

The World Bank's Development Policy Lending: Is it Delivering Results?

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Overview of the Presentation

- **Development Policy Lending in perspective**
- **How are DPLs meant to deliver results?**
- **What's the evidence it's working?**
- **How can we make it work better?**

The background of the slide is a light gray world map. In the lower right quadrant, there is a larger, semi-transparent globe with a white grid overlaying it. The globe shows various colors representing different continents and oceans.

DEVELOPMENT POLICY LENDING IN PERSPECTIVE

The Emerging Spectrum of World Bank Lending Instruments

Country's National and Sectoral Development Programs
World Bank's Country Assistance Strategy

Development Policy Lending
(General Budget Support
– Disburses against Policy/Institutional Actions)

Program for Results Lending**
(Expenditure Program Support
– Disburses against Measurable Program Results)

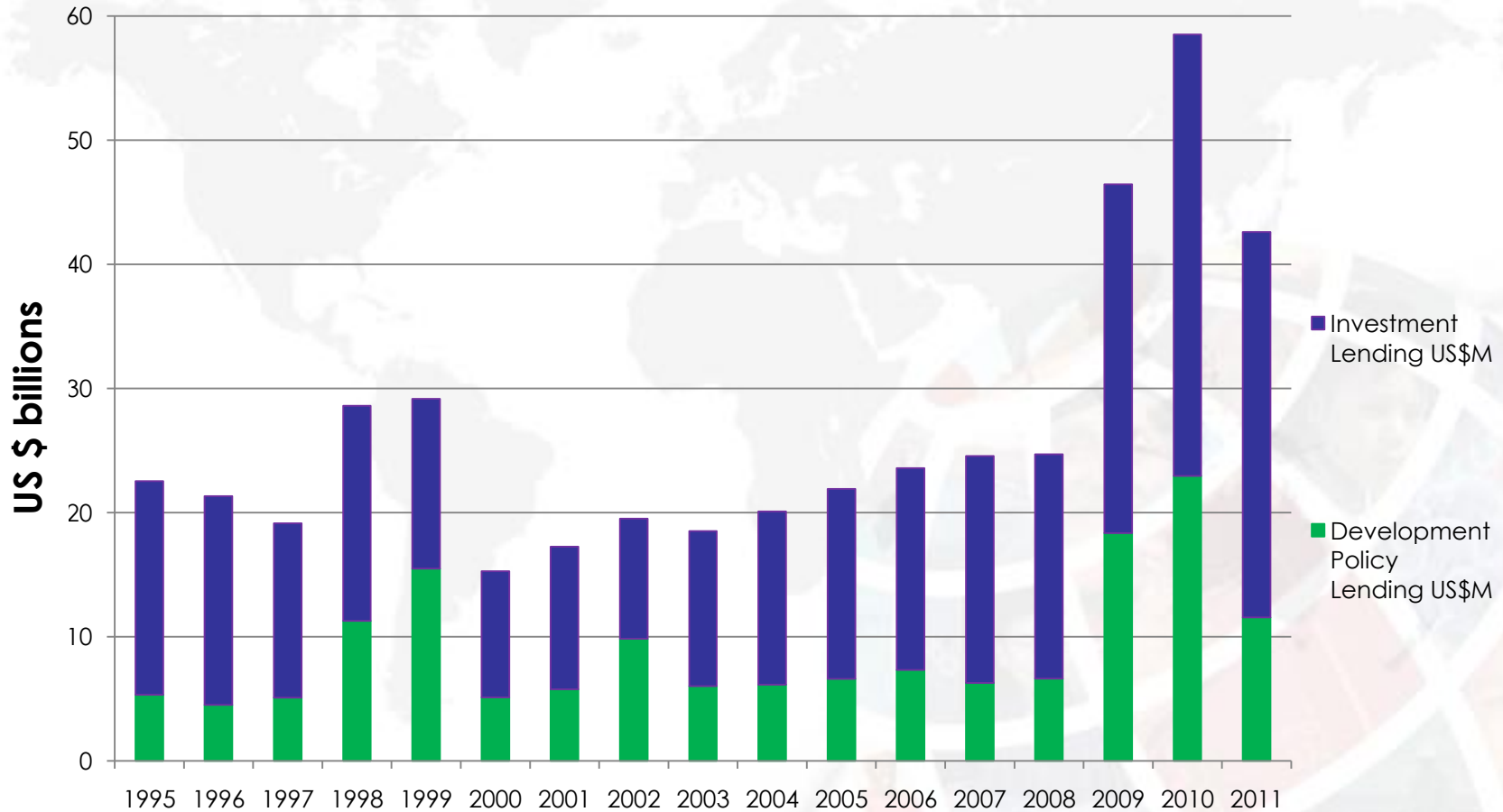
Investment Lending
(Project Support – Disburses against Specific Investments)

