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**DEVELOPMENT EFFECTIVENESS AND SCALING UP:
LESSONS AND CHALLENGES FROM CASE STUDIES**

Attached for the September 28, 2002, Development Committee meeting is a synthesis paper prepared by World Bank staff entitled "Development Effectiveness and Scaling Up: Lessons and Challenges from Case Studies" which will be considered under Item I.1.A of the Provisional Agenda.

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**DEVELOPMENT EFFECTIVENESS AND SCALING UP:
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OPERATIONS POLICY AND COUNTRY SERVICES

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ABBREVIATIONS AND ACRONYMS

CDD	Community-Driven Development
CPIA	Country Performance and Institutional Assessment
EFA	Education for All
GNP	Gross National Product
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IDA	International Development Association
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MAP	Multi-country HIV/AIDS Program
MDG	Millennium Development Goals
NGO	Nongovernmental Organizations
OED	Operations Evaluation Department
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
SWAp	Sectorwide Approach
TB	Tuberculosis
UNAIDS	Joint-United Nations Programme on HIV/AIDS

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DEVELOPMENT EFFECTIVENESS AND SCALING UP: THE CASE STUDIES

(in companion volume)

Accelerating Progress Toward Education for All: Building on Success and Failures

Fighting AIDS and Communicable Diseases: What It Takes, What We Need to Do

Water in Rural Communities

DEVELOPMENT EFFECTIVENESS AND SCALING UP: LESSONS AND CHALLENGES FROM CASE STUDIES

I. INTRODUCTION

1. In line with the outcomes of the Monterrey meeting, in April 2002 the Development Committee discussed how the World Bank and its partners can increase the impact of their contributions to achieving the Millennium Development Goals (MDGs). Discussions called on developing countries and donors alike to move from theory to practice and to focus on implementation. The Johannesburg summit has reinforced the sense of urgency. Responding to these developments, three sector case studies have been prepared—in education, HIV/AIDS and communicable diseases, and rural water supply and community-driven development (CDD)—to illustrate on-the-ground country and donor experience with projects and programs. The objective of these case studies is twofold: to draw together lessons about the issues that arise in implementing development programs—successful ones as well as those that have worked less well—and to learn from this collective experience, both good and bad, in order to improve our joint performance, going forward.

2. Taken together, the case studies give grounds for optimism on the potential for increased development impact. They underscore the emerging consensus on the key factors that together create a favorable environment for growth and social progress: sound country *policies*, commitment and *capacity* to implement, a focus on *results*, and adequate *resources*. The framework of mutual responsibility and accountability agreed at Monterrey and Johannesburg provides a path forward of actions and commitments: where developing countries have sound policies in place and are committed to poverty reduction, donor countries would provide the support needed to scale up their poverty reduction strategies. The case studies provide concrete and specific examples from the many country and donor programs aimed at promoting growth, social progress, and human welfare. It was hoped that the three case studies themselves could have been discussed at the Development Committee meeting, so that Ministers could have a more detailed experience of the issues and on-the-ground challenges of implementation. In light of the unanticipated brevity of the meetings, this synthesis paper has been prepared to draw together the issues, illustrating them with representative examples of country and donor programs from the case studies.

3. ***Outline of the paper.*** Recent development trends and the background context for this paper are presented in Section II; Section III presents key lessons and examples from case studies in education, HIV/AIDS and communicable diseases, and rural water supply/community-driven development. Conclusions are presented in Section IV. The companion volume of case studies contains more detailed on-the-ground project and program experiences with scaling up in the three sectors.¹

¹ *Development Effectiveness and Scaling Up: The Case Studies*, Operations Policy and Country Services, World Bank, August 2002.

II. BACKGROUND AND CONTEXT

4. The developing world has seen much progress in poverty reduction and the economic and social indicators that underlie it. Since the 1960s, average life expectancy at birth has increased by 20 years, illiteracy rates have been halved, and per capita income has more than doubled. There have been major improvements in governance: today two-thirds of the world's countries are democracies, compared to one-third in 1974. At the macroeconomic level, inflation and tariff rates have fallen by half. Within this overall positive trend, however, progress remains uneven. In Sub-Saharan Africa, for example, average per capita income has not changed since 1960, with many countries now also facing civil strife and wars, and the devastation of HIV/AIDS. Countries in South Asia, parts of the former Soviet Union, and Latin America also face economic and social challenges. As a consequence, many developing countries, especially the poorest ones, are unlikely to reach the 2015 Millennium Development Goals unless current rates of economic growth, and progress with structural and social issues, are accelerated.

5. The remarkable achievements in many countries and in many indicators illustrate that countries can overcome huge development challenges when they pursue the right policies and programs. However, financial aid flows to developing countries have not matched these improvements in country policies and performance. Development aid, which represented 0.33 percent of donor GNP in 1990, is now equivalent to 0.22 percent—a 7 percent decline in inflation-adjusted terms. The record of development progress, and the impressive efforts that many developing countries are making to help themselves, are evidence that additional aid resources could be used selectively and effectively to reduce global poverty.

6. ***Monterrey Consensus.*** The Monterrey Consensus represents a new approach to development—a consensus that developing countries themselves must be in the driver's seat, external agencies must work in partnership to assist countries in achieving their goals, and countries and donors must be bound together in a framework of mutual responsibility and accountability. Specifically, where developing countries commit to reform and good policies, donors in turn must commit to scaling up and intensifying their support. The Monterrey consensus, reinforced by Johannesburg, also recognizes that beyond providing aid, donor countries must reduce trade protection to help create the supportive and open international environment in which developing countries' economies can flourish. As part of the two-way commitment articulated at Monterrey, donor countries must also adjust their approaches to intellectual property rights, and explore how to stimulate development of drugs for diseases endemic to developing countries.

7. ***Good country practices are key.*** Experience shows that in countries where resources are being used effectively and efficiently—countries that have a broadly owned poverty reduction strategy, a public expenditure framework reflecting appropriate priorities, sufficient transparency and governance to give confidence to their own people and to donors, credible sector strategies, and institutions with capacity to deliver results—additional donor resources can be effectively absorbed to scale up domestic programs. Donor resources matter, but by far the greatest impact on development comes from the developing countries themselves and the effectiveness and efficiency with which they deploy their own resources. Therefore, aid has the greatest impact when donor finance and advice help countries put in place the policies and institutions that

contribute to economic growth, including the structures of accountable management to implement projects and programs.

8. ***Maximizing the impact of donor support.*** Aid has effects that reverberate far beyond the confines of the project or program itself, as results—positive and negative—in one project or policy reform inform others, and help institutionalize new approaches. The overarching lessons from the case studies are that donors and countries should explore ways to maximize these positive impacts, by committing to sharing knowledge, encouraging learning, and researching and supporting evidence-based approaches. Delivering on the MDGs—or any other result or outcome—requires inputs from a range of sectors. Education goals will require education inputs, but also inputs from the transport and electricity sectors. Capturing the knowledge embodied in projects and programs for effective policymaking will require a stepped-up effort to build statistical capacity for decisionmaking.

9. Changes in donor behavior are also an important part of the picture: just as better country policies are needed to maximize the effectiveness of aid, improving donor policies and practices can make aid work better. Donors should enhance the effectiveness of resource transfers by committing to align their work around country-led frameworks, and to collaborate with others in the development community. Increased development impact would also come from providing more comprehensive financing, such as for recurrent costs; committing to long-term financing of programs; and improving the cost-effectiveness of donor processes by making harmonization of products and processes a greater priority.

