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**USING THE COUNTRY-BASED DEVELOPMENT MODEL TO SCALE UP FOR RESULTS:
AN AGENDA FOR ACTION**

OECD/DAC—World Bank Third Meeting on Scaling Up for Results

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Using the Country-Based Development Model to Scale Up For Results: An Agenda for Action

I. Overview

1. **The international focus on development has intensified since the Monterrey Conference on Financing for Development in 2002, reflected in an increase in official development assistance (ODA) over the past three years.** One result of this renewed focus has been the recent commitment to scale up ODA even further to poor countries, particularly in Africa. The challenge now is to translate this increased focus and additional resources into sustainable development results. Towards this end, in the Paris Declaration on Aid Effectiveness (March 2005), the international community resolved to take far-reaching and monitorable actions to reform the ways aid is delivered and managed.¹ It lays out specific commitments by donors (to provide better aid) and partner countries (to address weaknesses in national development strategies and to strengthen governance). It also reinforces the centrality of the country-based development model to deliver effective aid.

2. **Against this backdrop, the World Bank and OECD-DAC have co-hosted several meetings to discuss practical steps to help ensure the effective use and delivery of aid.** Discussions highlighted the need for actions both from the top down (*e.g.*, delivering on aid commitments, improving the predictability of aid, and clarifying aid allocation criteria) and from the bottom up (*e.g.*, strengthening national development strategies and improving aid effectiveness at the country level through better harmonization and alignment). With regard to the latter, “A Practical Approach to Supporting Scaling Up At the Country Level” was proposed by the World Bank in a room document prepared for the OECD-DAC High Level Meeting (HLM) in April 2006. At the country level, this twin track approach calls for immediate and sustained actions to: (i) effectively use the time lag before significant new resources come online to help countries develop credible, scaled-up poverty reduction strategies that are grounded by the capacity, policies, and institutions needed to effectively implement them; and (ii) build a portfolio of success by capitalizing on some cases where early scaling up is feasible. Efforts along both dimensions need to be supported by improvements in aid effectiveness. Concrete progress along all of these dimensions is eminently feasible; it is time for specific action.

3. **In a further development, the World Bank and UNDP established a Joint Task Force in March 2006 to identify a shared approach to scaling-up at the country level.** The intention was to build on the work already undertaken by the World Bank and OECD-DAC while addressing the Outcome Document of the 2005 World Summit, especially but not exclusively paragraph 22(a) which commits UN Member States to “[a]dopt, by 2006, and implement comprehensive national development strategies to achieve the internationally agreed development goals, including the Millennium Development Goals.” This paper reflects the first output of this Task Force although both UNDP and the World Bank recognize that there are other partners, such as agencies of the UN Development Group (UNDG), that need to be brought into the dialogue and a number of issues that still need to be addressed going forward.

4. **This paper focuses on grounding scaling up efforts in the country-based model and seeks to unlock a virtuous cycle.** Section II highlights how the country-based development model can be used to scale up results, emphasizing the need for country-specific plans to strengthen national development strategies, identify and address absorptive constraints, and improve aid effectiveness. It notes the

¹ The Paris Declaration on Aid Effectiveness follows up on the Declaration adopted at the High-Level Forum on Harmonization in Rome (February 2003) and the core principles put forward at the Marrakech Roundtable on Managing for Development Results (February 2004).

importance of clarity with regard to the accountabilities of various stakeholders in order to accelerate progress towards achieving the strong link between results and resources that was envisioned in the poverty reduction strategy approach.² Section III proposes specific steps for moving forward, including launching efforts to build a portfolio of success in about five countries, starting as early as possible, while agreeing on a plan to roll out such efforts more widely by 2007-08, in another 10-15 countries which may, depending on country situation and demand, include some of the larger low income or least developed countries. It also highlights how resources and results meetings and processes can be used to reinforce the aid effectiveness agenda and give impetus, at the country level, to efforts aimed at scaling up. In the associated annex, information on Burkina Faso, Ghana, Mozambique, Rwanda, and Tanzania is provided to demonstrate the feasibility of quickly initiating efforts to scale up. The paper concludes by highlighting several areas where agreements are needed in order to proceed. A complementary paper takes a global perspective—focusing on projections of overall levels of aid and several issues that emerge from the current aid architecture including, in particular, the need for longer-term predictability of aid.

5. **The approach taken in this paper aims at putting clout behind the bedrock of the Poverty Reduction Strategy approach.** A key aim of the Poverty Reduction Strategy approach has been to strengthen the results orientation of national development strategies and to link a country's own results framework to development finance. And while there has been progress in this direction over the past six years, what is generally missing is a mechanism to clarify and monitor mutual accountabilities. As emphasized in this note, the focus on resources and results is not a “new” development model, but rather a call to renew our commitment—in practical terms, at the country level—to this fundamental aspect of the poverty reduction strategy approach.

II. Using the country-based development model to strengthen aid partnerships

6. **There is broad agreement that development assistance should be channeled through a country-based development model.**³ Over the past six years, many low-income countries have made substantial progress in articulating and implementing national poverty reduction strategies. However, in many cases, for these strategies to provide a solid framework for utilizing a significant increase in development resources, more focused efforts are needed to progressively strengthen content and implementation. Furthermore, a fundamental challenge in many countries is to ensure that there is a single national instrument for priority setting and indicative resource allocation over a multi-year period. This section describes some key elements of robust country strategies; outlines how such strategies can provide the framework for scaled up programs; and underscores the importance of actions across the board to enhance aid effectiveness.

² A discussion on accountability in the PRS approach can be found in the *2005 Review of the PRS Approach: Balancing Accountabilities and Scaling Up Results*, World Bank and IMF, September 2005.

³ At the global level, this agreement was most recently affirmed in the Paris Declaration on Aid Effectiveness.

Some key elements of robust poverty reduction strategies

7. *Content.* **Poverty reduction strategies should specify clear priorities for public action, that are appropriate and feasible in light of the diagnostics, capacity, and resources.** Some core elements include:

- Prioritized and poverty focused structural and sectoral policies and programs that are consistent with available diagnostics.
- A suitable macroeconomic framework, fiscal choices consistent with poverty reduction and growth objectives, and a credible financing plan with due attention to domestic resource mobilization.
- Results framework, with medium- and long-term goals, indicators of progress, and annual and medium-term targets (framed against the backdrop of the MDGs)—all of which take into account country conditions and are consistent with policy choices in the strategy.