RIGHT CHOICE OF INSTRUMENT DEPENDS ON CONTEXT AND OBJECTIVE

*Program for Results Lending subject to Board approval

Note: The Bank also provides policy-based and project-based guarantees as well as analytical and advisory services

Total World Bank Lending Increases During Crises – and DPLs in particular



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HOW ARE DPLs MEANT TO DELIVER RESULTS?

DPLs Deliver Results through Substantive Engagement on Policy and Institutions

Development Program

- The country designs and implements its development program/strategy (World Bank provides support)

Prior Actions

- The country and the World Bank agree key policy/institutional actions, drawn from the country program, which form the basis of the operation

Results

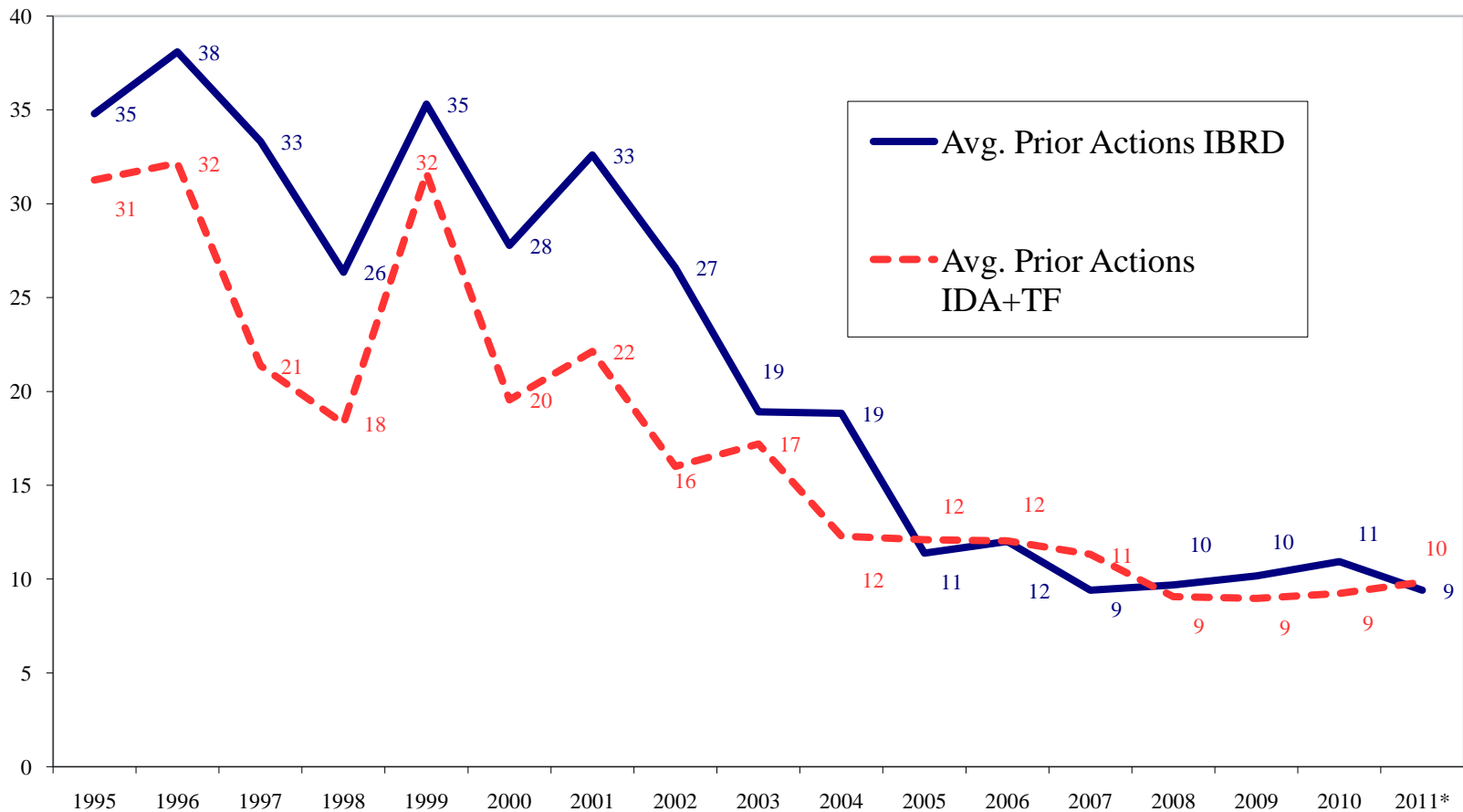
- The country and the World Bank agree key results, flowing from the prior actions, which will be used to monitor and evaluate impact

