

Multilateral Aid Review: Assessment of the International Development Association

Summary	
Organisation: International Development Association (IDA)	Date: February 2011
Description of Organisation	
<p>As the arm of the World Bank Group that supports the poorest countries, IDA is one of the largest sources of concessional financing and technical assistance to low income countries. It committed \$14bn in ODA in FY 09 and disbursed \$9bn according to its Annual Report.</p> <p>IDA closely aligns with DFID's strategic priorities, is focused on poverty reduction and the MDGs, and engages in all of DFID's priority sectors and main aid modalities. It is focused on low income countries (56% going to Africa and 30% to South Asia in 2009). Its comparative advantage is the breadth and quality of its technical knowledge, expertise and its global reach. This enables it to support developing countries around the world on a wide range of priorities in national development plans, through both policy dialogue and financial assistance. The range and depth of its expertise is substantial, enabling it to play a convening role and ensuring better coherence across aid efforts.</p>	

Contribution to UK Development Objectives	Score (1-4)
<p>1a. Critical Role in Meeting International Objectives</p> <ul style="list-style-type: none"> + Guardian of the Poverty Reduction Strategy architecture. + Multi-sectoral capacity allows it to engage in policy dialogue across development agenda and provide financial assistance in support of government priorities. + Technical specialist knowledge is key comparative advantage, relied upon by government and other development partners. + Able to play convening and leadership role. – Poverty focus of projects needs strengthening. – Does less in fragile states than some partners would wish. = Overall strong strategic fit given its unique strengths and role in aid architecture. Strengths override other performance shortcomings. 	<p>Strong (4)</p>
<p>1b. Critical Role in Meeting UK Aid Objectives</p> <ul style="list-style-type: none"> + Multi-sectoral capacity, large financial resources and expertise mean it covers DFID priority objectives at scale and is a critical part of the aid architecture. + IDA's criticality is illustrated by often being partner of choice for many UK initiatives in sectoral and thematic areas. – Bank performance and procedural constraints mean it is less effective in fragile states. = Overall strong strategic fit with DFID priority objectives due 	<p>Strong (4)</p>

<p>to IDA's importance across most of them. This overrides performance shortcomings.</p>	
<p>2. Attention to Cross-cutting Issues:</p> <p>2a. Fragile Contexts</p> <ul style="list-style-type: none"> + Strategically important. + Good policy work. + An increasing focus within the organisation. Focus of World Development Report (WDR) this year. – Staffing, timeliness and delivery in fragile states is weak. – Few staff based in country. – Inflexible and slow systems. Inadequate instruments. – Weak collaboration with others especially the UN. = Despite good policy work and multi-sectoral capacity, Bank's shortcomings in fragile states means it has less impact that it could. <p>2b. Gender Equality</p> <ul style="list-style-type: none"> + Good operational policy. + Some attention from top management in the Bank eg Zoellick's six commitments. Focus of 2012 WDR. – Robust IEG evaluation was very critical. Weak and weakening adherence to policy in core IDA country operations. – Poor integration of gender issues across country portfolios = Despite good policy, very poor integration into strategy and operations and worsening performance, means IDA receives a low score. <p>2c. Climate Change and Environmental Sustainability</p> <ul style="list-style-type: none"> + Increasing integration of climate into existing development work, underpinned by comprehensive strategy documents and robust safeguards. Strong environmental safeguards. – Limited evidence on implementation and setting/ measurement of results means that performance is difficult to score as strong. = Good plans and strategy gradually turning into less than effectively measured results mean it scores satisfactory. 	<p style="text-align: center;">Weak (2)</p> <p style="text-align: center;">Weak (2)</p> <p style="text-align: center;">Satisfactory (3)</p>
<p>3. Focus on Poor Countries</p> <ul style="list-style-type: none"> + IDA gives 72% of its aid to the top quartile of this index. This means it is one of the top multilateral organisations for spending aid where it is needed most – the vast majority goes to Low Income Countries. + Its high score also indicates that it spends more aid in countries where there is a more effective policy environment to maximise the results achieved by its aid spending. 	<p style="text-align: center;">Strong (4)</p>