8. *Implementation and monitoring modalities.* **Poverty reduction strategies should be linked to domestic decision-making processes and implementation should be through strong country systems.** Three important aspects include:

- A link between the national strategies and annual and multi-annual budget processes combined with well functioning financial management systems.
- Institutional arrangements that sustain adequate monitoring and evaluation of implementation—including data collection and analysis, feedback into the policy processes, and transparency.
- Sound governance arrangements and service delivery mechanisms, as well as transparency and accountability of public institutions and services vis-à-vis the needs of citizens in general and the poor in particular.

9. *Absorptive capacity.* **Strategies need to be feasible to implement. In addition to consistency with the financing envelope, this requires a country-specific understanding of constraints to absorptive capacity at the cross-sectoral and sectoral level.** This requires:

- A country-specific assessment of constraints to absorptive capacity. These could be related to the macroeconomic framework (*e.g.*, debt sustainability, Dutch disease), human and physical capital, institutional and policy environments, or donor behaviors.
- A sequenced set of interventions to address identified constraints so as to pave the way to absorb effectively significantly scaled-up aid (see paragraphs 11-14).

10. *Plans to address weaker elements.* **To use the country-based development model to its full potential, with support from their partners, countries need to articulate specific and prioritized plans for strengthening areas where a strategy's content, implementation modalities, and/or implementation capacities are weak.** The elements of a robust poverty reductions strategy outlined above represent a very high standard of policy formulation and implementation. And it is important not to view countries against some absolute benchmark. Rather, the strength of a poverty reduction strategy should be gauged relative to country conditions and the quality of country-owned plans to strengthen weaker areas. That said, it is essential to effectively use the time lag before significant new resources come online to ensure that countries will be well positioned to effectively absorb them through the framework of their national poverty reduction strategies. This calls for country-specific, medium-term plans of actions—by countries and by donors—to strengthen weaker aspects of national strategies. And it is precisely in this area—specific mutual obligations and a framework for monitoring them—where the PRS process has often been weak.

Scaled-up scenarios

11. **Poverty reduction strategies need to provide the country anchor for meeting appropriately ambitious development goals, notably the MDGs.** This often calls for transformational change and a better integration of medium-term plans and longer-term visions. While there is an inherent tension between a poverty reduction strategy that is “realistic” (based on existing resources and capacity) and one which supports progress towards a longer-term vision, this tension can be managed. For example, alternative scenarios could be used to spell out the combination of resources, policies and other public actions that would be needed to achieve improved results. Such scenarios would also need to identify the sequenced interventions needed to address any absorptive constraints.

12. **Plans to address institutional and capacity constraints need to be long term, systemic, and effectively deal with both the demand and supply for improved public sector performance.** While external assistance can provide support, it cannot easily influence the cultural norms and political economy underpinning demand for public sector performance. Consequently, for capacity development efforts to succeed, they need to take adequate account of local politics and institutions, and be country owned rather than donor driven.

13. **Understanding and managing the macroeconomic implications of increased aid are also core elements of this agenda.** In this regard, the IMF is committed to helping countries identify and devise suitable policies to manage potential macroeconomic implications. Complementing this, efforts are needed to ensure that countries have in place development finance strategies that ensure medium-term debt sustainability.

14. **While efforts are on-going to develop comprehensive scenarios that also address constraints to absorbing large scale increases in aid, there are opportunities to effectively use more limited increases now.** Without encountering bottlenecks to absorptive capacity, immediate opportunities exist in many countries, ranging from high performers where wide spread opportunities exist to fragile states where additional resources would likely be focused on targeted programs to states affected by recent conflict that need to establish a viable state, deliver services quickly, and cement the transition out of conflict.

Effective Aid

15. **The Paris Declaration recognizes that both aid volumes and aid effectiveness need to be raised to achieve the MDGs and support country efforts to strengthen governance and development performance.** Progress has been made over the past six years in improving aid quality and implementing the alignment and harmonization agenda at the country level, including the emergence of a substantial range of good practice. However, there is still much more that can and should be done. High-level commitments (and good practice) must now be translated into the normal way of “doing business.” The Paris Declaration provides a framework for doing this, setting a clear agenda for harmonization, alignment, and managing for results. Efforts to establish a baseline for agreed indicators and a formal process for monitoring the Paris Declaration in all signatory countries was launched in May. However, even as these systems are being put in place, it remains imperative that development partners implement Paris Declaration principles, reiterated in the United Nations 2005 World Summit Outcome document, in their daily practice at the country level. This also implies reflecting the aid effectiveness agenda (harmonization, alignment, results) across a multitude of dimensions including operational policies and processes, modalities for delivering financial and non-financial assistance, assistance strategies, in-country dialogue, and incentives within donor institutions.

III. Steps for moving forward

16. **To move the agenda forward, it is important to complement medium-term support—aimed at strengthening strategy and policy content as well as implementation capacity so that they provide a framework for scaled-up development efforts—with actions to exploit early opportunities.** To build momentum, this section proposes complementing this medium-term support—extending to 10-15 countries by 2007-08, based on demand—with efforts to build a portfolio of success in a few (about five) countries where early scaling-up is feasible and country demand is clear. These efforts should start as soon as possible, with the aim of using initial investments as the first step in a more comprehensive medium-term response in these countries. The aim is to maintain the momentum gained through the series of summits in 2005, culminating in the World Summit, by breaking the cycle of donors wanting to see fully articulated scaled-up scenarios before increasing aid, and developing countries wanting firmer assurances of the availability of increased aid before undertaking the significant work necessary to developed scaled up strategies. Here, over the next year, the international community faces a choice. With the incremental increase in ODA that is likely to be available, will it be:

- business as usual (additional aid will be allocated as usual); or
- business unusual (the international community—itself with limited capacity—truly intensifies its efforts to deliver more and better aid in a few countries, with an aim to demonstrate the possibility of transformational change and to generate momentum behind more comprehensive efforts).

This note proposes the latter. This section also highlights how resources and results processes can be used strategically to reinforce the aid effectiveness agenda and give impetus, at the country level, to this twin track approach to scaling up.