10. Some, but not all, of these lessons are new. The importance of good policies, aligned around country-led sector strategies, better donor practices, and harmonization is well-known from the aid effectiveness literature. What is new is that these issues are brought together in a compelling framework that calls for action. Also new is the climate for change, with the Monterrey consensus and, more recently, Johannesburg bringing greater urgency to these issues.

11. The challenge, therefore, is transforming this knowledge into specific and concrete actions, examining the factors and incentives that slow progress in countries and donor agencies, and rededicating ourselves to making the necessary institutional changes to accomplish the common purpose of achieving the MDGs and promoting growth and social progress in all developing countries.

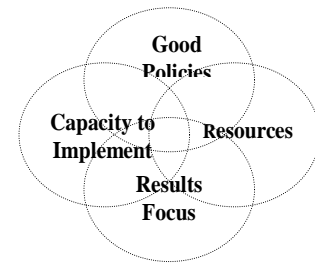
III. LESSONS LEARNED FROM THE CASE STUDIES

12. Moving from theory to practice, this section reflects on country-specific lessons from country and donor programs, drawing on representative examples from three different sectors: education, HIV/AIDS and communicable diseases, and rural water supply and community-driven development. Taken together, the case studies give rise to optimism on the potential for increased development impact, pointing to concrete achievements and lessons learned. They also point to outstanding challenges, roadblocks to effectiveness that must be expeditiously addressed. The discussion highlights considerations for countries, for donors, and for both together.

13. The case studies, which appear in the companion volume, underscore a broad consensus on the key factors that together create a favorable environment for growth and social progress (see Figure 1):

- Sound **policies** and committed leadership at the country level, supported by appropriate expenditure frameworks, effective budget execution, and good governance;
- Adequate operational **capacity** to implement at all levels, including the capacity of communities to participate effectively, and the right incentives, so that countries can translate sound policies and strong leadership into effective action;
- Financial **resources** to scale up programs that work, and that reach the service delivery level; and
- A strong focus on **results**—accountability for learning and outcomes—so that policies and programs are built on empirical evidence of problems and solutions that work.

Figure 1. A Framework for Results and Scaling up



Where these factors are in place, and donors have been supportive, impacts have been significant, as the case study examples show.

A. Country-Level Lessons

1. Successful outcomes require sound economic performance at the country level.

14. Good macroeconomic performance vastly increases the chance for successful outcomes in any sector, and project- or program-level interventions rarely work in the absence of a minimum standard of economic performance and accountability (see Box 1).

- **Education.** The Education for All (EFA) Fast-Track Initiative highlights the centrality of performance by targeting countries with an agreed poverty reduction strategy, a strong commitment to mobilize domestic resources for primary education and institute policy reforms that ensure quality and efficiency in delivering educational services, and an appropriate education sector plan. These and other performance criteria are spelled out in an “indicative framework” that sets out a set of minimum requirements or “success factors” associated with successful primary completion programs worldwide. Countries conforming to this framework were invited to join the initiative, with others to be added as they reach the performance criteria.²

15. ***Aligning around poverty reduction strategies.*** Taking a country’s poverty reduction strategy as a starting point helps ensure that all donor programs are nested in a

² The EFA Fast-Track Initiative was launched in June 2002, following the Development Committee’s endorsement of the EFA Action Plan, to accelerate the achievement of universal primary completion rates. A previous paper (DC2002-0005/Rev1) prepared for the April 2002 meetings sets out the analytical and conceptual underpinnings of the “indicative framework” for the EFA Fast-Track Initiative.

comprehensive and coherent development strategy that is focused on poverty reduction, supported by a sound medium-term expenditure framework and budget that ensure intersectoral coherence and appropriate spending priorities, and developed through a national (country-owned) consultative process.³

Box 1. Country Performance Measures and Donor Support

Research on aid effectiveness suggests that countries that perform well use aid more effectively.^a Using country performance as a basis for targeting donor support has gained increasingly broad support, and tools such as the World Bank's Country Performance and Institutional Assessment (CPIA) are being explored as a way of giving greater coherence to donor flows, and channeling them toward countries that can use aid most effectively. The good news is that many countries' performance *is* good by such measures. Of 136 countries, 108 (80 percent) were rated "3" or higher, and judged able to make effective use of aid; and their numbers are increasing.

Such tools are not uncontroversial. Not everyone agrees on what constitutes "good performance," or on where to set the bar. Given that lives and well-being are at stake, many are uncomfortable with strict reliance on screening tools, and with the notion that countries might be ineligible to participate in a major initiative such as the EFA. (In fact, the EFA Fast-Track Initiative provides special assistance to five countries that do not yet fit within EFA's "indicative framework" for accelerated assistance, helping them improve their performance and enhance their eligibility for accelerated assistance, because their 50 million out-of-school children are globally so significant for universal primary completion.)^b

The experience of countries that lack the policy, governance, and institutional frameworks for aid effectiveness is sobering. For those low-income countries where large-scale financial transfers are unlikely to be used effectively, donors can concentrate on capacity building, and on a limited reform agenda that is sensible from an economic and sociopolitical standpoint. Subnational-level and "people-focused" programs in basic health and education are often more successful in such settings when implemented through nongovernment structures.^c

^a Ian Goldin, Halsey Rogers, and Nicholas Stern, *The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience*, Development Economics, World Bank, 2002; and David Dollar and Lant Pritchett, *Assessing Aid: What Works, What Doesn't and Why*, World Bank Policy Research Report (New York: Oxford University Press, 1998).

^b The countries are Bangladesh, the Democratic Republic of Congo, India, Nigeria, and Pakistan.

^c *Report on the World Bank Group Task Force on Low-Income Countries Under Stress (LICUS)* (SecM2002-0367), June 28, 2002.

- **Education.** With committed leadership, Uganda has put all these elements in place, and donors have responded by providing strong support for the comprehensive poverty-focused program with a broad array of programs and projects at national and sector levels. But going forward, difficult choices remain. In Uganda, universal primary completion is a key goal of the Poverty Reduction Strategy Paper (PRSP), and the education budget already reflects a significant commitment to primary education. Improving education quality by reducing class size and having more textbooks for pupils is key to further raising completion rates. However, this additional spending would tilt overall budget allocations further in the direction of primary education at the expense of other sectors. Uganda is reviewing the consistency of higher spending levels with its present macroeconomic framework.
- **Health.** Mauritania provides an example of how the PRSP process and new funds provided through the Heavily Indebted Poor Country (HIPC) initiative can improve

³ For IDA countries, this comprehensive strategy is outlined in each country's Poverty Reduction Strategy Paper; higher-income developing countries may have similar processes.

the country's ability to promote health, especially among the poorest people. The 2000 PRSP provided a roadmap for better funding of primary care and high-priority public health programs, including increased outlays on much-needed recurrent spending, and less on capital outlays. The 2002 health budget, 58 percent higher than 2001 levels, includes dramatically increased spending on essential drugs and dedicates 40 percent of all funds to primary care services. More resources are also going to poor regions and to improving incentives for health professionals to work in rural areas among the poor.

2. Poverty reduction strategies must be supported by appropriate budget priorities, effective budget execution, and good governance.

16. Effective strategies must be supported by budgets; therefore, a sound framework for public expenditures, reflecting appropriate intersectoral spending priorities, is a key underpinning of any poverty reduction strategy. Budgetary allocations should prioritize poverty-reducing spending, and there must be a commitment to improving budget execution, good governance, and accountability for effective use of public funds.

