in Accra, Ghana to exchange views on their experience with implementing the CDF principles, largely through the PRSP process. They concluded that:

- Country ownership of the PRSP is enhanced when there is strong commitment at the highest levels (President, Prime Minister, relevant line Ministers, senior officials).

- PRSPs—unlike many previous initiatives—are expected to be country-owned, but must build on previous experience. PRSPs should be prepared within the framework of a clearly articulated vision. They should not be regarded as a document prepared solely as a means of securing financial assistance from external development partners, but rather as a national agenda to guide the country’s development.

- PRSP formulation during political transition poses special challenges for ensuring continuity. A consultation process that involves a broad spectrum of stakeholders helps to foster ownership, particularly where such stakeholders include people unaccustomed to such consultations (rural population, urban poor). Governments should be less apprehensive about opening up the process to scrutiny by the opposition and other domestic stakeholders.

- Country ownership of implementation and monitoring processes is as important as ownership of the strategy formulation. Among stakeholders, the role of the media was highlighted as being very important.

- The PRSP process must be institutionalized and not engender expectations which cannot be realized. Democratic processes enhance PRSP ownership.

- Political leaders should exert strong leadership in the PRSP process and encourage consultation with a broad spectrum of stakeholders, including opposition politicians, the media and grass roots organizations.

- Leaders should build institutions and establish systems and procedures necessary to sustain the PRSP. In particular, the PRSP should be translated into local languages and the contents diffused widely.

- External Partners must take a “back seat” and let countries “drive” the agenda. External partners should also align their country assistance strategies with the home grown strategies of the developing countries. In addition, the partners should harmonize their policies and procedures.

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44. Parliamentarians and elected representatives at the sub-national level (regional and local) have an important role in any national dialogue (see Box 2). Parliamentarians can claim democratic legitimacy in speaking on behalf of those who elected them. Those who represent interests that are normally less likely to be consulted, e.g., those geographically, economically or socially marginalized, are particularly important participants in a national dialogue. The involvement of opposition politicians in a dialogue should be expected to increase the likelihood of key elements of a national strategy having a longer life than a single electoral cycle. Given the central importance of such involvement, governments should be encouraged to ensure better participation from these groups in future consultative rounds on the national strategy or PRSP.

45. In addition to parliamentarians, the limited involvement of two other groups in national dialogues is repeatedly mentioned—the private sector and its associations (see Section V), and the media. Successful national consultations have benefited greatly from media involvement, which can strengthen the dialogue in a number of ways, e.g., by bringing the debate to the attention of the population at large, reporting on issues, analyzing the direction of reforms and the quality and realism of proposals, and following up on implementation. In both the San Salvador and Accra roundtables (see Boxes 1 and 2), the importance of media involvement was strongly supported.

B. National Dialogue and Ownership

46. For a development strategy to have a reasonable chance of successful implementation over time, it must be owned and managed by the country’s stakeholders themselves. Development experience strongly suggests that local ownership is critical for development strategies to be resilient to political change. Limiting policy reversals and minimizing policy vacuums during political transitions can help avoid large economic and social costs and maintain a positive climate for consumer and investor confidence. This can be particularly important in weak economies where private sector development essential for growth relies heavily on such confidence.

47. As a part of building genuine, broad-based country ownership of the development agenda, national dialogues and consultations to garner broad support for a longer term vision or strategy have received increased attention. Experience has been gained both in the original CDF pilot countries, as well as in the more than 40 countries that have prepared either interim or full PRSPs. These PRSPs, as laid out in the inception documents prepared by the World Bank and the IMF and in the Joint Staff Assessment Guidelines, are to be based on CDF principles of which country ownership is the cornerstone.

On Ownership of the Country’s Strategy

48. Increasingly countries are taking ownership, helped by the PRSP process, in preparing “home grown” visions or strategies. While capacity building is central to progress on ownership, experience indicates that when countries take steps to strengthen ownership, latent or under-utilized capacity emerges. In addition, country ownership is greatly strengthened when there is strong commitment and leadership from the highest political levels. This is seen in countries such as Bolivia, Kyrgyz Republic, Mauritania, Romania, and Vietnam.
Box 2: Perspectives on National Dialogue

The World Bank and the International Institute for Democracy and Electoral Assistance (IDEA) organized a roundtable on Experience with National Dialogue Processes in Latin America. It took place in San Salvador on November 20-21, 2000. The main lessons were:

- The government must be committed to the process.

- Dialogue processes that do not go beyond information exchange and consultation are difficult to deepen and sustain, and unlikely to contribute to its institutionalization.

- Equally important is for the dialogue process to be accepted as serious and credible in aiming for actions and results. “Soft” consensus that ignored areas of disagreement was not very useful. “Operational” consensus, on the other hand, forced the affected parties to address the difficult issues head-on and achieve a workable solution.

- A dialogue process must extend beyond the life of the current government, in order to avoid disruptions due to a change of government. It is important that the political opposition participate in the dialogue from the outset.

- The agenda must be carefully structured. The idea is to have a comprehensive agenda that allows the forum to move forward gradually. Expectations about the results should not be overblown. They should be cautious and realistic.

- Where these national dialogues are supported by solid analysis, incorporate relevant experience from other countries, and are specific in terms of objectives and policy choices, they can contribute meaningfully to building consensus on priority policy actions.

- Moving from consensus to policy implementation is difficult but can be helped when the alternatives are made clear and benefits of policy reform can be demonstrated to the public at large. Otherwise, as has often happened, consultation fatigue sets in undermining credibility of future such exercises.