Launching a process

17. **There are a variety of valid approaches for identifying opportunities for early scaling up.** Some of these approaches include focusing on high performing countries; concentrating on “aid orphans”—countries with aid allocations below what their policy and institutional performance would predict; targeting specific programs in fragile states; supporting countries affected by recent conflict; concentrating on “turnaround” countries where evidence of strengthened performance could potentially be reinforced with additional resources, with positive regional effects; or identifying specific “quick wins” or sectoral programs that could be rolled out in many countries. It is unlikely that the international community will ever come to full consensus on the relative weights to each of these approaches. Rather than continuing to debate a starting point, what is needed is to actually take advantage of early opportunities in at least a few places.

18. **With an aim to demonstrate early success and generate momentum, this note proposes accelerating efforts in a few good performers while developing a plan to broaden these efforts to a wider set of countries.** Focusing initially on Africa, but acknowledging that this geographic focus will need to widen, a set of five low income countries have been identified where country demand is likely, performance is solid, poverty reduction strategies and implementation modalities are relatively strong, and donor alignment and harmonization is better developed.⁴ The countries include Burkina Faso, Ghana, Mozambique, Rwanda, and Tanzania. Annex 1 provides an assessment of various aspects of formulation and implementation of poverty reduction strategies in these countries. Annex 2 (table 1) provides information on current aid volumes. While these countries are not the only countries where early efforts

⁴ World Bank CPIA score for 2005 at least 3.5. No more than 3 of 20 elements used to describe implementation progress assessed as minimal in progress (Enabling Country Capacity to Achieve Results: 2005 CDF Progress Report. World Bank, 2005).

are feasible, they provide a solid starting point, providing favorable conditions for an initial investment or “down payment” on scaling-up, as the first stage in a more comprehensive medium-term response in these countries.

19. **It is imperative, however, to also come to an agreement quickly on an approach for broadening support to a wider range of countries.** In that context, it could be useful to explore mechanisms that could create a “market” for scaling up, *e.g.*, by identifying the core elements that could make scaling up more successful and providing an integrated package of services that countries could draw on to meet those elements.

Country cases

20. **The scaling up approach needs to be tailored to country circumstances, although there will be some commonalities.** The rationale for scaling up and the opportunities to do so quickly will vary across countries, as will the specific mechanisms that would be used to bring together additional resources and results. In each case, it will be important for the scaling up efforts to identify the specific results that are expected from the scaling up and how these are incremental to the results that could be achieved given the current level of funding. For Burkina Faso, Ghana, Mozambique, Rwanda, and Tanzania, annex 3 provides a brief description of country context, an indication of the scope for scaling up, aspects of absorptive capacity, and mechanisms for bring together additional resources with accelerated results.

21. **In each county, the next step would be for a group of donors to commit in principle to additional support, with a broad indication of the volume and nature of that aid** (*e.g.*, budget support or project support). Following this, each government—with support from its partners—would need to prioritize and refine the specific scaled up plans. These plans would be complemented with a concrete results framework and an update of the analysis on absorptive capacity. This material would then form the basis for “Resources and Results” discussions, in the context of established donor coordination mechanisms (enhanced as needed), aimed at firming up the financing for a specific scaled up program (see paragraph 26).

22. **The resource estimates proposed in the country cases are relatively modest.** It needs to be emphasized that they do not represent the entire set of opportunities to scale up in these countries; in fact significant additional opportunities exist. Rather, they reflect a starting point around which to generate momentum and build the basis for more ambitious and comprehensive efforts in the medium-term, backed by financing from a mix of domestic and external sources, including the stream of resources released from debt relief or cancellation. At the low end, the scaled up scenario represents a 10-12 percent increase in ODA; the high end values range from 14-17 percent (see Annex 2, table 2). As the process unfolds in particular countries, these modest amounts should be expected to ramp up significantly over the next couple of years. However, as a starting point, in the absence of commitments by donors to these relatively modest initial increases, where credible scaled up plans can be brought together quickly, it will be difficult to move the agenda forward.

Linking resources and results in the country-based development model

23. **Continued efforts are needed to hardwire the link between resources and results—an original aim of the poverty reduction strategy approach.** As reinforced in the Paris Declaration, this calls for partner countries to continue to strengthen the results orientation of national poverty reduction strategies as well as to establish close links between such strategies and annual and multi-annual budget processes. Donors also need to provide timely, transparent, and comprehensive information about aid flows as well as do better at aligning with and relying on partner country performance assessment and monitoring frameworks. Where these frameworks are weak, efforts should be made to assist countries to

strengthen them rather than to create separate “donor-only” frameworks. Consequently, within the context of a country-based development model, linking resources and results requires a few key building blocks:

- A **national poverty reduction strategy with a results matrix** has been developed by government in consultation with national stakeholders and development partners, with plans for addressing weaknesses in the strategy’s content or implementation modalities (see paragraphs 7-9).
- A **resource matrix** clearly identifies domestic financing and financial support from aid partners and can be overlaid on the country results matrix; and
- A **mutual accountability framework** is in place to monitor on a regular basis aid flows and aid utilization as well as assess country and donor performance against prior commitments, including to improve aid effectiveness. Such a framework could be given even more credibility if there were period assessments of both country and donor performance by **independent observers**. Such assessments could extend beyond impact evaluations of aid effectiveness in the aggregate to the more micro dimensions in relation to which results are likely to be both more robust and revealing.

Developing and discussing these building blocks needs to be at the center of a systematic, in-country dialogue.

24. **Over the past decade, consultative groups and roundtables have already evolved significantly, with country officials playing a more prominent leadership role and with discussions increasingly centered on implementation of national poverty reduction strategies.** Frequently, such meetings now discuss donor harmonization and alignment and place a sharper focus on results frameworks and mutual accountability. In some cases, such coordination mechanisms have been regularized into annual processes, aligned to the country’s budget cycle.⁵ Across the board, countries should be encouraged and supported in these positive trends. Furthermore, rather than relying only on annual or semi-annual formal coordination meetings, a process of systematic, in-country dialogue should be promoted to help build understanding and clarify open issues in a timely fashion, forge partnerships, and strengthen mutual accountability and transparency.