- Recent studies show that budgets in PRSP countries reflect more “pro-poor” spending.⁴
- Social and public accountability tools such as *citizen report cards* and *expenditure tracking* can help measure the effectiveness of budget execution. In Malawi, for example, “community audit” tools to measure the quality of service delivery were developed for the Social Action Fund, and are now being adapted for emergency food delivery. In the Philippines, a “citizen scorecard,” measuring how well education, health, housing, and rural credit services reached intended beneficiaries, is used to improve the performance of government agencies. In Mali, a participatory public expenditure review enabled stakeholders and nongovernmental organizations (NGOs) to monitor public spending and inform local communities.
- Leadership is key, especially in addressing socially stigmatized diseases such as TB or HIV/AIDS, or sensitive areas such as contraception. Thailand’s program to reduce average family size provides an example: since Senator Meechai was Health Minister, his unwavering commitment to Thailand’s birth control program has been a key factor in the program’s success.

These examples also show the crucial role of good data in measuring performance, and supporting outcomes-based approaches.

⁴ IMF study cited in *The Role and Effectiveness of Development Assistance*, op. cit. The study defines “pro-poor spending” as aggregate budgetary expenditures on education and health. When “pro-poor spending” has increased, “benefit-incidence studies” are a useful tool; such studies typically use household surveys to establish which income groups benefit from public funds.

3. *Sound sector-level policies and capacity to implement are required for scaling up.*

17. If impacts are to be broader than project-level interventions, countries must have supportive sector policies, institutions that can implement them, and effective service delivery. (The challenge of developing evidence-based sector policies, and the importance of donors' aligning to support such policies, is discussed in section 6). When any one of these ingredients is missing, impact will be limited.

- ***Water and community-driven development.*** In Ghana, decentralization and reform of the water sector allowed private participation in the water sector for the first time, and gave NGOs and local communities the legal authority to manage water resources in their community. This provided the basic enabling environment for community-driven development in the water sector. Institutional reforms put in place an effective regulatory framework and established technical, financial, and management standards enabling community-level service providers to stay viable and expand service. In this supportive policy and institutional environment, local and donor resources have supported over 1,100 sustainable community-driven water projects. The government aims to extend water provision to 85 percent of Ghana's 23,000 villages by 2009 through this multidonor community-driven development initiative.
- ***HIV/AIDS and communicable diseases.*** China's mammoth institutional and implementation capacity (a countrywide network of trained providers and clinics) made it possible to adopt and expand effective tuberculosis and malaria control programs and dramatically reduce disease prevalence. These advances were aided by renewed national and provincial commitment to public health spending and by changes in provider incentives. Donor support leveraged national resources, enhanced quality, and helped speed the scale-up and foster sustainability. For HIV/AIDS, China needs stronger leadership for its national plan if it is to address the HIV threat squarely, fight stigma, and define effective technical and financial policies that will allow expanded action on the ground. Without this policy framework, neither China's vast network capacity nor its financial resources will be sufficient for scaling up to address this emerging threat.
- ***Education.*** In Uganda, education sector reforms significantly increased funding for education and abolished school fees for up to four children per family. Primary enrollment and gender equity both improved greatly, but growth in primary completion rates did not keep pace. Evaluations revealed that education quality had decreased substantially as classroom size rose and the number of textbooks per student shrank. A major policy shift decentralized financing to increase school resources and compensate for the decline in fees; quality and retentions have already responded. In sharp contrast, Malawi, which abolished user fees in 1994, saw a similar spike in primary enrollments. There, however, the failure to enact substantive policy reforms led to further decline in school quality, and gains are being rolled back as parents no longer see a positive trade-off between their children's education and their possible contributions to household earnings.

The limited impact of resources in weak policy environments is highlighted by a recent study showing that, by making service delivery more efficient, better sector and institutional policies could “finance” three-fourths of the incremental costs of achieving 100 percent primary completion in one African country.⁵

4. Capacity building at multiple levels, and participation, are key to scaling up.

18. The sense of ownership that comes from participation by stakeholders has proven vital to sustainability and scaling up. In industrial countries, successful consumer products are based on a clear understanding of what the consumer wants. Similarly, development projects and programs that succeed are based on understanding of local practice and preferences, rather than on internationally “generalized models” of how people or villages should behave and what they should want.⁶ Community-driven development approaches offer an effective means to incorporate local knowledge and preferences.

- **Water and community-driven development.** A community-driven development project to provide water to rural communities in the Nile basin engaged local water users on water scarcity issues, raising awareness of competing demands (potable water, hydropower, irrigation, watershed and environmental demand, downstream use, and cross-border use). This approach helped achieve consistency between local demands and national/basin priorities.
- **HIV/AIDS and communicable diseases.** In Uganda, consultations with stakeholders in communities and religious groups and with people living with HIV/AIDS have created a broadly supported national strategy for countering the AIDS epidemic. This approach, along with pioneering successes in youth awareness and prevention and home-based care, resulted in a decline in adult HIV prevalence rates from 8.3 percent in 1999 to 5 percent in 2001. Similarly, Peru mobilized communities and NGOs as part of its strategy to reach over 70 percent of its population with active tuberculosis, and has achieved a cure rate of over 85 percent. In Brazil, local participation and the use of community health workers were key to the decrease in childhood illness in the Northeast, halving the number of child deaths from diarrhea over the past decade.
- **Education.** In El Salvador, the transfer of resources and management responsibility to communities, under a new school governance model, led to a tripling of preschool enrollments (from 14 percent to 40 percent between 1989 and 1997). The same CDD strategy increased Grade 1-9 enrollments from 82 percent to 96 percent. Gains in rural areas were even more dramatic, with rural preschool enrollments increasing 13-fold.

⁵ *Achieving the Millennium Goals in Africa: Progress, Prospects, and Policy Implications*, Global Poverty Report 2002, African Development Bank in collaboration with the World Bank, with contributions from the Asian Development Bank, the European Bank for Reconstruction and Development, the IMF, and the Inter-American Development Bank, June 2002, page 17.

⁶ *Rural Water Projects: Lessons from OED Evaluations*, OED Working Paper Series 3, World Bank, March 2000.

But CDD is not a panacea: for example, many studies of CDD confirm that communities systematically chose access to clean drinking water over improvements in sanitation, even where better sanitation is shown as a necessary requirement for having clean water. (To address this problem, water, sanitation and hygiene education are often presented to communities as a “package.”⁷)

19. **Capacity building at multiple levels—not alternative structures.** Capacity building is key in developing countries, but especially so in community-driven development. Traditionally, capacity building has focused on the community level, often leading to a mismatch of expectations and practices between communities and officials higher up, and in the line ministries. Capacity building at multiple levels is essential for demand-responsive, bottom-up approaches to work.

- As Ghana’s experience in scaling up community-driven rural water supply shows, targeting capacity building to all the stakeholders who need to manage programs and services differently—in the community, local government, line ministry, and public enterprises—was key to the replicability and sustainability of local water projects. Two years were devoted to capacity building before project implementation became possible.

20. Frustration with weak local institutions has sometimes led donors to try alternative approaches that bypass government. Using or building parallel implementation structures, unless under explicit government policy (or in post-conflict settings), is rarely sustainable once donors disappear.⁸ It also drains existing capacity from the system, and is contrary to scaling up.