Adequate macroeconomic policy

Adequate fiduciary systems

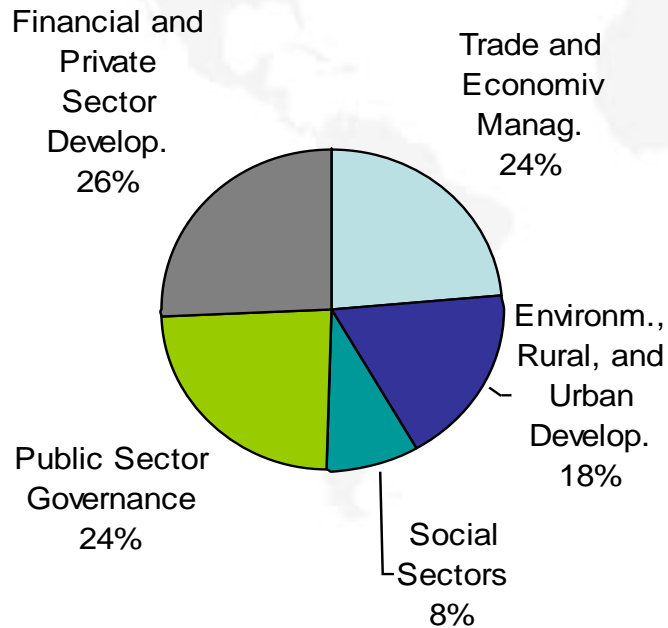
Declining Number of Prior Actions per Operation

Number of Prior Actions in DPOs - FY95-FY11 (through Q2)

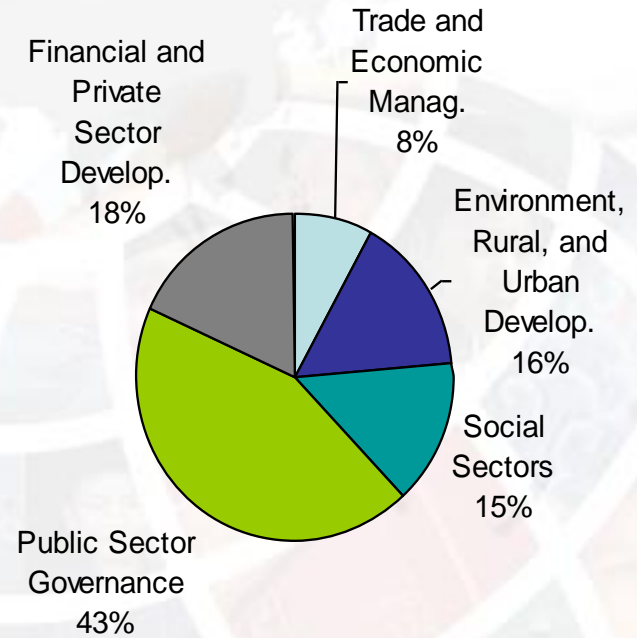


More Focus on Social Sector and Public Financial Management Reforms

1980-94



2005-09



Strong Emphasis on Results, Evaluation, Validation and Transparency

Results Focus. Each DPL must have an explicit results framework (indicators, baselines and dated targets)