25. **The specific modalities for linking resources and results, and clarifying mutual accountabilities, need to be country specific and build on existing processes.** However, one would expect that they would be: (i) part of a country’s annual process of monitoring PRS implementation; (ii) in line with a country’s budget cycle; and (iii) sensitive to the role they may have in supporting or undermining domestic accountability. With regard to the latter, countries may wish to have specific communications strategies to ensure transparent access to information and to facilitate broad participation.

26. **Moving forward, resources and results frameworks can also be used as a strategic tool for scaling up aid.** Conditions for country-led resources and results meetings designed to leverage scaling up would be ideal when in addition to the basic building blocks (paragraph 23), the following elements are in place:

- A government has developed a scenario for how additional results could be achieved—either in scale (increases in targets) or scope (tackling lower-order, but still important, priorities)—and what the additional cost of achieving those results would be; and
- An assessment has been carried out on potential absorptive constraints, whether they be macroeconomic, human/physical capital, or institutional/policy in nature.⁶

⁵ *A Review of Consultative Group and Roundtable Process to Promote Mutual Accountability and Scale Up Aid Delivery* (DCD/RD 920005)7/RD3).

⁶ Some specific institutional issues to consider include monitoring and public financial management systems.

Such meetings could then form the basis for: (i) capitalizing on early opportunities for scaling up; and/or (ii) agreeing on specific steps—by countries and by donors—for developing comprehensive, scaled-up scenarios with systematic plans to address absorptive constraints.

IV. Issues for discussion

27. **To support scaling up, as called for clearly in the Outcome Document of the 2005 World Summit, this paper calls for immediate actions along two tracks.** First the time lag before significant new resources come online needs to be used effectively to help a significant number of countries to develop credible, scaled-up poverty reduction strategies that are grounded by the capacity, policies, and institutions needed to effectively implement them. Second, a portfolio of success needs to be built quickly by capitalizing on some cases where early scaling up is feasible as part of a more comprehensive medium-term effort in these countries. Both of these tracks need to be supported by convincing movement on the commitments made in the Paris Declaration on Aid Effectiveness. The following are issues for discussion, around which agreements need to be reached to move the agenda forward.

- Is there agreement with the proposed approach to initially support scaling up efforts in a few countries in order to provide a demonstration effect and generate momentum?
- If so, which donors can commit, in principle, additional resources to some or all of the proposed countries in order to launch scaling up efforts?
- How should we move forward to agree on a country-driven process for broadening efforts to a larger group of countries? Should the approach be differentiated for: (i) supporting efforts over the medium-term to strengthen poverty reduction strategies, develop credible, scaled-up scenarios, and strengthen capacity; and (ii) capitalizing on early opportunities for scaling up results.

Annex 1: PRS Implementation Progress

	Burkina Faso	Tanzania	Mozambique	Rwanda	Ghana
<i>Long-Term Holistic Vision</i>					
Coherent long-term vision					
Medium-term strategy derived from vision					
Country-specific development targets					
Holistic, balanced and well-sequenced strategy					
Capacity and resources for implementation					
<i>Country Ownership</i>					
Government initiative					
Inst'l mechanisms for stakeholder involvement					
Civil society involvement					
Private sector involvement					
Parliamentary involvement					
Capacity to formulate strategy					
<i>Country-led Partnership</i>					
Government leadership of coordination					
Partners' assistance strategy alignment					
Financial and analytical partnership					
Coherent and coordinated capacity support					
Harmonization with country systems					
Partnership organization					
<i>Results Focus</i>					
Quality of development information					
Stakeholder access to development information					
Coordinated country-level M&E					

ASSESSMENT CATEGORIES

Substantially in Place	
Largely Developed	
Action Has Been or Being Taken	
Elements Exist or Being Considered	
Little or No Action	

Source: *Enabling Country Capacity to Achieve Results: 2005 CDF Progress Report*. World Bank, 2005. This publication can be found at: <http://www.worldbank.org/cdf> and provides fuller details on methodology and assessment criteria.

Annex 2: Aid volumes**Table 1: Current aid volumes**

2004	Burkina Faso	Ghana	Mozambique	Rwanda	Tanzania
Net ODA (\$ m)	610	1,358	1,228	468	1,746
Net ODA / GNI	12.7%	16.0%	23.6%	25.8%	16.2%
Net ODA per capita	49	64	64	58	48
Population	12.4 million	21.1 million	19.1 million	8.4 million	36.6 million

Top 10 donors Gross ODA (\$m) (2003-04 avg)	IDA	129	Japan	525	IDA	187	IDA	99	IDA	506
	France	90	IDA	317	EC	123	EC	60	UK	265
	EC	87	UK	200	US	123	US	51	EC	174
	Netherlands	47	Netherlands	109	Denmark	67	UK	51	Japan	117
	AfDF	40	US	82	UK	65	Netherlands	24	Netherlands	107
	Germany	34	EC	75	AfDF	63	Belgium	20	Denmark	93
	Denmark	30	AfDF	62	Sweden	62	Germany	15	U.S.	82
	Switzerland	21	Germany	60	Norway	58	AfDF	14	Germany	80
	Belgium	16	Denmark	56	Netherlands	51	France	11	Sweden	75
	US	16	IM	56	Ireland	44	Sweden	11	Norway	63

Source: OECD-DAC, World Bank

Table 2: Annual increase in aid volumes needed to initiate meaningful scaling up*

	Burkina Faso	Ghana	Mozambique	Rwanda	Tanzania
Annual gross ODA increase (\$m)	60-100	150-200	150-200	50-80	200-250

For an indication of the results that could be achieved with additional resources, refer to the country cases in Annex 3.

* These targets do not represent an estimate of the entire scope for immediate scaling up. In fact significant additional opportunities do exist in some of these countries. Rather, they reflect a starting point around which to generate momentum. At the low end, these targets represent a 10-12 percent increase in ODA; the high end values range from 14-17 percent.

Annex 3 Country Cases ⁷

Burkina Faso

Background. Burkina Faso has been a high performer in recent years on macroeconomic management and economic and social reforms. As a result, Burkina Faso has sustained a real growth rate of more than 5% per annum for more than a decade, rising to more than 6% per annum since 2001. This contrasts markedly with earlier decades, where policy variability and negligible growth had left Burkina Faso one of the poorest countries in Africa. Poverty incidence declined by eight percentage points between 1998 and 2003, and an estimated additional three percentage points in the past few years. Production of both cotton and cereals has expanded rapidly, with cotton volume doubling in the past six years. Liberalization and market-oriented reforms have led to dynamic investment in the telecommunications and mining sectors, although accelerated and deeper reform is still needed to improve the overall investment climate.