- **Multi-Sector.** Many donors, including the World Bank, often establish special-purpose “project implementation units” (PIUs) outside of government ministry structures to implement projects. Staff typically have higher wages and better “perks” than their ministry counterparts. This sends mixed messages about the importance of government work, and can undermine morale. PIU staff may also have an incentive to stretch out project implementation, to enhance their own earnings.
- **Health and Education.** To better understand social sector outcomes, donors sometimes finance one-off surveys to track results in their own specific project area or phase. Such initiatives do not address the larger challenge of building *institutional* statistical capacity for the long run at the ministry or agency level, the creation of consistent statistical series and datasets, or training local staff. The Paris21 initiative (and the donor resources that support it) are intended to build capacity in national statistical systems so that policymakers need not rely on outdated or inadequate statistics for decisionmaking. This initiative will focus on how such existing data can be integrated into national systems. To date over 100 developing countries have participated in Paris21 activities.

⁷ *NE Brazil Multi-Sector Poverty Alleviation Project*, World Bank.

⁸ The experience of low-income countries under stress, where donors often implement people-focused programs for basic health or education through local-level nongovernmental structures (see Box 1), confirms the challenge of sustainability and scaling up in such settings.

Building capacity and working *within* existing structures can be slow and expensive, but can produce more lasting results.

B. Donor-Level Lessons

5. *Scaling up requires additional donor resources—reaching the service delivery level—and more flexible financing modalities.*

21. One of the key challenges facing the donor community is scaling up. All too often donors or governments focus on individual projects and programs that are limited in scope. A key lesson is that we must always have an eye to scaling up successful initiatives, so that we can leverage the best approaches and affect the huge number of poor people that successful development is intended to reach. In a number of developing countries, the building blocks for scaling up are in place: PRSPs, adequate budget and governance frameworks, essential sector policies, commitment to achieving results, and capacity to plan and implement. For such countries, a lack of resources is the bottleneck to expanding public services; in particular, donor resources for *recurrent* program costs are essential for scaling up, to complement the investments financed.

- ***HIV/AIDS and communicable diseases.*** Brazil has achieved progress across a broad front, with policies in place (including a constitutionally recognized right to health care for each citizen), implementation capacity, and a civil society and active private sector (including NGOs, citizen groups, and associations of people living with HIV/AIDS) working together to fight HIV/AIDS and other diseases. Although domestic financing is substantial, donors have been, and will remain, instrumental in Brazil's success. For example, carefully targeted financial support from multilateral and bilateral donors has played an important strategic role in building stronger health systems capacity in the poorest states in the Northeast. Similarly, in low-income countries with good basic health policies (Mozambique, Vietnam), donor financing has been instrumental in expanding programs for maternal and child survival and communicable diseases.

22. ***Financing recurrent costs is a logical consequence of an outcomes focus.*** In the health and education sectors, recurrent costs (often in local currency) make up the bulk of spending, covering such items as textbooks, medicines, salaries, pension contributions, wage taxes, utility bills, office supplies, transport, insurance, rental of premises, custodial services, spare parts, maintenance, and so on. In low-income countries, 66 percent of the education budget is recurrent, and in some countries, recurrent expenditures represent as much as 90 percent of the cost of delivering education services. For many countries, inability to finance incremental recurrent costs is the main bottleneck to expanding service delivery; countries confident of *sustainable* external support could effectively scale up their programs in these sectors.

23. Yet, as a matter of policy, most donors, including the World Bank in its project lending, limit the financing of recurrent costs, even when they are integral to the success of the project's development outcome. Economic judgments about what countries should borrow for ("long-term borrowing should finance long-term investments") and concerns about the sustainability of financing recurrent costs often lead donors to limit their financing to "investments" and

“productive assets.” In some countries this has created an oversupply of hardware that is unsupported by recurrent budgets.

- **Education.** In Guinea, donors built 1700 classrooms for which the government could not provide complementary funding for teachers, textbooks, or materials. (Since then, budgetary resources for salaries and other recurrent costs have been freed up under HIPC). Similarly, a recent OED study found that the World Bank’s traditional reluctance to finance recurrent costs has led to underprovision of textbooks and instructional material.
- Madagascar is another dramatic example: donors have helped to build so many schools that by 1999, the country had a stock of 2,919 primary schools that were closed, for lack of teachers and budgets to pay them. Yet fewer than 30 percent of primary-age children currently attain the full five years of primary schooling. Teachers were so scarce that donors conditioned construction of new schools on the availability of teachers for their project schools. Because donors continued to fund school construction, the government reassigned teachers from publicly funded schools to donor project areas. The result was a huge burden on the system, as donors in effect competed for new teacher recruits, and the teacher shortage problem was simply shifted around.

These lessons have spurred the World Bank to consider a possible initiative to reexamine its policy on the financing of recurrent costs in investment loans.⁹ This is a logical step for donors generally, to make development aid more efficient, effective, and sustainable.

24. ***A focus on results implies revisiting what donors finance.*** The post-Monterrey focus on results and outcomes has profound implications for how we think about projects. What matters is not the kilometers of roads built, but the number of people who have access to transportation; not the number of schools built, but the number of children who complete primary education and learn. The school buildings that donors now finance serve no productive purpose unless teachers are paid, textbooks supplied, facilities maintained, utilities paid, administrative overheads covered, and, if necessary, uniforms, housing, and transportation provided. Education is about the quality of learning, not simply the number of children in school.

25. Flexibility to finance recurrent costs and whatever else is needed to deliver results is a logical extension of the Monterrey compact. In countries with a PRSP, a sound public expenditure framework, appropriate transparency and governance standards in budgetary processes and execution, and a credible sector strategy that delivers results, donors have agreed to move beyond projects and support governments’ *overall* approach and strategy, directing

⁹ Adjustment lending, which provides general budgetary support, implicitly finances recurrent costs. This anomaly is owed to historical definitions of what constitutes lending for “productive purposes” in the context of investment lending, under the World Bank’s Articles. From a results perspective, differentiating adjustment and investment loans in this way could be construed as a false dichotomy. Any changes in policy would involve Board approval.

more of their resources through national budgets.¹⁰ This is beginning to happen; however, even with good intentions, there may be unanticipated challenges.

- **Health.** In Brazil and Ghana, donor support for the health sector comes through a sectorwide approach (SWAp), in which funding from the World Bank and other donors is pooled with the government's own budget. In one poor South Asian country, donors proposed a jointly financed SWAp to support priority health and population programs. But despite strong donor support for this approach, implementation was delayed more than a year because far more time and resources than anticipated were needed to strengthen the government's capacity to follow the agreed procurement procedures for the \$2.8 billion program.
- **Education.** In Tanzania, World Bank support to the education sector no longer comes through traditional education projects, but through intensive dialogue on sector issues, and overall budgetary support. In Uganda, the education sector (and other sectors) are supported through a poverty reduction support credit.¹¹

26. More use of transparent and systematic mechanisms to pool donor resources and to support country budgets and programs is needed. However, donors should review country fiduciary and governance standards, and public procurement and financial management processes, as they consider providing pooled, or budgetary, support. Donors should jointly undertake such reviews whenever possible, ensuring more consistent and higher-quality advice to recipient countries.¹²

27. In addition, the potential macroeconomic consequences of aid inflows should be considered when inflows are large in relation to the economy, and are spent largely within the domestic economy on nontradables. The IMF and World Bank agree that increased aid is generally presumed beneficial for economic development in recipient countries, and that absorptive capacity constraints are in most cases more binding than macroeconomic constraints.