Evaluation. Each DPL is evaluated at end of implementation (Implementation Completion and Results Report)

Independent Validation. Management evaluation is validated by the Independent Evaluation Group (reports directly to Board)

Transparency. New Access to Information policy – public has almost total access to Bank information => public can evaluate DPLs

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WHAT'S THE EVIDENCE IT'S WORKING?

- MACRO EVIDENCE**
- OPERATION-LEVEL EVIDENCE**

Countries Supported by World Bank PRSCs Had Faster Poverty Reduction

Poverty Rates for PRSC and Non-PRSC Countries (% of population below \$38 per month)

| | PRSC countries (20) | Better performing non-PRSC (24)* | Non-PRSC countries (36) | All IDA countries (56) |
|-------------------------|------------------------|-------------------------------------|----------------------------|---------------------------|
| % change (1984-99) | -16.2 | -12.6 | -2.1 | -7.8 |
| % change (1999-2005) | -19.3 | -13.0 | -10.8 | -14.1 |

Source: World Bank Independent Evaluation Group

Countries Supported by World Bank PRSCs Had Greater Progress With MDGs

PRSC and Other Countries: Millennium Development Goal Achievement

| (% of population) | Difference (%) | |
|------------------------------------|-----------------|-----------|
| | (1990/1–2000/1) | (2001–06) |
| Primary enrollment, net | | |
| PRSC | 9.7 | 14.8 |
| All IDA countries | 11.6 | 9.1 |
| Infant mortality (per 1000) | | |
| PRSC | -19.0 | -13.3 |
| All IDA countries | -14.5 | -9.6 |

Source: World Bank Independent Evaluation Group

Examples of Country Results Influenced by DPO-Supported Programs

Bangladesh Education Sector DPC Series

supported a successful means tested stipend program



Gross Enrollment in Secondary Education:
40% (2003); 57% (2007);

Gender Parity:
36% (2003); 41% (2007)

Rwanda PRSC Series
focused on the legal framework for health and education, performance-based contracting



Immunization Coverage:
83% (2003); 95% (2006)

Primary Completion Rate:
33% (2003); 52% (2006)

Examples of Public Sector Governance Results Influenced by DPO-Supported Programs