After weak progress in past decades, gross primary enrolment rates rose from 44% in 2000 to 60% in 2005, with girls' enrolment reaching 54%. Immunization coverage has risen while infant mortality dropped from 105 per 1,000 live births in 1998 to 83 in 2003. Despite strong progress in recent years, per capita income remains around \$400 and an estimated 42% of the population is below the poverty line. Two of every five children are chronically malnourished and do not attend school. Malaria remains the biggest killer of infants and children. The country's social welfare indicators continue to lag behind Sub-Saharan averages, placing Burkina near the bottom of the Human Development Index.

Development vision. The country's long-term vision for growth and poverty reduction is shaped by its landlocked location, limited resources, small internal market (population of 12.4 million), and un-diversified economy (cotton provides 55-70% of export earnings). Real annual growth rates of over 7% are needed to significantly reduce poverty. To do so, the country needs to pursue regional economic integration to reduce costs and expand markets, agricultural diversification and intensification, agro-processing, trade and export enhancement, human capital development, and provision of regional economic services.

This long-term vision has been the foundation for the country's first and second-generation Poverty Reduction Strategy (PRS) since 2000. By accelerating equity-oriented growth, increasing access to basic social services, expanding income and employment opportunities for the poor, and promoting good governance with greater decentralization, Burkina aims to increase real per capita income by at least 4% per annum; reduce poverty incidence to less than 35%; and raise life expectancy by more than ten years by the year 2015. Implementation of the PRS is guided by a three-year Priority Action Plan (PAP) which establishes the short-term results framework, priority policy reforms and key investments to which Government is committed and aid programs aligned. Six sectoral and thematic commissions—including civil society, private sector and donor representatives—monitor implementation of the PRS and PAP on the basis of 28 core indicators, culminating in a joint annual review.

⁷ These cases provide a selected summary of opportunities. They are not exhaustive and are simply meant to provide a flavor of the types of concrete opportunities available. In moving forward, depending on the additional resources available, countries would need to determine the focus of initial scaling up.

Country-led development process. Good progress has been made since 2000 in establishing a country-led development process, harmonizing donor support and increasing the use of country systems to enhance aid effectiveness. Ten donors are signatories of the General Framework for Budget Support (CGAB), which establishes common disbursement criteria, data sources, monitoring system and review processes. Disbursements are linked to progress in macroeconomic management, public finance reform and implementation of the PRS, as assessed through joint annual reviews. General budget support is complemented by sector-wide approaches in basic education, health, HIV/AIDS and water supply that include pooling of resources, use of Treasury accounts, common financial management and procurement procedures and unified monitoring, evaluation and reporting mechanisms. In March 2006, donors on the ground established a technical secretariat for aid effectiveness to serve as a multi-donor team to promote harmonization, alignment and a focus on country results. Measurable progress on harmonization is planned in other sectors, such as agriculture and transport.

Immediate opportunities to scale up results. A demonstrated commitment to reforms, and proven capacity to effectively absorb aid, now offer Burkina an opportunity to accelerate progress and achieve better results. To launch a meaningful scaling up exercise, initially at least \$60-100 million per year is needed; more could be effectively absorbed. The 2006-2008 PAP already identifies a scaled-up priority expenditure program. While absorptive capacity is not uniform across the board,⁸ additional resources can be absorbed in the short run in at least three key areas: a) private sector-led rural development; b) energy infrastructure; and c) commodity-based health and nutrition interventions. For example, over a three year period, \$150 million could be used to expand the scope of the community-based rural development program nationwide, as well as broaden diffusion of private, small-scale irrigation techniques that have increased beneficiaries' revenues by 30 percent through dry-season cultivation. Another \$150 million would allow immediate financing of the Ghana-Burkina electricity interconnection—one of two interconnections that will cut in half the high cost (21 cents per kwh) of power generation in Burkina. Finally, an additional \$100 million could scale up the fight against malaria and malnutrition, through distribution of treated mosquito nets, support for school feeding programs and rural sanitation investments. An estimated 10-15% reduction in infant mortality could result from broader coverage with treated bednets alone.

Preparing for more comprehensive scaling up. Government is now engaged in preparing a 'scaled up' PAP for 2007-2009, with systematic analysis of needs and absorptive capacity across all sectors. This scaling up proposal will be presented to the international community at a Resources and Results Round Table planned for early 2007. In the medium- to long-term, Burkina will strengthen absorptive capacity by building more effective institutions in both the public and private sectors. The national Program to Strengthen Budget Management has already produced measurable improvements in budget formulation, execution and monitoring, but will now face the challenge of incorporating greater fiscal and administrative decentralization. Governance is also being addressed through the High Commission on Fighting Corruption and the recently adopted Anti-corruption Policy, but strengthening of enforcement and sanctions is needed

⁸ For example, institutional constraints in the public sector would hinder rapid absorption of additional resources for publicly-provided primary education, while weak local enterprise capacity would likely limit immediate scaling up of road rehabilitation and maintenance. Community-based approaches would be required in these areas to tap into additional absorptive capacity.

to signal Government's commitment to take action against offenders. Reform of the state apparatus is being supported through a Capacity-building for Public Administration Program. Most recently, the Prime Minister decided to use a cabinet-level committee to monitor cross-ministerial investment climate reforms, in order to bring to the fore the importance of building capacity in public sector institutions and among entrepreneurs to support private sector development in Burkina. Government's emphasis on building country capacity and using country systems bodes well for future absorption of resources to accelerate progress toward the MDGs and other national goals.

Ghana

Background. Ghana is one of the countries with the strongest reform records in the region, having maintained sustained real GDP growth and improvements in human development indicators for over two decades. This performance has improved further in recent years, with real GDP growth averaging 5.7 during the last three years, up from a 4.5 percent average over the previous twenty years, and significant improvements in human development indicators, ranging from the reduction in the poverty headcount index to increases in primary school enrollment. These improvements have happened against the backdrop of prudent fiscal management and increases in public and private investment. The challenge now facing the Ghanaian authorities is sustaining the current economic expansion, keeping the country on track toward meeting the Millennium Development Goal (MDG) of halving income poverty by 2015.