<p>= Overall a strong performance in this area.</p>	
<p>4. Contribution to Results</p> <ul style="list-style-type: none"> + Demonstrates good delivery against challenging development objectives. + Strong results systems at country level. – Less able (and willing) to claim contribution to development outcomes and internal incentives (Board and staff time) remain tilted heavily towards inputs - project and loan approvals - rather than results. – Poverty focus of its interventions in social sectors is at best uneven. – Business model, which assumes governments implement programmes, less appropriate for fragile states. <p>= On the strength of the Bank’s results achievements as evidenced by its independent evaluation group and its robust country results frameworks, IDA’s performance in many countries is strong, but fragile states performance is not. However, IDA’s recent results measurement system is strong.</p>	<p>Satisfactory (3)</p>
<p>Organisational Strengths</p>	<p>Score (1-4)</p>
<p>5. Strategic and Performance Management</p> <ul style="list-style-type: none"> + Recent Bank Strategy (“post crisis directions) sets strategic direction. + Board has some capacity to hold management to account, though proposed governance reforms need to be seen through for this to be robust. + Technical Staff appointed on merit and of high quality. + Results frameworks at country level are robust. + Evaluation is a core strength of the Bank with management required to respond and follow up to evaluation recommendations. – Weak but improving links between corporate strategy and budgetary choices. – Difficult to address poor performance of staff. – Appointment of the President in practice done by the US government. – Insufficient staff decentralised especially in smaller country programmes in Africa. <p>= IDA’s overall performance is good. To receive a strong rating, the Bank will need to strengthen linkages between resources and strategy, implement proposed reforms to strengthen management accountability and complete effective decentralisation in its country programmes.</p>	<p>Satisfactory (3)</p>
<p>6. Financial Resources Management</p> <ul style="list-style-type: none"> + Rules based process for allocating IDA financial resources to countries. 	<p>Satisfactory (3)</p>

<ul style="list-style-type: none"> + Multi-year commitments possible. + Some capacity to reorient resources to better performing areas. + Heavy penalties if existing projects perform poorly. + Financial accountability process and policies are robust. – Weaknesses in IDA internal controls but being addressed. – Systems do not allow funding to be easily pooled with other donors nor provide incentives for innovative approaches. – Its instruments are difficult to operate in fragile states. = IDA’s financial management is strong and mostly transparent. Evidence of deficiencies in internal controls being addressed, but the lack of flexibility in its instruments prevents a strong score. 	
<p>7. Cost and Value Consciousness</p> <ul style="list-style-type: none"> + Adequate cost control systems to ensure costs do not inflate. + Tracks costs of operations. + Can demonstrate some efficiency improvements. + Committed to a flat real budget. + Plays a strong role in helping clients consider public expenditure choices and strengthening financial management. – Not yet developed an overarching narrative on how IDA achieves Value for Money. – Limited evidence of incentives to generate cost savings in projects. – Admin costs are high compared to peers. – Staff pay mechanism inflates salaries at the Bank and across MDBs. = Overall performance is adequate due to significant evidence of cost control. To be strong, IDA would need a corporate culture that seeks savings and commits to efficiency improvements as part of a consistent drive to improve value for money- and not just in response to specific constraints or Board action. 	<p>Satisfactory (3)</p>
<p>8. Partnership Behaviour</p> <ul style="list-style-type: none"> + Client countries are able to discuss how to deploy IDA assistance enabling IDA to respond to government priorities flexibly. – Partner countries and donors find Bank to be inflexible at project level with high transaction costs, unable to respond quickly when circumstances change. – Limited use of country systems. = Performance is below satisfactory because of limitations to IDA’s use of country systems, heavy transactions costs for countries least able to bear them and its limited 	<p>Weak (2)</p>

<p>responsiveness and ability to work closely with others. Its country-led approach, its strong aid effectiveness ratings and adequate consultation with beneficiaries ensures it does not receive the lowest score.</p>	
<p>9. Transparency and Accountability</p> <ul style="list-style-type: none"> + Very strong policy and practice on disclosure making the Bank a standard bearer. + Signed up to International Aid Transparency Initiative. + Strong mechanism for redress of grievances. – The lack of client country voice and authority in replenishment meetings and their limited say on wider board issues affecting IDA are major weaknesses. = Leadership and strong performance on transparency and grievance outweigh limitations in client voice to give a satisfactory score. 	<p>Satisfactory (3)</p>
<p>Likelihood of Positive Change</p>	<p>Score (1-4)</p>
<p>10. Likelihood of Positive Change</p> <ul style="list-style-type: none"> + Capital increase agreement gave a major boost to reform across the Bank. + Major initiatives underway in areas where the Bank performs poorly especially project reform which have the potential to improve IDA’s responsiveness and flexibility. + Continued evidence of management’s willingness to reform, and little risk that reforms will be undermined or reversed. – Some limited progress on reforms to corporate governance and shareholder voice to address concerns about legitimacy and accountability but they are slow and difficult. – Reform pace in operational areas where shareholders hold differing views eg on decentralisation, is also slower. = Overall, adequate performance on the strength of evidence of recent operational reforms. Improved performance on corporate reform and voice and faster pace on some elements of operational reform needed to rate this as strong performance. 	<p>Likely (3)</p>