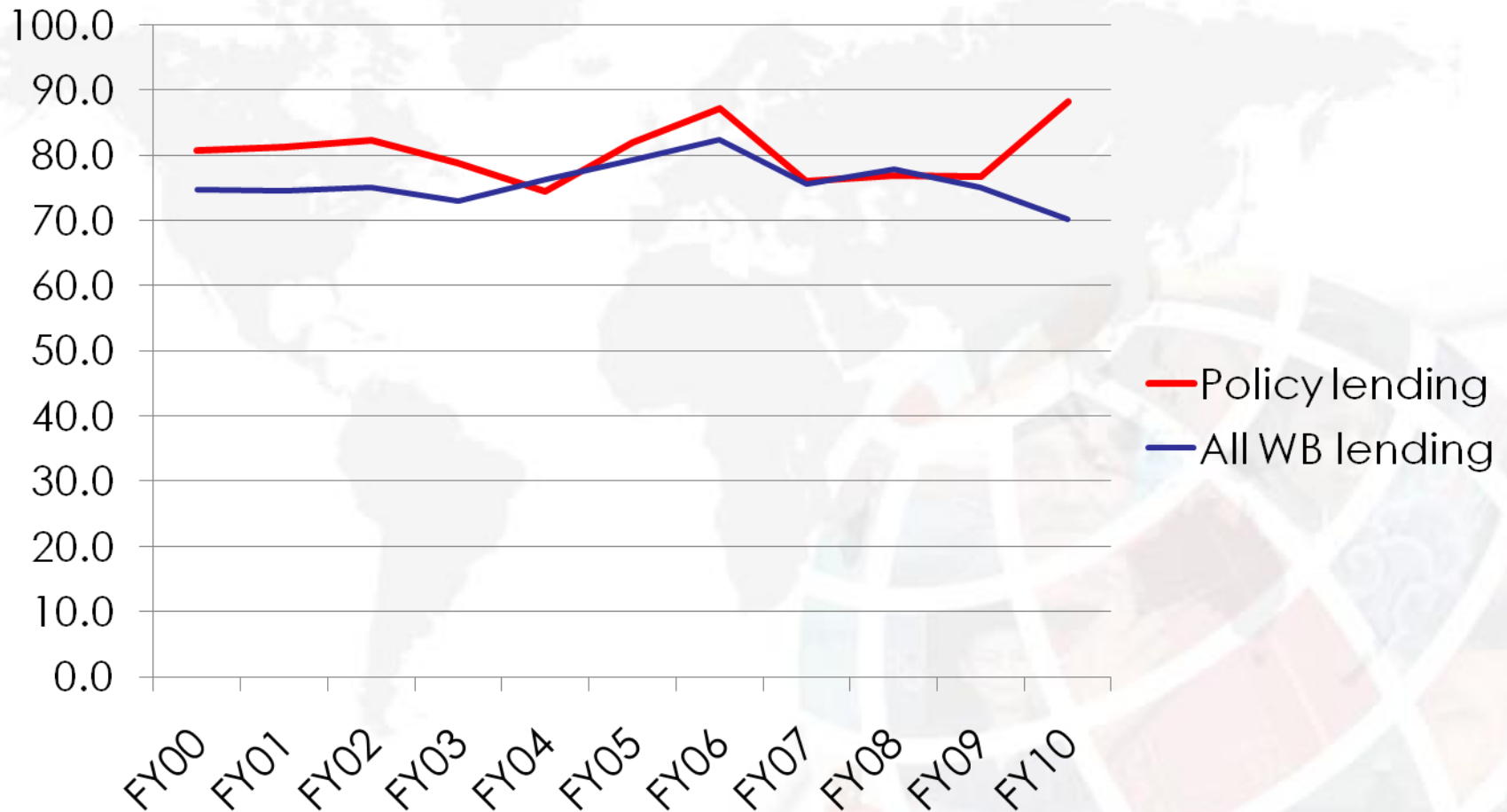
Lao PDR: Creation of centralized treasury and revenue functions and establishment of Procurement Management Office

Madagascar: Improvements in revenue forecasting, streamlined expenditure management procedures, and better cash flow management and commitment control

Rwanda: Medium Term Expenditure Framework with output-oriented MTEFs for education, health, water and energy sectors

Georgia: Better Treasury Management with establishment of a Treasury Single Account across central government

World Bank Policy Lending Performs as Least as Well as Other Instruments



(% operations satisfactory according to Independent Evaluation Group validation of Implementation Completion Report)

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HOW CAN WE MAKE IT WORK BETTER?

How Can We Make DPLs (and GBS More Broadly) Work Better? (1)

- **Don't be afraid of engaging on policy and institutions:**
 - Budget support needs to support real reform
- **Continue to strengthen results management:**
 - M&E matters; results need to be linked to action
- **Push the envelope on transparency and participation:**
 - E.g. Zoellick announcement at Spring Meetings on budget transparency and DPLs

How Can We Make DPLs (and GBS More Broadly) Work Better? (2)

- **Further enhance attention to fiduciary and macroeconomic underpinnings:**
 - Budget support should support good governance and strong macro policy
- **Review established approaches to multi-donor budget support:**
 - Risk of bureaucracy, donor-driving, lack of flexibility in crises?
- **Continue to innovate:**
 - E.g. municipal DPLs, Deferred Drawdown DPLs, Policy-Based Guarantees, Regional DPLs