*Immediate opportunities to scale up results.*⁹ To help meet this MDG challenge, there is the need to increase aid flows to complement public resources and accelerate investments. To accelerate growth, the Government's updated growth and poverty reduction strategy focuses on enhancing the prospects for the expansion of agriculture (given its importance for employment generation, poverty reduction and output growth), improving general infrastructure, raising labor productivity through investments in education and health, and encouraging private sector development by lowering the cost and increasing access to capital. These efforts are estimated to require additional expenditures, including capital expenditures, in the order of 4 percent of GDP per annum for the 2007-2009 period, entailing annual outlays in the US\$500 million range. It is important to note that these additional investments would be above and beyond the around 10 to 13 percent of GDP in planned public investments for which funding has already been identified.¹⁰ Specific investment needs identified in the government's investment plans include around US\$150 million annually for water and sanitation infrastructure, another US\$150 million annually for highways and feeder roads, around US\$120 million annually for agricultural infrastructure, and about US\$600 million for the conversion and expansion of the country's thermal power generation capacity. This last set of investments would allow the country to replace expensive oil-burning thermal generation capacity for gas-powered turbines, drawing on the gas that will be made available through the West Africa Gas Pipeline (WAGP). The expected results from these investments include: (i) raising the primary 6 completion rates to 100 percent already by 2012,

⁹ Preparations for the Ghana CG meeting were ongoing in parallel with finalization of this note. As a consequence, some of the material in this section may have been subsequently updated prior to finalization of the Ghana GG documentation

¹⁰ Identified sources of foreign funding for public investments include official grants, concessional lending and debt relief (HIPC and MDRI).

three years earlier than the original target date of 2015; (ii) increasing the number of children under five years of age sleeping under insecticide treated bed nets to 25 percent by 2010; (iii) broadening access to water and sanitation from the current levels; (iii) improving the road condition mix to 70 percent good, 20 percent fair and not more than 10 percent poor; (iii) raising the access rate to electricity above the present 45 percent level; and (iv) deepening telephone penetration from the present 8.5 percent level to 25 percent by the end of the decade.¹¹

Managing additional aid flows will require maintaining the current macroeconomic policy stance and continuing to crowd in private sector investment. Maintaining current macroeconomic policies stance should translate into the continuing implementation of prudent fiscal policies, allowing further reductions in the domestic debt to GDP ratio, and ensuring that the overall fiscal deficit remains financed primarily on a concessional basis. Many of the preconditions for this increase in inflows are already in place, including an improved public expenditure and financial management that now meets 8 of the 16 HIPC public expenditure management benchmarks, up from 7 benchmarks at the time of the 2004 HIPC AAP assessment, and 1 benchmark in 2001. Areas of specific progress include: (i) broadening the coverage of the budget, (ii) preparing timelier external audit reports of the consolidated fund account, and (iii) reducing arrears to public sector service providers. These steps are important because improved fiscal management will play a critical role in offsetting the impact of external transfers – including official grants, debt relief and private remittances, which are already high and are projected to continue increasing. Absorbing these inflows, without compromising the performance of the export sector, requires ensuring that these resources are directed toward areas that encourage increased economic productivity, including investments in services for human development (e.g., education, health) and in public infrastructure that augments the productivity of the private sector.

Country-led development process. Ghana's progress in donor harmonization provides scope for absorbing additional aid flows. The Ghana Growth and Poverty Reduction Strategy (GPRS) has created the momentum for a significant group of donors to align their budgetary support under a common framework, the Multi-Donor Budgetary Support (MDBS), providing a framework for policy dialogue and decisions linked to progress in the implementation of the GPRS. The MDBS has been in operation for the three years now, raising the amounts provided through budget support to around US\$300 million annually. The MDBS framework is grounded on a strong policy dialogue at the sectoral level, and includes a joint Progress Assessment Framework (PAF), with triggers and benchmarks, that provide a fully harmonized way of tracking progress on actions and outcomes. This framework is being expanded, with the establishment of the Ghana Annual Partnership Meeting (GAMP), which aims at scaling up aid and accelerating the implementation of the GPRS.

In an effort to bring together a stronger link between resources and results, in the June 2006 CG meeting, key documents include: (i) Development Partner Support Overview, with the latest figures on actual disbursements for 2003-2005 and 'projections' for disbursements over the period 2006-2009; (ii) a Results Matrix; and (iii) a Harmonization and Aid Effectiveness Action plan. Continued efforts are planned to tighten the interface between the resources and results matrices, and to augment the resource matrix to also include own resources.

¹¹ Penetration should increase quickly because, once the telecommunication network backbone is completed, the entry costs for private providers is relatively low, allowing faster penetration.

Mozambique

Background. Mozambique is an example of successful “turnaround” country. A sustained recovery from the brutal civil war of 1977-92 has been built on macroeconomic and structural reforms, political stability and increasingly cohesive donor assistance. GDP has grown as an average annual rate of over 8 percent since 1995; poverty was reduced from 69 to 54 percent between 1997 and 2003; gross enrolment rate in lower primary school increased from 56 percent in 1995 to 110 percent in 2003; infant mortality fell from 149 per 10,000 in 1995 to 101 in 2003; and roads in good or fair condition have risen from 10 percent to 70 percent of the network. While these are truly impressive results, significant challenges remain.

Development vision and immediate opportunities to scale up results. To help meet these challenges, there is significant scope to scale up rapidly the effective use of aid. To launch a meaningful scaling up exercise, at least \$150-200 million per year is needed. Scaled up resources would be deployed for investments—especially infrastructure investments—to support accelerated growth. This is an area that the Government is increasingly focusing on, including in its revised poverty reduction strategy, PARPA 2, which is expected to be finalized in September 2006. PARPA II will have a stronger focus on growth and the productive sectors than did the PARPA of 2000, with increased Government ownership and donor harmonization facilitating a strong focus on the key financing gaps. Assessments in key areas are currently being prepared with support from various development partners. Key infrastructure sectors have been identified where further investments would have a direct impact on growth, including in particular water supply, water resources infrastructure, and water for irrigation.