28. ***Caveats on recurrent costs.*** In considering financing for recurrent costs, countries and donors must continue to take into account the country's debt-carrying capacity and the

¹⁰ It is important to distinguish between (i) financing recurrent expenditures, (ii) providing budget support financing, and (iii) donors' ensuring their projects are reflected and included in the governments' overall budget. Recurrent costs can be financed in the context of projects, where donors finance specific items such as salaries, medical supplies, leased equipment, or services, just as they finance specific items of capital expenditure. Standards of documentation can be specified. Budget support finance provides generally free foreign exchange, and may not be suitable for countries where standards of transparency are a concern. Ensuring donor financing is included in the budget requires that specific projects donors finance can be integrated into the government budget, i.e. they are not free-standing, extra-budgetary projects that would distort agreed priorities and reduce transparency. Typical examples are investment projects, or private sector projects for which government has provided a guarantee.

¹¹ Poverty reduction support credits providing broad-based budgetary support are based on comprehensive public expenditure, fiduciary, poverty, and social diagnostic reviews. They are also underpinned by sector-specific economic and sector work produced by the Bank, the client, or other development partners.

¹² Fiduciary analysis tools, such as the World Bank's *Country Procurement Assessment Reports* and *Country Financial Accountability Assessments*, help provide such diagnosis and are the fiduciary underpinning for World Bank participation in such pooled approaches.

contribution being made to development by such financing (i.e., the implied economic rate of return on recurrent spending). Conservatism in taking on debt, and the practice of financing assets with borrowing and current spending with current revenues, remain relevant. In all countries, but especially in the poorest, where aid finances a large share of the budget, the sustainability and predictability of donor support (at the national, sector, and entity levels) would be a crucial consideration, and mechanisms to help the country avoid aid dependency will be crucial. Finally, the circumstances in which borrowing for recurrent costs makes sense need to be carefully spelled out.

29. At present there are no mechanisms to ensure long-term donor commitment, although programmatic approaches are becoming more common, and at Monterrey donors committed to match better country performance with more aid. Donor instruments like the World Bank's adaptable program loans and programmatic adjustment loans *signal*, but do not guarantee, a long-term commitment. Donors need to consider how longer-term commitments can be made, and delivered on. In the absence of such mechanisms, even when donors have had long and significant associations with country programs (as in Uganda, where 45 percent of budgetary spending is donor-financed, or Nepal, which is similarly aid-dependent), countries would need a contingency mechanism to deal with "aid shocks," addressing how spending would be compressed in the event of an abrupt decline of donor flows.

30. ***A role for Global Coalitions in priority areas.*** The urgency and cost of dealing with the development crisis posed by HIV/AIDS highlights the role of Global Coalitions (like UNAIDS). Global Coalitions have an important advocacy role and can be instrumental in developing a results framework, providing a technical umbrella for research, calibrating agencies' action plans, and monitoring results. By mobilizing public attention, coalitions can also raise additional resources. Such programs operate best when they supplement countries' own programs, and mainstream donor support through them.

- ***HIV/AIDS.*** Special financing measures (such as the *Global Fund for AIDS, TB and Malaria*) can be justified for a crisis like HIV/AIDS, which has already overwhelmed normal budgets and country coping capacities, and is recognized worldwide as a development problem that spills across national boundaries and threatens human welfare, socioeconomic advances, productivity, social cohesion, and even international security.
- ***Education.*** The EFA initiative is explicitly integrated with PRSP and country budget processes, reinforcing countries' overall sector strategies with additional resources.

31. However, there is a trade-off between targeted approaches and working in a concerted way to reinforce country-level policy and budgets. Establishing earmarked, special-focus programs with parallel implementation structures runs counter to working within and reinforcing country budget and sector frameworks, undermining the outcomes-focused and partnership-based approaches donors are committed to. In addition, successful HIV/AIDS interventions depend quite critically on the effectiveness of health sector performance generally. If health sector capacity erodes as resources are redirected, AIDS-related goals can easily be undermined.

Over time, such initiatives should move toward, and ultimately merge with, the countries' own public health programs and budgets.¹³

- A remaining challenge for the *Global Fund for AIDS, TB and Malaria* is integrating its financial support within the overall donor financing and harmonization architecture at the country level, and in particular finding a means to ensure accountability for and monitoring of programs over time.

32. ***Improving cost-effectiveness of donor assistance.*** The scarcity of donor assistance makes it important that each available dollar deliver maximum possible results. Although progress has been made with respect to untying “tied” aid, national purchase requirements remain in several important donor programs, so that tied aid remains a source of inefficiency in the resource transfer process. Untying is essential for more coordinated and accountable spending. Cost-effectiveness could also be improved in other ways:

- ***Getting more resources to the beneficiary.*** Before Uganda embarked on its education reform, only 13 percent of the public nonwage budget for primary education actually reached schools or benefited pupils. This figure has now been increased to 90 percent through an innovative accountability mechanism under which schools publicly post the budget allocated to them, and what it will be spent on, for the local community to review. Similar community-reinforced transparency mechanisms have led to striking improvements in Bank-financed projects in Cambodia and Guinea, and there are plans to mainstream these mechanisms throughout the education sector in both countries. Social accountability mechanisms are also being piloted in other project and country settings.
- In Brazil, a community-driven multisector approach to rural development successfully channeled 94 percent of available resources to the beneficiaries. This approach replaced an earlier “integrated rural development” program that channeled only 20 percent of program resources to beneficiaries; and a similar federal multisector program channeled 40 percent of the resources to beneficiaries in ten states.¹⁴ Evaluations cite overheads and administrative costs arising from centralized administration of complex projects as the primary reason for the low percentage of funds reaching the beneficiaries in the earlier programs.
- ***Donors' value for money.*** Donors may get strikingly different value for money from the assistance they provide. In Guinea, for example, the cost of constructing primary schools ranged from \$130 to as much as \$878 per square meter, depending on the donor. In other words, for the same absolute amount in the same country and the same sector, one donor could build 7 times more schools. Building a teacher training institute cost one donor \$1.5 million, while others were spending about \$400,000 for similar construction. In Guinea, per diems paid by donors to ministry personnel traveling in-country ranged from \$3.50 (Guinea francs equivalent) to \$15, distorting incentives, with donors appearing to “outbid” each other for government officials to

¹³ The World Bank's *Multi-country HIV/AIDS Program* (MAP) takes such an integrated approach.

¹⁴ World Bank's *POLONORDESTE* (1975-1985) and *Northeast Rural Development Program* (1985-93).

participate in training, conferences, and workshops. (A common scale for per diems has now been established.) In another country, the cost of classroom construction ranged from a low of \$6,000 to \$24,000 per classroom—one donor’s money going 4 times as far as another’s for the same commodity.¹⁵

33. Often, greater cost-effectiveness may come from doing things differently—not from doing the same things better. In Brazil, fiscal savings of 30-40 percent for infrastructure projects in water supply and irrigation have been documented from CDD approaches, as compared to traditional top-down public sector construction. In Ghana, the price of bore-holes dropped by around 50 percent with the introduction of more competition through additional local private sector provision of supplies and services, supplementing those from a public sector corporation.¹⁶

34. **Maximizing impact.** The effectiveness of donor support depends critically on how much of the aid dollar reaches final beneficiaries. Increasing the “beneficiary proportion,” and ensuring that donor resources are available at the service-delivery level (local school, clinic, community), are essential for impact. Tools such as *expenditure-tracking surveys* and *participatory public expenditure reviews* can help identify the magnitude and sources of leakage. They also enhance accountability at the country level, by making information available to citizens who can hold officials to account. As noted above, critical to the effectiveness of these tools is a reliable database, with baseline data and a capacity for monitoring and evaluation.

35. Undertaking joint analysis and sharing knowledge among donors and with countries, and creating an inventory of tested “transparency mechanisms” that work, would have a high payoff to donors and countries alike.