- The process should be practical rather than philosophical. The resources needed to achieve the objectives and reforms proposed should be identified early in the process.

- Participants must be imbued with the concept of shared responsibility. It is very easy to leave everything to the government.

- Participation by international players should not be imposed and should be agreed to in advance by society.

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49. The continuity of central components of a long-term strategy during political transition poses particular challenges. A dialogue process that extends beyond a single electoral cycle and involves, for example, the political opposition, is likely to mitigate this risk. However, strong country ownership such as in Ghana and Senegal, which have recently undergone a democratic transition of power, can help preserve key aspects of the country strategy.

On Consultation

50. Consultations with a broad spectrum of stakeholders often yield insights that otherwise would have been overlooked, as exemplified in the case of Ghana, where farming related concerns, such as water access rights, were raised as key poverty concerns in a PRSP context. New, and at times innovative, ways of reaching out more widely are being explored, including the use of local languages, music, drama, cartoons, web sites and television and radio shows. But, managing expectations arising from consultations represents particular challenges, such as instances where participants in the dialogue on national strategy have sought a better understanding as to how their contributions were used.

51. As seen in Box 2, genuine dialogue is needed to avoid the spread of cynicism and consultation fatigue. This implies up front discussion of resource limitations and the need to prioritize, feedback to those consulted on the outcome of the process, and recognizing areas of disagreement and conflicting interest, to avoid undermining the sustainability of the process.

In-country Consultative Group (CG) meetings

52. Traditionally, Consultative Groups (CGs) have been meetings of the donors with the country’s finance ministry, in a donor country. However, they are now evolving into an important part of the move toward country ownership. These new style CGs, held in-country, strengthen the government’s role in the process, and provide an opportunity for a broader spectrum of government officials, elected representatives, private sector associations, and civil society organizations to participate in the discussions over priorities and their financing. It is important that the government play the leading role in preparing the documents and in the meeting itself. In most countries, in-country CGs do not appear, so far, to have lowered seniority in donor participation. Countries which have held in-country CGs in the last five years, or plan to hold them, include: Armenia, Bolivia, Côte d’Ivoire, Eritrea, Ethiopia, Ghana, Honduras, Kenya, Kyrgyz Republic, Malawi, Mozambique, Senegal, Tanzania, Uganda, Vietnam, Yemen and Zambia. Linking such CG meetings and external partner planning cycles to the country’s own planning process (such as the PRSP) is also increasingly seen as a way to strengthen ownership and promote alignment of partner strategies with the country’s own.  

20 This is something the G7 have proposed for the Multilateral Development Banks (MDB). See Strengthening the International Financial System and the Multilateral Development Banks, Report transmitted by G7 Finance ministers to the Heads of State and Government, Rome, July 7, 2001, paragraph 37.
V. What Contribution is the Private Sector Making?

53. The CDF proposal recognized the private sector’s potential as the main engine of sustainable growth and a major contributor to poverty reduction. Few countries have been able to bring about long-term sustainable growth without a major contribution from the private sector. The limited resources and capacity of the state in poor countries has resulted in poor quality services or no services at all. This implies that the role of the private sector in service delivery is critical.

54. The CDF promotes an integrating approach that brings the private sector into dialogue with the government and other stakeholders, to ensure that its various views will be heard on how to create an enabling business environment, and help the private sector contribute as part of its wider “corporate” responsibility. This is crucial for country ownership, which requires not only the involvement of the government, but of all stakeholders including the private sector.

55. In recent years, several countries have made progress in integrating the private sector more into the strategy formulation processes, including attempts at defining and experimenting with public-private partnership, both in infrastructure and service delivery. For example, in Vietnam (see Box 3) the institutionalization of the Business Forum help the passing of the new Enterprise Law, which has led to rapid growth in the number of small and medium scale enterprises (SMEs). As with other strategic issues, private sector involvement has, in several other countries, such as Dominican Republic and Bolivia, been influenced by political transition or the need to address short-term issues, in particular, economic downturns.

A. Private Sector Involvement in Country Strategies

56. The formulation of a country’s national vision and strategy should outline the private sector’s role and contribution in achieving national development goals, leading to the ultimate goal, poverty reduction. A key issue in this context is how to make markets pro-poor, including, providing access for the poor to the markets.

57. In many of the 46 countries, the private sector’s role is not fully addressed in their country’s strategies, reflecting a history of mutual distrust and misunderstanding between government and business, and a lack of clarity on the likely influence of the private sector in the national development process. In some countries (e.g. some of the transition countries) the private sector is a new and weak player in economic development, and while some stark ideological differences have been overcome in most countries by now, differences over the role of private sector participation in the national agenda remain. In only a third of the 46 countries is the private sector playing an active role in national dialogue processes.
Box 3: The Vietnam Business Forum

When the Vietnamese authorities opened up their economy to the outside world, there was a rush of foreign investors entering the country attracted by a combination of a resourceful and low cost labor force with rapidly growing external and internal markets. The initial government response was cautious but positive. Initiatives by the World Bank Group to have the foreign as well as the domestic private sector permanently involved in the national development debate were accepted, leading to the establishment of the Private Sector Forum (now Business Forum), discussed in the September 2000 Report on Country Experience. Among CDF pilot countries, Vietnam was one of the few, which has actively sought to integrate the public-private sector dialogue into the overall development plan.

While the government has taken the comments and critiques of the private sector participants seriously and listed them as actions to be taken, implementation has been slow. Recently, the lack of investment by many foreign and domestic private investors has led to a re-assessment by government, and efforts to improve the investment climate. Public sector enterprises are now included in the renamed Vietnam Business Forum.