Water Supply. Mozambique has one of the lowest primacy rates in Africa, with an increasing share of the population living in secondary urban centers. At the same time, the potential for increased productivity associated with improved access to water services in urban centers is high. In this context, at an average cost per water connection of about \$200, an investment of \$30-35 million (including \$5 million for operating costs) would bring improved access to water supply to an urban population of 2.4 million in six municipalities, or in 15 small towns. If additional financing became available it could be used to replicate in new high growth potential provinces the delegated management model that has been successfully piloted in the five main cities. New financing could also be used where services are most needed (for example in the northern part of Mozambique, where Bank financing could help leverage resources from other partners). The Bank is currently providing a \$90 million credit in support of the delegated management model, and requests have come from other donors, the water management company and Government to scale-up the initiative. For the rural population, a capital investment of \$15 million would provide access to 1,500 new boreholes and wells for 450,000 additional people (assuming a cost of \$10,000 per borehole serving an average of 300 people). If additional resources were secured for both urban and rural services, with a full scaling-up investment of \$85 million about 2.8 million people would benefit from improved access in six municipalities, fifteen small towns and among the rural population, and about 2.4 million would have better water supply service in municipalities and small towns.

Water Resource Management. Mozambique faces recurrent droughts and floods which have severe impact on growth. Vulnerability to natural disasters is being addressed by strengthening Government’s capacity to manage water resources, and by identifying areas where

financing of water infrastructure is most needed. An ongoing Water Resources Assessment and a Zambezi Basin Multi-Sector Investment Opportunities Study will help to identify investments which would have the greatest impact. The investments—which could benefit from scaling-up support—would aim to increase water yields in the potentially water-scarce river basins. These would include: small dams to address the Government's plan to double irrigated areas and to secure provision of water pro in the main urban areas; upgrading of hydraulic structures to improve water supply in Maputo and water supply for irrigation; dam, reservoir, small treatment plant to serve the city of Ressano Garcia; medium multi-purpose dams in Nampula, Nacala and Quelimane; community-based sustainable management and development of water resources of small streams groundwater resources and local watersheds in Nampula province and other unserved areas. Increased water security and improved management would also have an impact on irrigation.

Rural Connectivity. One of the main constraints to growth is access to markets and services in the predominantly unserved rural areas across Mozambique. Rural connectivity continues to be an area where financing is lagging, and would benefit from scaling up finance. Additional investments would bring results in terms of access, productivity and growth. Especially high returns would be generated by road construction and sustainable maintenance systems of the rural network in currently unserved areas of the Zambezi Valley and other areas with strong growth potential. GIS-based analysis is revealing the scope of areas not connected to the main network, and will allow prioritization of investment in transport, and a focus on areas with the highest growth potential.

Preparing for more comprehensive scaling up. The Government has been effective in channeling aid resources towards the productive sectors, and this aid is estimated to contribute one percentage point of GDP growth per year¹², mitigating the risks associated with aid dependency and Dutch disease in particular.

While aid volumes are high, there is also an exit-strategy associated with the type of scaled up investments discussed above. In accelerated efforts to rebuild damaged infrastructure, investments support “catching-up” and represent a one-time expansion of resource requirements. Furthermore, PARPA II stresses improvements in the Government’s revenue collection ability as an important priority for ensuring sustainable long-term financing for priority sectors. The government has taken measures to improve fiduciary accountability; has plans to roll out an integrated financial management system designed to improve the transparency in the use of public resources; has approved a new public procurement code; and has taken steps to strength its Central Anti-Corruption Agency.

Country-led development process. Mozambique has made good progress on alignment and harmonization, and has well established good donor coordination mechanisms. The past two years saw the development of a more mature dialogue between the Government and its development partners. Increased ownership and better articulated, realistic development priorities accompanied the harmonization process which developed from the 2004 Memorandum of Understanding between Government and donors providing budget support. Government chose Joint and Mid-year Reviews, which are aligned with the governments planning, budget, and

¹² Country Economic Memorandum, World Bank, September 2005.

decision making cycles, as the chief vehicle of donor support, replacing the traditional pledging approach of Consultative Group meetings. Aid modalities have been rapidly shifting from sector and project funding to direct budget support, which now represents 30 percent of total aid. Increased harmonization has helped focus on the PARPA objectives, catalyzing Government's and donors resources toward the priority sectors.

Rwanda

Background. Rwanda has made a remarkable transition from reconstruction to development over the past eleven years. The 1994 genocide decimated Rwanda's fragile economic base, decimating human and physical capital and increasing poverty from 45 percent to 78 percent. Since then, substantial progress has been made in reversing this trend and rehabilitating Rwanda's economy, supported by decisive governance measures and economic reforms. Initially, efforts focused on the immediate challenge of improving education and health outcomes, with less focus on measures to sustain rapid economic growth. During the early recovery, the economy grew by 70 percent between 1994 and 1997, with continued strong performance through 2002. However, more recently, the poor state of Rwanda's infrastructure is beginning to constrain the prospects for sustaining robust growth.

Immediate opportunities for scaling up results. Rwanda is in the process of updating its poverty reduction strategy (Economic Development and Poverty Reduction Strategy). However, the authorities have already identified that lack of investments to support growth was a gap in their first strategy. Significant opportunities exist now for expanding investments in both roads (to increase accessibility and to better integrate this landlocked country with its neighbors) and irrigation (which has the potential to be a strong engine for pro-poor growth). In addition, there are incremental opportunities to expand vital, proven programs. To launch a meaningful scaling up exercise, initially at least \$50-80 million per year is needed.

In the transport sector, rehabilitating the poor sections of the key roads linking Rwanda to the sea through Kenya, Tanzania, and Uganda and to its neighbors DRC and Burundi, would cost about \$150 million more than is currently available, and would be instrumental in addressing one of the key constraints to economic growth—the enormous cost of transport which represents half of the cost of import and exports. An additional \$8 million per year could be well used to help maintain existing investments in good condition. Equally important is the development of marshlands for irrigated agriculture which would make double- and triple-cropping possible and increase crop yields. Currently, only 10 percent of the targeted land has been developed for irrigation. An additional annual investment of \$10 million per year over 10 years would help sustain the process that is now being made.