- Value-for-money is influenced by design standards (“gold-plating”), the source and type of materials, contracting and procurement methods, choice of consultants, and implementation arrangements. “Leakage” owing to poor governance also deserves scrutiny. In Bosnia, for example, the cost of construction was brought down by almost half, following procurement reforms and development of a broader list of eligible contractors.
- Donors could benchmark their projects and programs against the procurement or cost data of other donors in the same country or sector to compare value-for-money and improve cost-effectiveness. Data on basic project cost parameters (cost “league tables”), drawn from donor projects in different sectors, even if crude, could also assist donors and countries seeking value-for-money approaches to project design, just as homeowners look at builder construction costs when contemplating construction.

6. Partnerships are working, but donor harmonization and alignment must go much further.

36. Collaborative frameworks are powerful vehicles to align donors and countries around agreed frameworks. They (a) facilitate prioritization and impact; (b) build commitment to

¹⁵ Examples are drawn from recent World Bank appraisal reports for education projects.

¹⁶ World Bank’s *Rural Poverty Alleviation Program* in Northeast Brazil; and the *Community Water Supply* in Ghana.

program values, policies, and ultimate objectives, forcing donors and country alike to think beyond the limited goals of a project; (c) manage and reduce transaction costs for the client; and (d) reinforce country ownership. All these factors are essential for scaling up.¹⁷

37. ***Gains from shared vision and alignment on strategies and approach are significant.*** Donor fragmentation eats up scarce technical and administrative capacity, and the gains from shared vision are significant. Partnership produces greater coherence of sector policies, as donors align around and support a common vision, and deliver a common message in their dialogue with government.

- ***Health and water.*** In Ghana, a common donor view on decentralization and local management of health services resulted in key improvements to the primary care program. Donors have also signed off on the government's reforms in community-driven water supply, enabling the program to be scaled up. India's Swajal rural water supply and sanitation program, first implemented in Uttar Pradesh state, has now been expanded to nine other states. Donor alignment on this approach made scaling up this community-driven development, demand-responsive approach possible.
- ***Education.*** In India, a united donor front on key education policy issues contributed to major reforms in financing, teacher recruitment, monitoring and evaluation, and participatory decisionmaking; ultimately these reforms brought about increased access to primary schooling.¹⁸ The EFA Fast-Track Initiative emphasizes alignment around a common indicative framework and sector strategies: all donors agree that any donor's deviation from the shared approach would undermine the success of the combined effort.

38. Aligning around sector policies and priorities is not always easy: professionals in different organizations may legitimately differ on policy priorities, and there may be difficulties in "synchronizing" operations.

- ***HIV/AIDS and communicable diseases.*** In two African countries, donors have differed on how best to procure and distribute drugs and medical supplies. Some wish to see government supply systems reformed and made more autonomous and accountable, to create incentives for more efficient and transparent supply chain management. Other donors support continued public procurement and distribution by the Health Ministry. This lack of alignment has given mixed signals to the government and led to delays, and has undermined the expansion of service delivery capacity. A possible solution is to pilot greater autonomy and accountability, monitor results, and then carry out an empirically-based government/donor evaluation of outcomes.
- While major donors in an African country agreed with the government to rapidly increase the use of impregnated bednets for malaria prophylaxis, they disagreed on

¹⁷ A parallel paper for the Development Committee, *Harmonization of Operational Policies, Procedures and Practices: Information Note*, also touches on these themes.

¹⁸ *India: District Primary Education Project*, South Asia Region, World Bank, November 1994.

how to finance the bednets. One donor wanted to provide bednets free of charge to pregnant women and children; others, including the government, felt this would undermine emerging private sector producers and suppliers, thereby preventing the growth of a more sustainable (and lower-cost) supply of bednets. A voucher program that would encourage both the use of bednets and the emerging market was proposed as a compromise. In the end, donors did not align: 100,000 directly procured nets were given away by one donor, partially undermining the efforts of another agency's program to increase the private supply and purchase of bednets through social marketing.

These examples show how donors' failure to align their positions on sector policy can be confusing to clients, undermining sector dialogue and other donors' activities. They highlight again the need for donor commitment to evidence-based approaches, continued learning, and alignment around a country's own strategy.

39. ***Quick wins in donor coordination.*** Process improvements are within the domain of donor agencies themselves, and in principle there could be many quick wins: for example, common appraisal and approval documents for jointly financed projects, and joint supervision. Such improvements would reduce the cost of doing business with donors and free up technical and administrative capacity—the countries' scarcest resource. Quick wins can also come when donors complement each other's activities.

- ***Education.*** In Guinea, the World Bank provided funds to an interactive radio program developed by the United States Agency for International Development, greatly extending national coverage of the teacher training program almost immediately. In Senegal, the Government, the Canadian International Development Agency, and the World Bank achieved greatly increased coverage and lower unit costs in a highly successful literacy program by jointly developing an outsourcing approach and conducting joint evaluations. In Tanzania, the willingness of the Netherlands to provide joint financing of \$30 million for the IDA-supported Primary Education Program extended funding over a longer period, relieving the Government of added administrative burden.
- ***Social Sectors.*** With a creative mechanism that reduces interest costs, support from the United Kingdom's Department for International Development has enabled the World Bank to effectively expand social sector lending in China, with less administrative burden on government than traditional cofinancing would involve.

40. ***Sharing analytic work, supervision, and pooled resources.*** Pooled financing and sectorwide approaches should be explored, as well as “modular,” elastic project designs that accommodate multiple donors and whole components that are designed for scaling up—geographically, across sectors, through resource chains, or across different levels of government. Joint analytic work should aim to reduce duplicative *Poverty Assessments*, *Governance Reviews*, *Private Sector Assessments*, *Social Assessments*, and other reports.¹⁹ Alternatively, donors

¹⁹ In 2001, in several countries, two or more reports in each of these areas were prepared or commissioned by donors.

collectively should agree that such reports can be produced by the client, themselves, or other development partners. Each of these approaches would reduce the cost of doing business with donors by releasing technical capacity and creating administrative savings. While important impact would come from common approaches, solutions are not easy, as a specific meeting on harmonization in Tanzania shows (see Box 2).

- **Education.** EFA showcases several good practice features of donors working within a common framework, emphasizing pooled funding as well as a single reporting requirement for all donors, and alignment to existing country practice. India's *District Primary Education Program* emphasizes joint reporting and supervision, and donors conduct joint annual reviews of the program, greatly reducing the burden on government of accommodating different timetables, reports, and agendas that is a cost of doing business with the donor community.
- **Health.** The UNAIDS partners are working towards harmonizing approaches to monitoring and evaluation of HIV/AIDS programs at both country and global levels.
- **Microcredit.** The Consultative Group for Assistance to the Poorest has recently piloted an innovative process of "peer evaluation," in which all donors review the performance of each others' microcredit programs. The objective is to create stronger alignment, share good practices, and strengthen the weaker programs.

Box 2. Fragmentation of Aid

Lack of coordination between donors has long plagued the utilization of aid. Many failures blamed on recipients actually represent the failure of donors to harmonize. Donors may run parallel projects in the same country, even in the same district. This fragments foreign aid into multiple high-cost "aid boutiques" with limited geographical and sector coverage.