58. It is the large firms and their associations that are the major, and sometimes only, representative of the total private sector, in many of the 46 countries. There is little doubt that without the increasing inclusion of the representatives of SMEs and micro-enterprises, a vital part of private sector input in the CDF process is lost, and concerns about representation are likely to be increasingly raised. Since in most developing countries the majority of the poor live in rural areas, most country strategies should place a special emphasis on the role of the private sector in the rural areas, including secondary towns which far too often are seen to be left behind in growth and development.

B. The Private Sector’s Role in Country Ownership and Partnership

59. Although essential, participation as such does not guarantee commitment and ownership. Among the 46 countries, only a small proportion provides evidence of strong commitment and ownership by the private sector towards the national agenda. In some cases this reflects the fact that participatory processes are still very new. The recent increase in participation of the private sector in consultative group meetings or roundtables is encouraging and needs to be further strengthened.

60. An important aspect of the role of the private sector is the scope for public-private sector partnership, especially in the delivery of infrastructure and social services. Many of the 46 countries are reporting an increasing role for the private sector in service delivery, and there also are a number of examples of local communities contracting with private operators to provide infrastructure services, which improves market access of the poor and enhances the growth and viability of the private sector at the same time.

61. A promising example of engaging the private sector in the implementation of the agreed national agenda is in Uganda, where the private sector was invited to identify constraints to private sector growth. The government has involved the private sector in surveys, research and technical committees and public-private meetings organized through the umbrella organization, Private Sector Foundation (PSF) (see Box 4).
Box 4: Private Sector Involvement in Uganda

The Government of Uganda recognizes that sustainable poverty reduction is only possible through private sector-led growth. Thus the private sector has been involved in national dialogue and its views have been reflected in the agenda to promote an enabling business environment. The private sector has a seat at the Consultative Group main table and it has been engaged in the analytical work related to the national development agenda. This has strengthened ownership by the private sector.

Apart from face-to-face consultations, the government has also been conducting firm and service delivery surveys and other assessments to get a fuller picture of the constraints facing the private sector. This has led to the formulation of a national private sector strategy, the Medium Term Competitiveness Strategy (MTCS). The process has led to the establishment of the Private Sector Foundation (PSF) that is playing a central role in private sector development. The PSF has participated fully in poverty reduction strategy consultations, and ensured that the private sector’s role is addressed in the country’s PRSP. The second poverty reduction strategy credit, planned for 2002, will pay specific attention to the private sector’s role in rural development.

Still much remains to be done in Uganda to create a lasting and enabling business environment. Uganda’s poor ranking in Transparency International’s corruption index 2001 is just one expression of this. The implementation of the MTCS has been lagging behind the agreed schedule, mainly due to government capacity constraints rather than unwillingness by the government to implement the strategy.

C. Implications for World Bank Group Action

62. The World Bank Group is working on how to change and refine its private sector work to support CDF processes and anchor its private sector operations—lending and non-lending—firmly to the national strategy, PRSPs and CAS documents, and enhance the private sector’s contribution to the overarching goal of poverty reduction. A continuing challenge is to clearly articulate the role of the private sector in the national development agenda and poverty reduction strategy, beyond the “contribution to growth” argument.

63. The challenge for the World Bank Group is increasingly to incorporate the work of the financial and rural sectors into the private sector sphere. Emerging experience, limited as it is, reaffirms the well-recognized role of SMEs, micro-enterprises, female-run and rural enterprises, including farmers and their associations. Hence the World Bank Group should continue to extend its work beyond the “registered” business sector to the vast majority of small private sector enterprises, which provide the bulk of employment. These stakeholders deserve greater involvement in the formulation and implementation of national poverty reduction strategies and in the World Bank Group’s Country Assistance Strategies.

64. Some PRSPs discuss the problems and progress of the private sector and its potential involvement with government and civil society organizations in formulating and implementing the country’s development strategy. For example, this is the case in the preparation of the PRSP for Pakistan, which looks at private sector development as one of its areas. The I-PRSPs or PRSPs for several countries indicate the potential and possibilities of involving the private sector in the social or infrastructure services, whose finance could be linked to debt relief measures. These are encouraging examples and support for the preparation of PRSPs should more explicitly address this issue.\(^\text{22}\)

**VI. Are External Partners Meeting Their Commitment?**

65. National development strategies, and poverty reduction strategies in low-income countries, provide the basis for external assistance and its alignment with the country’s chosen policy direction and priorities. At the institutional level, alignment of donor operational policies, procedures and practices is key to supporting country ownership, reducing transaction costs, and building country capacity. Promising commitments have been made but these have yet to be generally translated into action at the country level. The area of greatest promise is in-country donor coordination mechanisms, where just over half of the 46 countries demonstrate clear progress. However, the alignment of external assistance to the country’s own strategies, including selectivity, is generally weak.

A. Alignment with Country Strategy

66. The CDF envisages that the country’s own strategy provides the organizing framework for coordinated donor assistance based on comparative advantage. External partners should rely more heavily and explicitly on the country’s strategy, rather than imposing their own. The existence of a country strategy informed by careful analysis and country, regional, and global experience, under government leadership, can create the best conditions for donor alignment. Bolivia, Burkina Faso, Ghana, Guinea, Uganda and Vietnam offer promising examples in this regard.