Country-led development process. Furthermore, there are incremental opportunities to expand vital, proven programs. For example, \$5 million per year could be used to scale up activities initiated under the Rwanda HIV/AIDS multi-sectoral, multi-donor, high performing program. This would help ensure a continued strong prevention program since funding by many donors is now mainly directed at curative activities, with the result that the incidence of the disease could be further reduced. In the case of malaria, an additional \$32 million could be used to ensure significant progress toward achieving the MDGs related to reduction in malnutrition,

child mortality and the incidence and prevalence of malaria. Similar opportunities exist in water and sanitation.

In its recently completed Joint Budget Support Review (April 2006), the donor community strongly agreed that aid in Rwanda is efficiently utilized. Actions are ongoing to continue to strengthen public financial management and to link the budget process to outcomes and output through the costing of the MTEF. In addition, since 2003, budget execution is reported on a monthly basis for the key sectors through a “flash report” mechanism. The government is also taking action to coordinate capacity development efforts on a national level. Needs assessments for capacity building have been completed, and prioritized for those agencies where needs are most pressing. Based on these needs assessment, Government has already engaged donors, to provide support for capacity building, through various trust funds and pooled fund arrangements. The Government is coordinating this effort through its Human Resource Development Agency.

The Government is increasingly engaged in leading the coordination agenda, including identifying lead agencies in particular sectors. It has also co-chaired with the UNDP Roundtable meetings, the last of which took place in March 2004. Increasingly, external partners have enhanced their field presence, improving donor coordination efforts. There are also a Harmonization Framework for Budget support, and the Government chairs bi-annual budget reviews. Finally, Government is currently in the process of preparing an Aid Policy Paper to regulate and monitor aid flows while clearly stating its expectations and commitments. It articulates the Government’s preferences regarding the types of external assistance and the processes to be adopted in the negotiation and management of external aid, and provides the basis for attracting increased volumes of assistance needed in the medium term for Rwanda to meet its development objectives.

Tanzania

Background. Tanzania has established a solid track record of macro-economic stability for almost a decade and has pursued an ambitious program of structural reform resulting in an acceleration of economic growth from about 2 percent annually in the nineties to an average of 6.5 percent during the past five years. Infant mortality rates have dropped from 100 (per 1,000 live births) in 2000 to 68 in 2005 and child mortality has decreased from 156 in 2000 to 112 in 2005. Net enrollment rates for primary schooling of boys and girls increased from 59 percent in 2000 to 95 percent in 2005. And the percentage of the population with improved access to water increased from 32 percent in 1990 to 58.3 percent in 2003 (73 percent in urban areas and 53 percent in rural areas). Still, significant challenges remain in addressing development priorities such as achieving environmental sustainability, accelerating progress toward health targets (including for child and maternal mortality) and for combating diseases like HIV/AIDS and malaria. In addition, challenges remain in dealing with rural-urban and inter- and intra-regional disparities in income poverty and service delivery.

Immediate opportunities for scaling up results. Tanzania, which receives aid levels well below what would be predicated based on policies and institutions, is well placed to absorb substantial additional funds quickly. To launch a meaningful scaling up exercise, initially at least \$200-250 million per year is needed; more could be effectively used. With a second generation poverty reduction strategy (Mkukuta) focused on achieving the MDGs-plus, linked to a medium-

term expenditure framework, opportunities for scaling up are broad in scope. There is a good sectoral level understanding of where and how additional resources could be used effectively. There are early opportunities in education, health and nutrition, the transport sector, urban infrastructure and water supply, energy, agriculture sector support systems, including irrigation, as well as regional communications and infrastructure. For example, the annual estimated financing gap for primary education till 2010 is \$75 million. This additional funding would allow primary school completion rate to rise to 100 percent by 2015, meeting that MDG. There are also large scale opportunities in all other levels of education. In health, while addressing human resource constraints is part of the longer-term strategy, additional funds for existing activities, in particular the procurement of commodities (around \$50 million annually for anti-malarials, contraceptives, condoms, and essential drugs), would not require additional implementation capacity and also mitigate macroeconomic risks. In the transport sector, an additional \$150 million per year could result in reducing the portion of the country's main road network in poor condition to about 10 percent and reducing currently high transport costs by road (from around 15 US cents per ton-km to closer to international levels of around 10 US cents per ton-km) making the country more attractive for private investments. Comparable results are feasible in other sectors mentioned above.

Tanzania has the prerequisites for effective absorption of additional funds at the relatively incremental levels proposed above. Furthermore, there is ongoing discussions and diagnostics to identify and address constraints—which vary by sector—that may prove binding over the medium-term to the effective absorption of significant increases in development finance. Tanzania has a well defined growth strategy and a medium term expenditure framework to which government is committed, an improved governance framework with new legislation on financial and procurement management, and it continues to implement a maturing public and local government reform program which increasingly permits increased flow and management of funds at the point of use. Furthermore, development and implementation of the MKUKUTA has taken place in the context of a significant overhaul of national planning and budgeting systems aiming at comprehensive results based management, increased domestic accountability and greater alignment and harmonization of external financing. And in many cases, in the short-run, additional assistance could be disbursed readily through existing mechanisms.

Country-led development process. Strong donor coordination mechanisms are also in place. From 2002 to date, the Government has launched a framework for managing foreign aid resources: the Tanzania Assistance Strategy (TAS), an action plan for harmonization of procedures, including procedures to channel donor project funds through the Exchequer system. Overall, Government-Donor relationships are focused on testing a series of harmonization measures. An Independent Monitoring Group has been commissioned to review progress in raising aid effectiveness by reducing transaction costs. Its first report was presented to the CG Meeting in December 2002 and another report has been completed in September 2005. Since mid-2004, the Government of Tanzania is leading a process to develop a Tanzania Joint Assistance Strategy (JAS). Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between the Government and its development partners (DPs). In particular, the JAS aims to embed fundamental principles that strengthen national ownership of the development process, and harmonize donor and government processes and procedures in ways that make aid more effective, and easier to manage.

Eleven bilateral agencies, the African Development Bank, the World Bank and the European Commission have allocated a substantial proportion of their aid envelopes in the form of budget support for the MKUKUTA, and the group has adopted a common performance assessment framework with focus on results, improved public expenditure management, and capacity building. The PER/MTEF process, aligned to government timetables and involving all key stakeholders, is now the established framework for donor-government policy dialogue.