- A needy rural village in Nigeria was targeted to benefit from community-driven development programs in sectors such as water, education, irrigation and small-scale works, and off-grid power. For each sector, different eligibility criteria, application processes, appraisal methodologies, and administrative windows were in place. Each community-driven development project involved its own focus groups, community meetings, NGOs, and expert visits. This administrative complexity was not the legacy of six different donors, but of six *different divisions within the same donor agency*, unable to agree on common approaches. A common template is now being designed.
- Until 2000, Senegal had one donor group for rural development and food security, a second for decentralization, a third for natural resources management, and a fourth for private sector development. Each of these groups was chaired by different donors, so the coordinators were themselves fragmented.
- In Tanzania, a Harmonization Workshop focused on procurement, disbursement, and monitoring confirmed that procedures differed in each of these areas, depending on the project and the donor, and sometimes on the ministry in government. Among the workshop's conclusions: efforts to simplify and harmonize can be difficult because some donors are reluctant to share information while others feel pressured by their legislatures to show a discrete activity and outcome attributable to their funding. Donors have committed to explore feasible improvements.

41. **Good Partnership Practices.** Experience suggests that in-country, frequent, regular, and sector-specific coordination works best, and that joint donor-client working groups have many advantages. Beyond helping to gather additional political momentum and resources, good partnership can improve technical quality and enhance donor alignment around issues.

- In Bosnia, line ministries coordinated biweekly “brown bag lunches” in each sector, to share findings, discuss appropriate evidence-based policies for the sector, and agree on sector roadmaps, investment and financing priorities, and project designs.
- In Bangladesh, regular field-based donor meetings coordinate the projects and policy perspectives of six key donors, and allow them to share analysis and research in the power sector and rural electrification area.

C. Lessons for Both Countries and Donors

7. *Scaling up requires more, and better, global knowledge, research and learning, and accountability for results.*

42. ***Global research and intellectual property.*** While much has been learned about development issues over the years, there still are many important areas in which global research is key. For example, to address HIV/AIDS and other health issues, global action on trade and intellectual property rights will be needed to create the necessary quantities of sophisticated medicines and focus pharmaceutical research and development on diseases endemic in developing countries. Issues of affordability and incentives, and appropriate systems of distribution, remain enormous challenges, also likely to require concerted global action.

43. ***Disseminating results in decentralized and budget-constrained environments requires stronger institutional and staff incentives.*** For donors and countries, a practical consequence of focusing on results is designing projects and programs that maximize learning, and disseminating experience. Case studies show how new approaches, when articulated in national policies, can have broad impact and bring very significant improvements for poor people. The increasing decentralization of donors means that even more attention may be needed to disseminate field-based findings and good sector practice across countries, to headquarters staff, and among donors. Examples show that something as simple as language barriers can prevent transfer of best practice or training, and finding budgets for translation can be difficult. Similarly, examples attest that finding time to “write up” lessons from projects or pilots can be difficult, and is rarely explicitly rewarded.

44. Tools such as the *Development Gateway* and the *Global Development Network* are powerful technical platforms for disseminating results, but countries and donors have not yet reaped their full potential. If donors believe it is important that field- and project-based experiential knowledge become part of the development community’s institutional global knowledge base for donors and countries to share, they should provide further support for this, examine staff incentives, and pilot other appropriate mechanisms to encourage this knowledge sharing.

45. Similarly, countries should encourage participation and mainstreaming knowledge of good practice in government agencies, universities, and civil society professional associations. Countries have most to gain from having best practices disseminated. Increased use of in-country expertise often builds stronger coalitions for reform and ensures greater sustainability, and south-south exchanges of views can bring major insights.

8. *Scaling up requires a consistent focus on evidence-based policies and results.*

46. ***A results focus and statistics: better data lead to better outcomes through better resource allocation and decisionmaking.*** Developing countries often lack data on the most basic items—national statistics as well as data about the local and community levels. In some countries, information dates to colonial times. The many statistical gaps in the country reporting by the Development Assistance Committee of the Organization for Economic Co-operation and Development are further evidence that improvements in data systems and capacity are vital for scaling up to achieve the MDGs. Decisionmaking in a statistical vacuum is incompatible with an evidence-based approach, and can lead to costly mistakes, taking countries and donors further from their goals.²⁰ These statistical capacity shortcomings reflect a collective failure by countries and donors, which urgently needs to be addressed as part of our commitment to a results focus.

- ***HIV/AIDS and communicable diseases.*** In Africa, HIV/AIDS programs have highlighted the lack of basic information systems, including systems for routinely collecting data on vital events (birth, death, unions). No country in Africa currently has a working vital registration system, so that efforts to monitor and measure results must typically rely on unreliable estimates of even the simplest demographic parameters. These gaps undermine our collective effectiveness. Ironically, the impact of errors is felt deeply at the local level, where data on targets or achievements are most likely to influence accountability and community ownership, as the following example of disease-specific surveys shows.
- Because children in the developing world often die of a complex of symptoms and not one disease alone, in some African countries a child's death may be recorded several times, as statistics from ad hoc, disease-specific surveys (substituting for weak national systems) are gathered and aggregated, making mortality statistics potentially nonsensical. When such disease-specific surveys are used to decide how to target medical spending, there is evidence that field staff may "claim" morbidity or mortality cases for "their" disease to get additional funding for their program, further skewing budgets and donor allocations.
- By contrast, Tanzania's *Essential Health Interventions Program* has been a pioneer in using effective information systems to inform and improve health policies through evidence-based decisionmaking at the district level. Until data systems were systematically improved, district health officers had to rely on national-level data on disease incidence, which showed *malaria* as the major problem. The new statistical system showed that treating HIV/AIDS was the priority for several districts. Better data led to better outcomes through better resource allocation.

47. Much of the developing world needs better legislative frameworks for statistical work, better management and technical skills, and better computers and equipment for evidence-based decisionmaking at policy, program, and project levels. Significant donor support is required to strengthen the capacity of national and local statistical systems to generate reliable, timely, and

²⁰ A recent article highlighting the urgent need for better statistics and statistical capacity in Africa questions the accuracy of HIV/AIDS figures for some African countries, which, in the absence of broader population data in many African countries, are often based on small sample surveys of clinic visits, and are therefore not representative of the country as a whole (*International Herald Tribune*, August 19, 2002.)

relevant statistical data to support development and poverty reduction. But major benefits will accrue from building local skills in analysis and evidence-based policy reform and implementation. Consistent with the new results-based Country Assistance Strategy approach, the World Bank is currently exploring a broad-based effort (STATCAP) to support national statistical systems, building on the work and resources of the Paris21 statistical capacity-building partnership and delivered through country-specific lending operations. A complementary initiative is also under way to ensure that EFA countries systematically monitor learning outcomes, and that data on learning quality are routinely collected.

48. ***Eroding “sector silos” is necessary for a results focus.*** In the past, donors have focused largely on “inputs” and support to individual sector projects, under the assumption that the project (the “input”) would bring about a desired outcome. Schools were assumed to bring about educated children, clinics and medicines to lower infant mortality, and rural roads to create prosperity. However, these outcomes require “inputs” from many sectors, not just from that one sector alone (see Box 3).

Box 3. “Inputs” vs. “Outcomes”

- In HIV/AIDS, a successful outcome of “less HIV/AIDS” requires not only condom delivery and use, but many elements that reduce disease in vulnerable populations, from behavior change to drug availability in a functioning health system.
- Rural roads help farmers only insofar as they can also access transport services.
- More port capacity may involve organizational, labor, and corruption issues as well as dredging and construction of berths.
- In rural areas, better health outcomes typically require hygiene education, infrastructure (clean water and better sanitation practices), and other policies and investments outside the health sector.
- Similarly, new wells and water projects alone do not deliver better health outcomes without hygiene education and better sanitation, and often community empowerment to ensure the facilities are not captured by elites.
- Community-driven approaches seem to have been more effective at overcoming “silos” than the earlier integrated rural development projects, which were coordinated at the national level, and with less familiarity of the results framework at the local level.