67. Over the past year there is growing evidence that external partners are in the process of refocusing their institution’s country strategies to become business plans. Added momentum has been provided by the G-7 Finance Ministers’ Report prepared for the Genoa Summit in July 2001.\(^\text{23}\) Furthermore, the Administrator of the UNDP recently re-stated that the UN Development Assistance Framework (UNDAF) is a business instrument for ensuring the

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\(^{23}\) See *Strengthening the International Financial System and the Multilateral Development Banks*, report transmitted by G7 Finance Ministers to the Heads of State and Government, Rome, July 7, 2001, paragraph 37, which called upon the MDBs to “…strengthen the links between their Country Strategies and country-owned poverty reduction and development strategies under CDF principles to ensure a consistent development framework; ensure greater coordination and consistency in substance and timing among their Country Strategies for the same country; report to their own Boards by Spring 2002 on the progress towards the alignment of Country Strategies, indicating when a full alignment will be achieved.”
UN’s cohesion and support of the national development strategy.\textsuperscript{24} Also, a number of bilateral donor agencies, notably members of the Utstein Group (Germany, Netherlands, Norway, U.K.) and the EU, have declared their intentions to align their programming with the country’s national strategy.\textsuperscript{25}

68. A strong commitment by the international institutions to align their country strategies with the country’s national development strategy is a necessary step in shifting the focus of international development assistance programming from the capitals of donor countries to the countries. This commitment needs to be translated and reflected in country operations and progress towards this shared objective should continue to be monitored and evaluated.

B. Alignment of Analytical Work with the Country’s National Strategy

69. Participatory poverty assessments involving several donors and civil society are becoming increasingly common, and in some countries, such as Uganda and Vietnam, they have underpinned the formulation of country strategies. There is encouraging evidence that in some countries the analytical work of donor agencies is becoming more aligned with the country’s strategies.

70. However, little attention has been given to capacity building for undertaking joint analytical work, or to fostering broad based national ownership of the analytical work and its policy implications. Capacity building is less about “what” external assistance is provided but “how” it is provided. When support is provided in a way that improves the enabling environment for institution building, there is a good chance that capacity will be strengthened. Furthermore, if clients do not own the results of analytical work there is little chance that they will use them to guide their policy decisions. Governments’ ability and willingness to follow through and implement policy recommendations are greatly enhanced if government officials, their technical staff, and local researchers lead the analytical work or participate in it as co-authors and reviewers.\textsuperscript{26}

C. Sector Alignment and SWAPs

71. Donor alignment has made most progress at the sectoral level. Sector working groups, such as those in Vietnam and Ghana, with the government chairing or co-chairing with a lead donor and with broad participation including civil society and the private sector provide good

\textsuperscript{24} “We believe the Comprehensive Development Framework/PRSP process will be the structure for synthesizing poverty strategy and macroeconomic policy in the overwhelming majority of the 70 or so poorest countries. Let me unequivocally say that I do not think the UNDG’s UN Development Assistance Framework — UNDAF — is an alternative to the PRSP. Rather it is an important but limited business instrument for ensuring the UN team’s cohesion behind the overall national development strategy that will be increasingly expressed through the PRSP.” Mark Malloch Brown, Administrator UNDP, March 2001, Washington DC.

\textsuperscript{25} The EU is in the process of revamping its country strategy papers to be consistent with the CDF principles and has stated that where the country policy agenda is clearly stated such as in the PRSP, “the objective would be for the EC and other donors to think less in terms of each having its own strategy and more in terms of jointly working within a relevant national policy framework to the maximum extent possible”.

examples. There is also growing interest in sector wide approaches (SWAPs), sometimes supported by pooled funding arrangements, to achieve strategic objectives at the sectoral level. A number of countries in Africa, including Ghana, Malawi, Mozambique and Tanzania, are working with interested donors to use this approach.

72. Key challenges include ensuring greater convergence between national and sectoral level objectives, on the one hand, and on the other, the work of sector coordination groups; providing support to countries which are developing their capacity to manage fiduciary and safeguard systems, consistent with appropriate standards; and maximizing the development impact from the use of pooled funding by tackling constraints to donor participation, such as their desire for visibility in specific programs.

D. Institutional Alignment and Harmonization

73. In the 46 countries, there has been little progress on harmonization of the operational practices of development partners, particularly on appraisal, procurement, evaluation, or safeguard policies. Even in Bolivia, where there was an agreement between the government and donors on harmonizing aid delivery procedures, there has been little progress. However, a donor-working group on harmonization formed recently in Vietnam offers some promise in this area. Moreover, the willingness of development partners to tackle this agenda is now part of their policy pronouncements. In April 2001 the Development Committee also recognized the need to move more rapidly.

74. While the harmonization agenda presents a major opportunity for reducing the transaction costs of aid delivery, it offers an equally, if not more important, opportunity for improving the enabling environment for capacity building and strengthening country ownership. In this sense, substantial progress on the international harmonization agenda goes hand in hand with strengthening the foundations of the CDF approach at the country level.

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27. In *A Guide to Sector-wide Approaches for Health Development: Concepts, Issues and Working Arrangements*, Andrew Cassels, 1997, gives a useful working definition of SWAPs as having at their heart “…a medium-term collaborative programme of work concerned with the development of sectoral policies and strategies; projections of resource availability and expenditure plans; the establishment of management systems by governments and donors, to facilitate the phased introduction of common management arrangements; and institutional reform and capacity building, in line with agreed policies”.

28. The Development Committee Ministers at their April Meeting highlighted the importance of harmonization for development effectiveness in their Communiqué, para. 6: “Ministers stressed the importance of harmonizing operational policies and procedures by the Bank, other MDBs, and bilateral aid donors, with the objective of enhancing development effectiveness, increasing efficiency, and reducing administrative burdens and costs on recipient governments. The Committee stressed the need to move more rapidly, while maintaining appropriate standards, to harmonize aid management arrangements, in particular to help low-income countries implement their PRSPs….[The Committee] encouraged the World Bank and its partners—including other MDBs and the OECD-DAC Working Group on harmonization-to work together to develop an overall framework (including time-bound action plans) to help guide and coordinate future work in this area.”

29. See footnote 5.
VII. How Much Progress Has the World Bank Group Made?

75. The World Bank Group’s adoption of the CDF principles has set the agenda for aligning its policies, procedures, and products to better support country-owned strategies. Annex B gives an overview of progress made on the actions identified in the September 2000 CDF Country Experience Report. However, in the view of many of those Country Directors supporting implementation of the CDF principles, one of the major challenges is to ensure that the new operational infrastructure allows much more flexibility in order to react faster and be more adaptable to changing country circumstances. There are many challenges ahead, and implementing the CDF principles at country level will take time (see Box 5). However, there is an emerging awareness that additional changes in culture and behavior will be needed to successfully support the implementation of the CDF principles.

A. Country Assistance Strategy (CAS)

76. The CAS is the World Bank Group’s business plan to support the country’s own strategy, setting out the lending and non-lending program based on country priorities, performance, and institutional capacity. The CAS cannot be determined independently of what the country’s other external partners are doing if selectivity is to guide the World Bank’s operations at the country level. Under its new strategic directions, the World Bank Group aims to sharpen the focus of its work to achieve greater selectivity on the country, regional, and global level. In low-income countries, the PRSP will provide the context for CASs to fully realize these aims.

77. In so doing, the World Bank needs to ensure that the CAS provides: (a) an effective vehicle for integrating and rationalizing World Bank Group operations; and (b) a basis for operationalizing the strategic selectivity framework. Examples where the World Bank has opted out from some sectors include Bolivia, Dominican Republic and Ghana.

B. Economic and Sector Work (ESW)

78. There is an increased understanding that the process by which ESW is undertaken significantly contributes to country ownership, or lack of it, of analytical work and its policy implications. Many Country Directors for the 46 countries have reported that the process of undertaking ESW is beginning to change, and that this is leading to more effective dialogue with clients and, to a degree, to broader-based consensus on development priorities. These new ways of conducting ESW also offer the potential for increased knowledge sharing, institutional development, capacity building, and moving towards more demand driven ESW. The current ESW reform process is supporting these views by shifting ESW towards better underpinning of country owned development strategies.
Box 5: Implementing the CDF Principles at the Country Level—General Guidelines

In pursuing its mission of fighting poverty, the World Bank bases its country-level work on the four principles of the Comprehensive Development Framework (CDF): a long-term vision and comprehensive development agenda, country ownership, country-led partnership, and a focus on development results.

Long-term Holistic Vision

Under the CDF, the World Bank supports countries in developing their own integrated visions and strategies for growth and poverty reduction. Such strategies should address both the broad range of structural, social, and institutional issues and the macroeconomic aspects of development. They provide the framework for countries’ overall medium-term policy priorities, related public expenditure programs, and for external development assistance. For low-income countries, the Poverty Reduction Strategy Paper (PRSP) is the principal vehicle for operationalizing CDF principles; in other client countries, the country vision and strategy are set out in existing country papers.

Country Ownership

Representative participation in developing the vision by national institutions such as Parliaments, and stakeholders—trade unions, civil society, and the private sector—helps to define a common purpose and understanding of policy choices to be made and their prioritization. These participatory processes should be led by the government; as appropriate, the World Bank and other donors may play a facilitative role in helping forge a consensus by contributing analytical work on issues, clarifying policy options, and encouraging open dialogue among key stakeholders. Country ownership may be manifested in a number of ways: for example, (a) the locus of initiative is within the government; (b) key policy makers accept the direction and analytical underpinnings of the strategy and its policy performance targets; (c) the top political leadership and the cabinet provide evidence of public support; and (d) there is broad-based participation through representative institutions.

Country-led Partnership

Coordinated External Support. To the extent feasible, the country should be encouraged to lead aid coordination. Under the government’s leadership, the World Bank and other development partners—for example, the UNDP, IMF, regional development banks, and key bilateral agencies—work with the country-owned strategy as a basis for their programs. Each partner’s country assistance document is a business plan, setting out a program of activities with which the institution proposes to support the country’s strategy, taking into account the institution’s comparative advantage in the country and the activities of other development partners.

continued on next page
Box 5: Implementing the CDF Principles at the Country Level

World Bank Contribution. The World Bank’s Country Assistance Strategy (CAS) is the business plan that sets out the program of lending and non-lending activities to support the country’s vision and strategy for development. The program is selective, taking into account the country performance and capacity, the World Bank’s track record in the country, and its comparative advantage vis-à-vis other partners. The World Bank renders assistance as necessary to support country capacity to assume leadership in aid coordination. Similarly, it encourages opening up the CG mechanism to domestic stakeholders, building on the experience of recent in-country CGs. In developing the CAS, the World Bank draws on its own economic and sector work and that conducted by and with partners, for a diagnosis of country development conditions and needs. Increasingly, the CAS program may—depending on the country’s needs and capacity—include any of the World Bank’s lending instruments; but it is particularly likely to include sectoral and cross sectoral programmatic lending. Current evidence suggests that these instruments are best suited for scaling up development impact beyond individual projects, strengthen country ownership and capacity, and for partnering with other agencies through sector wide approaches.