49. To have impact and deliver “outcomes,” it is essential to identify all the “inputs” that go into a desired outcome, and design projects and programs to include inputs from multiple sectors. If a project’s intended result is an educated population, its focus cannot be only building classrooms. We know that class size and teacher quality strongly influence primary completion rates, and that classrooms enriched with textbooks can attract children and keep them in school. But factors outside education also matter: where girls or boys are compelled by circumstance or custom to fetch fuel or water, work the fields, or assist in the home, projects focused narrowly on education (school-related) inputs are unlikely to succeed. To scale up primary completion rates, one must go beyond the “education sector” and include in the results framework such inputs as rural electrification, potable water supply, rural roads and transport services, or community champions to influence ways of thinking.

- ***Civil service reform.*** In some cases, outcomes in a sector are not even related to inputs in that sector. For many transition economies, major improvements in health outcomes came about from civil service reforms that ended underpaid health personnel’s practices of diverting drug supplies, seeing patients privately, and billing

the government for time spent seeing “dead souls” (deceased but still registered patients).

- ***Water and community-driven development.*** A lesson from Ghana is that, without adequate sanitation and hygiene education, developing new rural water systems did *not* result in reducing water-related disease, which plagues many rural communities. In Bangladesh and India, community empowerment and avenues for recourse are important inputs to water supply projects for poor villagers; otherwise, caste issues may prevent the poorest villagers from accessing wells, or may allow facilities to be captured by the village elite.

50. ***Metrics and managing for results.***²¹ Our knowledge about sound policies and the prerequisites for good outcomes at the country level is substantial, and is based on extensive analysis and research. “Metrics” on country performance, such as the CPIA, have been developed; indeed, the CPIA has been in use for some time. Specific metrics for results at the sector level are much less well developed. The education sector stands out, and EFA’s “indicative framework” spells out the characteristics associated with countries that have successfully achieved or moved toward universal primary completion. (As the case study outlines, indicators include the proportion of country budgets allocated to education, and within the education budget, the proportion going to primary education; the level of teacher salaries in relation to per capita GDP; and other indicators reflecting education quality.) While these indicators do not guarantee success in scaling up in education, they increase the probability of success.

- ***Health and water.*** Health is more complex and the metrics more challenging, since health outcomes have so many interacting determinants, and “health” itself has many dimensions. While comprehensive metrics have not been developed, work is under way to identify the macroeconomic, budgetary, and other sector characteristics associated with good sector performance. A special challenge in measuring performance and developing “indicative frameworks” in health will be benefit incidence, since the incidence of spending in the health sector matters a great deal. EFA, with its target of universal primary education, implicitly incorporates benefit incidence in the target itself. More is known about the inputs needed for specific diseases—for example, malaria, and use of the directly observed treatment, short-course strategy for the treatment of TB. There is also clarity about the interrelatedness of health, water, sanitation, and hygiene education for setting health outcomes.
- ***Other sectors.*** The case studies show that for many other sectors, donor and country knowledge of results frameworks must deepen further. Project lessons of experience (such as from evaluation) provide important and useful guidance for donor and country action. However, these lessons do not yet add up to a comprehensive sector understanding, and our certainty on results frameworks must be correspondingly less.

²¹ An overview of the results agenda, *Better Measuring, Monitoring and Managing for Development Results*, (SecM2002-0437/1), September 12, 2002 is also being submitted to the Development Committee.

Going forward, there is a continued need to refine results frameworks through analysis and research and the evaluation of successes and failures on the ground.

51. ***Institutional and agency obstacles to outcomes focus.*** Managing for results will require behavioral changes in many donor and country institutions, as well as new ways of doing projects within a strategic plan for country assistance and in consultation with other donors. Donors and countries must learn from well-designed programs or pilots and share what they know. The questions to ask: “*What outcome is being sought?*” and “*What does it take to bring about the desired outcome?*” While these questions have been a focus of the World Bank’s Operations Evaluation Department for a number of years, it will be necessary for us (and other donors) to give greater attention to this in the future.

52. There must also be incentives to work with other donors, across units in one’s own agency, and across other sector ministries, to incorporate the needed multisector elements. The challenge will be understanding the linkages and helping decisionmakers overcome sector boundaries, breaking down silos in government, and equally among “specialists” in the donor organizations. And, even when there is knowledge about results frameworks, barriers may arise in surprising places: examples are rife of different units in the same institution giving conflicting advice, and the case studies reveal that lessons learned in one unit are not shared broadly with others. Countries and donors may find it useful to examine institutional obstacles and disincentives—in budgets and personnel practices, for example—to an outcomes focus in their agencies.

53. ***Monitoring and evaluation as tools for learning and scaling up.*** Monitoring and evaluation (M&E) is a management and learning tool that allows project stakeholders to take stock of progress and respond quickly with improvements as problems arise. While monitoring and evaluating *project* outcomes uses familiar tools, methodologies for monitoring program-level outcomes and evaluating sectorwide results are barely developed, and improving them is essential. To be effective, M&E must be part of project and program design from the outset, and the benchmarks chosen must measure progress on outcomes as well as physical goals. For projects at the community level, participatory monitoring and evaluation can be particularly effective to “design in” midcourse corrections. M&E, in turn, provides the lessons on which action elsewhere can be based.

- ***Community-driven development*** One of the most innovative uses of M&E is in Northeast Brazil, where data on local communities are shared with the regional development bank (Bank of the Northeast), enabling credit officers to make accurate and timely credit assessments of potential community borrowers. The Management Information System will soon be on-line to allow real-time decisionmaking directly from the field. The results: lower risk for the development bank and more credit extended to rural borrowers. A rural development program in India’s Andhra Pradesh state takes a similar approach.²²

²² *Brazil: Rural Poverty Alleviation Projects and Rural Poverty Reduction Projects*, Latin America and the Caribbean Region; and *India: Andhra Pradesh District Poverty Alleviation Projects*, South Asia Region, World Bank, March 2002.

Key again is a focus on data. All countries need to have reliable baseline data to develop informed policy, monitor progress, and change course as information emerges regarding what works and what does not. Donors interested in development effectiveness need to focus on supporting the establishment and sustainability of statistical services to provide essential input.

IV. CONCLUSIONS

54. The case studies show that scaling up is possible, and can be accelerated on a sustainable basis to achieve the MDGs. In many cases, we know the ingredients, but the algorithm for results is complex. The ingredients are sound **policies** and committed leadership at the country level, supported by appropriate expenditure frameworks, effective budget execution, and good governance; adequate operational **capacity** at all levels, including the capacity of communities to participate effectively, and the right incentives, so that countries can translate sound policies and strong leadership into effective action; effectively deployed financial **resources** that reach the service delivery level, to scale up programs that work; and a relentless focus on **results**—accountability for learning and outcomes so that policies and programs are built on empirical evidence of problems and solutions that work. Properly prioritized and designed donor programs can also contribute to increased impact. “On the ground” improvements in donor behavior (progress in harmonization and alignment, untying of finance, more flexibility with respect to funding recurrent expenditures, etc.), staff incentives to reinforce best practices, and a consistent focus on results can substantially improve the impact of donor support.

55. In the end, as the sector examples show, all development is local: results are achieved on the ground. However, local achievements require supportive national policies, institutions, and resources. Furthermore, these local and national actions must be supported at the global level—through the exchange of ideas and technical knowledge, financial assistance with much more effective donor alignment and partnership, and facilitative policies in trade and intellectual property rights—to make the difference between the scaling up of country-based initiatives and their collapse.