Focus on Development Results

The CDF advocates a sharper focus on development results. Thus, in the context of the CAS, the World Bank assists the country in (a) setting clear national and sectoral targets; (b) establishing specific indicators to assess performance; (c) establishing baseline information on current conditions to have a basis for tracking progress through the indicators; and (d) defining intermediate targets that can help the government manage for development results. The World Bank may need to assist the country in creating a viable monitoring and evaluation system and mechanisms to provide transparent information and enhance public accountability.

79. More work needs to be done on integrating the Poverty Assessments (PAs) with the country’s overall poverty reduction strategy, including especially its overall macroeconomic policy. PAs should aim to incorporate available work undertaken by other partners. More effort needs to be expended to partner effectively with others working in the country, and more attention paid by World Bank staff to building ownership and increasing the operational impact of the analysis. These are objectives that should increasingly occupy World Bank staff working in this and other areas of ESW.

80. Public Expenditure Review (PERs) have become increasingly important as tools that inform and guide overall donor engagement, particularly given the trend towards general sector-wide or overall budget support. Emphasis should be placed on the long run objective of increasing the capacity of countries to have public expenditure management systems that meet levels of standards with which external partners can work. The process by which PERs are conducted should continue to strive for technical quality as well as high capacity-building content. In this context, working collaboratively with the government should be mandatory; working together with other interested partners, such as in Vietnam, is of strategic importance.
81. **Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment Report (CPAR)** are two core diagnostic ESW products that have been revised better to reflect country focus, strengthen country ownership, build capacity, address issues of governance, and facilitate partnership. These objectives extend considerably beyond the traditional role they played as assessment tools to support World Bank Group lending. In addition to their traditional role, both CFAAs and CPARs are seen as facilitating country level dialogue on fiduciary and administrative issues, including governance. These country-focused ESW tools complement the implementing agency or sector-wide capacity assessments that are done on new World Bank-financed projects. Partnering is being proactively sought. For example, in June 2001, an ESW workshop for MDBs and bilaterals was held in the World Bank to facilitate the systematic sharing of country analytic work among MDBs and bilateral development agencies. The workshop took stock of country analytic work carried out by participating institutions, and reviewed experience with joint work to date, with particular attention paid to poverty and social concerns, fiduciary and environmental assessments. Workshop participants also agreed on a plan of action to strengthen cooperation in these important areas. Intensive discussions launched on harmonization of financial management and procurement systems will increase the synergy of partner’s efforts and minimize the administrative burden on countries.

82. Integrative analyses of the (i) country’s public financial accountability arrangements covering its public expenditure, procurement, and financial management systems—based on the Country Procurement Assessment Review and Country Financial Accountability Assessment, and (ii) social, structural and institutional issues—such as the Country Economic Memorandum or Development Policy Review (DPR), would be important inputs to the CAS. These integrative reviews would draw on deeper analyses of individual ESW reports, and should assist and support country ownership of its development program. Such integrative assessments could be particularly useful if some of the individual ESW reports were prepared by other institutions or by the countries themselves, and to the extent that they incorporate analytical work undertaken elsewhere, they can contribute to broader ownership of the analysis.

83. **The Country Policy and Institutional Assessment (CPIA)** is an annual World Bank-wide process which assesses the quality of IBRD and IDA borrowers policy and institutional performance in areas relevant to economic growth and poverty reduction, and which helps to guide the allocation of IDA resources. The CPIA process has recently been strengthened by improving its clarity and making its criteria more explicit by requiring a written explanation of each country’s rating on each question, and implementing regular annual discussions with IDA recipient countries on the results for their country, thereby allowing the CPIA to be an input in the upstream dialogue with IDA for countries. Work has begun on better linking CPIA with the CDF/PRSP/CAS/ESW process.

**C. Programmatic Lending**

84. As part of its efforts to strengthen the program approach to supporting country development, the World Bank’s assistance builds on a country’s development agenda and comprehensive systematic diagnosis, with the CAS setting out the lending and non-lending support for that agenda. Programmatic lending has emerged as an approach that supports

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CDF principles, for countries with appropriate fiduciary, social and structural policies. Many countries, particularly low-income countries, have not yet fully developed or implemented such policies—in such countries, the World Bank actively supports their strengthening. Programmatic lending recognizes a country focused approach to development assistance, the critical role of policies and institutions for development outcomes, and the scope for a development instrument that allows sustained support for country programs in cooperation with other development partners. Grounded in the CDF principles, and the IDGs, the Poverty Reduction Strategy Credit (PRSC) has been introduced as a CAS-based development assistance instrument, supporting an IDA-eligible country’s policy and institutional reform program to help implement its poverty reduction strategy. It is expected that the PRSP/PRSC framework will allow donors to combine their efforts behind a single program, with consistent and harmonized monitoring and evaluation, focusing on results at the project, program and country levels. Three PRSCs—to Uganda, Vietnam and Burkina Faso—have been approved by the Board to date and more are under preparation. Programmatic adjustment lending is also emerging as an option for supporting complex medium-term reform programs in middle income countries, based on strong country fiduciary diagnostics and policy performance.

D. Sector Strategy Papers (SSP)

85. Sector Strategy Papers develop strategic options and business implications for World Bank interventions in a given sector, based on an analysis of global sector trends, the record of the impact of World Bank operations in the sector, and the World Bank’s comparative advantage among development partners. To date, SSPs have done a good job at positioning World Bank sector interventions vis-à-vis global development challenges and agendas, strengthening internal and external sector networks, and drawing out the lessons of experience. Increasingly, SSPs will play a dual role. First, where the SSP addresses global public good priorities or corporate advocacy priorities (e.g. environmental sustainability, anti-corruption), it is expected to provide a plan for the World Bank’s global programs in the area. Second, the SSP also spells out the gaps and trade-offs between global or corporate and country objectives, and proposes approaches and incentives to address them. The emerging challenges from a CDF perspective are to (i) improve the discussion of partnerships, linking it more explicitly to proposed sector priorities, choices, and selectivity; (ii) better integrate SSPs and CASs with a World Bank-wide view, ensuring that the SSP’s discussion of business implications is firmly anchored in country program’s directions, which would in turn reflect countries’ own priorities; (iii) actively manage potential tensions between the country’s priority and Bank’s corporate priority in advancing global public goods agendas in country strategies; and (iv) increase the flexibility of Bank procedures in SWAP contexts.

33 See the Operational Memorandum Interim Guidelines for Poverty Reduction Support Credits (PRSCs), May 31, 2001, paragraphs 1 and 2.
E. Board Practices

86. The principle of country ownership implies searching for new ways of bringing the views of countries directly to the Board. For instance, in 2000, the Government of Ghana presented its country strategy by video link to the Board. In 2001, the Vice-President of Bolivia presented his country’s poverty reduction strategy to an informal gathering of the Board. These were enriching and empowering events, and the World Bank should continue to encourage more direct informal contact between its clients and the Board on their country strategy.

F. World Bank Cultural and Behavioral Change

87. There is increasing recognition of the importance of cultural and behavioral change which reflects an understanding that the CDF principles require new ways of working. This understanding emerges from early experience, but overall progress in this area has been uneven and there are enormous challenges ahead.

88. Culture is very important for fostering changes in individual staff behavior, and the World Bank has begun to address cultural change and develop a coherent agenda to foster the necessary changes at the organizational level. At the operational and country team level, CDF processes have begun to shape the culture. Despite the perceived needs to further increase the integration of sector staff and to improve internal and external collaboration, country directors report that cross-sectoral ways of working are becoming the practice, and that the cohesion within country teams is increasing. A good example of how cross-sectoral teamwork is the Uganda PRSC team, where sector experts worked together in new ways across their organizational boundaries.

89. At the level of policy decisions the World Bank has made progress with the new staff-learning framework. The concrete action learning support for country teams, which led to innovative institutional changes in the CDF pilot phase, needs to be reinforced. Many of the Country Directors for the 46 countries are expressing a need for more specific, country-

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36 The Strategic Framework Paper (January 2001) states that the World Bank’s internal culture needs to become more aligned with the poverty-focused, client-oriented, and accountable institution that the World Bank aspires to be. The assessment of the Strategic Compact (March 2001) states that the World Bank needs to accelerate the change toward becoming a more innovative, collaborative, and high trust organization, and that the World Bank needs to focus more on cultural and behavioral change. The emerging business strategy and action plan for human resources acknowledges that the World Bank has to go beyond HR policies and processes and focus on culture and behavior (Issues Paper, June 2001).


38 A team comprising more than 20 staff representing all sectors went together on mission. The whole team met every evening to share cross-sectoral insights, and to jointly develop solutions across sectoral boundaries. The country director attended whenever possible to signal his support, and through these evening meetings cross-sectoral programmatic lending became a new reality for the team members.

39 Learning support has focused on action learning, behavioral learning, and team-based learning. These changes include scaling up action learning for 30 operational teams in FY02 and revamping the learning support for managers. The recently created learning board is already working, the new chief learning officer position is filled, and work is underway to launch the new learning offerings soon.

driven central support for their teams, including on learning, and with greater opportunities for cross-fertilization.

90. It is important to recognize these challenges are not unique to the World Bank Group but apply to all major international partners. To better address these cultural and behavioral challenges at the country level, actions are needed in the three critical areas discussed below.

91. **Clarifying, Communicating, and Assessing Expected Staff Behaviors at the Country Level.** There is a need to be much more explicit about the behaviors expected from staff in supporting these principles at the country level. Patterns of such supportive behaviors are emerging in pursuing CDF principles, examples include: building trustful relationships with clients and other partners through explicitly recognizing, respecting and valuing their contributions; unleashing local knowledge and capacity; improving teamwork across sectors; focusing on development outcomes rather than inputs; learning from each other and from clients and partners; changing individual behaviors—both inside the World Bank and outside—so that the World Bank’s culture changes to one based on trust, openness, accountability, encouragement and innovation. There is a need to refine and validate behaviors such as these; to effectively communicate them in order to give staff the needed guidance; to streamline internal assessment instruments; and to introduce client and partner feedback mechanisms at the country level. The resulting explicit set of behaviors and the assessment of staff on them should facilitate the strategic management of human resources, including the alignment of recruitment, promotion, and compensation policies and practices, with these behaviors.

92. **Increasing, Improving, and Integrating Support for Country Teams in their Work with Clients and Partners through Action Learning.** Action learning implies a commitment of staff to developing solutions to country challenges jointly with clients and partners, in real time, focused on real outputs, and replacing traditional, supply-driven training and unilateral solutions. The World Bank must continue to strengthen its action learning support for country teams engaged in pursuing CDF principles, building on its staff learning framework. It also needs to accelerate learning and cross-fertilization among Country Directors and country teams about emerging experiences in supporting countries in the implementation of those principles.  

93. **Launching a Dialogue and Joint Learning Process with Other International Partners on How to Foster Behavioral and Cultural Change in Donor Organizations.** Not only the World Bank but all international partners are confronted with similar behavioral and cultural challenges relating to the implementation of the CDF principles. There is a need for greater exchange of experience to foster learning on how to best address these behavioral and cultural challenges and how to speed up changes in donor behavior.

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41 A new program to foster peer learning and support among Country Directors has been designed and will be launched shortly.
Methodology For Tracking Progress with Implementing CDF Principles and Country Assessments

Methodology

Four inter-related approaches have been used to track progress with implementing CDF principles. First, a tracking questionnaire was introduced in 1999 covering all major aspects of the implementation of CDF principles and has been updated with country teams periodically. Second, to promote learning and information exchange, a Learning Group of Country Directors, chaired by Mr. Wolfensohn, has met regularly. Third, groups of focal points representing major bilateral agencies, the UN system and, the Regional MDBs, were formed to keep track of developments on the CDF principles and PRSP process, identify challenges and exchange information. Lastly, structured interviews have been held with a variety of stakeholders in several countries implementing CDF principles.

It is the crosschecking of information from these various sources that has facilitated making assessments about progress. Five criteria are used:

• **Little or No Action**—Due to a wide variety of circumstances, including political developments, capacity limitations, and unforeseen events, action has remained at a virtual standstill.
• **Elements Exist/Being Considered**—There is some basis for making progress, either through what already exists, or definite plans.
• **Action Being Taken**—Progress is being made, although not yet enough, and the basis exists for even more substantive progress.
• **Largely Developed**—Significant action taken already, although some further action is needed.
• **Substantially in Place**—The activity is virtually accomplished.

These assessments are based on the information available to the CDF Secretariat, and it is important to note that cross country comparisons need to be treated with extreme caution, given the vastly different nature of countries’ histories and experiences.
## Implementation of CDF Principles

### Country Assessments -- Progress as of July 2001

**Low-Income Countries:**

### Long-Term Vision and Strategy
- Does the country have a long-term vision/strategy?
- Does it target development results?, e.g., International Development Goals
- Is its content holistic and balanced and well-sequenced, e.g. linking medium- and long-term?
- Is the medium-term strategy consistent with the vision and the expenditure framework?

### Enhancing Country Ownership
- Does the vision/strategy originate within the country?
- Has the Government involved all stakeholders?, e.g. private sector, NGOs, trade unions, etc.
- Have national institutions played a role in the strategy formulation process?, e.g. Parliaments
- Does the Government have capacity to formulate and implement strategy and policy?

### Partnership Among Stakeholders
- Are there effective in-country fora for partner coordination?
- Does Government lead the coordination of development partners?
- Is partners’ assistance aligned with the country's strategy? e.g. CAS, analytical work, etc.
- Are partners being selective, or taking steps to reduce duplication?
- Are partners’ operational policies and procedures harmonized?

### Focus on Development Results
- Does the Government have an adequate development coordination information system?
- Is development information accessible to stakeholders?, e.g. media, website, etc.
- Is the Government putting mechanisms in place to track development results?

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# Implementation of CDF Principles

## Country Assessments -- Progress as of July 2001

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<thead>
<tr>
<th>Country</th>
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<th>Cambodia</th>
<th>Cameroon</th>
<th>CAR</th>
<th>Chad</th>
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Implementation of CDF Principles
Country Assessments -- Progress as of July 2001

Low-Income Countries:

Côte d'Ivoire  Eritrea  Ethiopia  Gambia

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Implementation of CDF Principles  
Country Assessments -- Progress as of July 2001

Low-Income Countries:

Georgia | Ghana | Guinea | Guinea-Bissau | Guyana

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### Implementation of CDF Principles

**Country Assessments -- Progress as of July 2001**

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- Honduras
- Kenya
- Kyrgyz Republic
- Laos
- Lesotho

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# Implementation of CDF Principles
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<thead>
<tr>
<th>Country</th>
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# Implementation of CDF Principles
## Country Assessments -- Progress as of July 2001

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- **Moldova**
- **Mozambique**
- **Nicaragua**
- **Niger**
- **Rwanda**

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### Implementation of CDF Principles
#### Country Assessments -- Progress as of July 2001

**Low Income Countries:** Sao Tome e Principe Senegal Tajikistan Tanzania Uganda

#### Long-Term Vision and Strategy
- Does the country have a long-term vision/strategy?
- Does it target development results?, e.g., International Development Goals
  - Is its content holistic and balanced and well-sequenced, e.g. linking medium- and long-term?
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Implementation of CDF Principles
Country Assessments -- Progress as of July 2001

Middle Income Countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Dominican Republic</th>
<th>Morocco</th>
<th>Romania</th>
<th>West Bank &amp; Gaza</th>
</tr>
</thead>
</table>

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Progress Made on Proposed Actions for the World Bank*

**Dissemination and incorporation of CDF principles**

- Incorporate CDF principles in World Bank's strategies and policies.
- Strengthen CDF principles in PRSP processes.

**World Bank products, policies and procedures**

- Improve CAS alignment and selectivity.
- Reform ESW.
- A greater focus on programmatic lending.
- Strengthen CPIA process.
- Explore implications for Board practices.

**Enabling internal environment**

- Improving the organizational environment.
- Explore the introduction of multi-year administrative budgets at the country department level.
- Align recruitment practices and incentive structure.
- Improve leadership development and staff learning with a shift towards action learning.

**Harmonization**

- Promote concrete action on harmonization of operation policies and practices at the institutional and country levels.

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* These actions were recommended in the *Comprehensive Development Framework Country Experience Report, March 1999-July 2000*, pgs. 10 and 11, CDF Secretariat, September 2000.