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**Research Report**

## Puzzles of macro and micro linkages: Evidence from evaluations

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## Puzzles of macro and micro linkages: Evidence from evaluations

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The focus of much development work is rightly placed on how well projects are designed and executed. Yet doing projects in the right way is not enough to achieve satisfactory country and sector results. In fact, the puzzles of this disconnect between micro level project results and macro level country program results suggest that the aggregate sense of outcomes from a project-by-project review does not adequately reflect direct measures of achievement for the country.





.../... The temptation to attribute results too readily to actions that were expected to achieve such results without investigating causality or accounting for the influence of other factors at play—or even considering whether these actions were contributing factors and what conditions are required for planned actions to work—is actually one limit of development.

With a focus on the linkages between project and country level results, this short note draws on evaluative evidence from the Independence Evaluation Group (IEG). By illustrating the difference between project and country program ratings, discussing the project and country program outcomes, and examining the many factors of the results framework beyond projects that drive development effectiveness, it shows that the direct translation from micro and macro level results should not be assumed *a priori*.

## ► Project and country program ratings differ

In a review of all World Bank project and country evaluations since 1993, IEG's aggregate project outcome ratings were higher than aggregate country program outcome ratings (IEG 2009a). This difference holds when comparing the country program ratings with the project ratings in the same countries. As of April 2009, 24 of the 88 reports completed had satisfactory aggregate project outcomes but unsatisfactory country program ratings (table 1).

**Table 1.** Country and project outcome ratings (percent)

IEG implementation completion report reviews	IEG country assistance strategy completion report reviews	
	Satisfactory	Unsatisfactory
Satisfactory	64	27
Unsatisfactory	3	6

**Note** Implementation completion report reviews include only investment lending and development policy lending. The outcomes of some recently completed projects are not included due to the time lags between project completion and review.

**Source** World Bank database.

Project outcome ratings differ from country program outcome ratings for several reasons. Evaluative work is informed by an understanding of how country outcomes relate to project outcomes but are shaped by other considerations, too. Outcome objectives at the project level and country program level and their ratings differ. Country program results are more often conditioned by interventions outside projects, some within and some beyond the control of the many players. Particularly, knowledge, the political economy, and the global environment affect both country and project outcomes.

## ► From project to country program outcomes

Outcome objectives for the country are broader and not a direct translation of those for the project. Project outcomes frequently are narrow or specific (such as access to schooling), whereas results generally are broader beyond the project (such as competitiveness).

Project and country program ratings are useful measures of outcomes at their respective levels. The project ratings refer to those completed during the period, whereas the country ratings may reflect a broader set of projects as

well as analytical and advisory activities. Hence, project ratings and country program ratings measure different objectives, with no fixed relationship between the results frameworks for the project and the country.

Project outcome ratings provided in project implementation completion reports assess the extent to which the project achieved or is expected to achieve its relevant objectives efficiently. Country program outcome ratings in reviews of country assistance strategy completion reports reflect the Bank's contribution to country outcomes, or the results set out in the country assistance strategy. So, project ratings are not additive in producing country program ratings. Even when project ratings are high, outcomes at the country level may not be satisfactory—or vice versa. Empirically, country program ratings have differed from project ratings.

A country evaluation must assess the size, composition, and type of lending, as well as other types of interventions. A country evaluation yields a more complete picture of the outcome of programs at the country level because it provides comprehensive coverage of the activities in a country during a given period. The country outcome may be unsatisfactory if there are critical omissions in the country assistance strategy, even if the project outcomes are satisfactory.

Country evaluations consider the relevance of the program, the achievement of objectives against standards set in the country assistance strategy, the quality of interaction with the government, and the quality and relevance of analytical work. Project evaluations assess whether the (narrowly) set objectives of the project are met. Whether the objectives in the strategy are achieved depends on the whole set of interventions that support the country's chosen objectives and program. In addition, country outcomes depend on the country's initiatives, such as policy changes and inputs from other

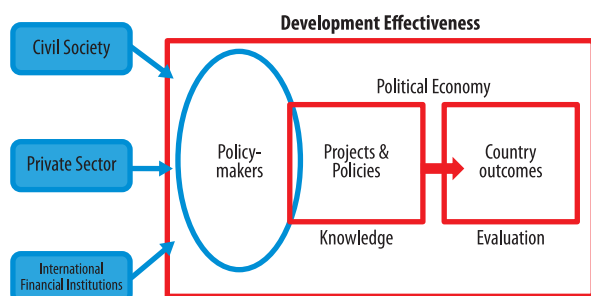
development partners, and developments such as natural disasters or financial crises—not solely on the success or failure of the projects.

The Chad-Cameroon oil pipeline project shows how project and country outcomes are measured against different objectives. The project was rated as satisfactory, technically well implemented, and a financial success. But the main objectives at the country level—capacity building to manage the petroleum sector and helping Chad reduce poverty and improve governance—were not met. To the contrary, the oil revenue windfall was associated with a resurgence of civil conflict and a worsening of governance. The main reason: the lack of government ownership of the project objectives, with repeated violations of the basic agreements (IEG 2009b). No alternative program design or closer supervision would have achieved the program's objectives without a much stronger government commitment.

## ► Knowledge services and external factors matter

Doing projects right is an important aspect of achieving country outcomes, but factors beyond the project can have large, sometimes critical impacts at the country level. Many other factors can come into play (figure 1). The country context, the interaction among projects, the scale of projects, and the policy setting are some of the added factors that bear on country results. International financial institutions, the private sector, and civil society all play a role in development effectiveness directly and indirectly through influencing policy makers. Country policy makers are central to this process.

**Figure 1.** Political economy, country program outcomes, projects, and policies



There is substantial room for improvement in development effectiveness through more coherent, well-tailored country programs and through project improvements. There is no fixed relationship over time and across countries between the results framework at the project level and that at the country level. Even if the relationship between the project results frameworks and the country program results frameworks was correctly defined so that it is stable over time and across countries at the project level, factors other than project outcomes should, with the appropriate time lag, affect country program outcomes. Among the issues are the relevance of the country strategy and how the different kinds of interventions come together: policy dialogue, complementarities with other sectors, with analytical and advisory activities, and with policy, lending, and global initiatives (IEG 2010).

Analytical and advisory activities, like lending, can also drive country outcomes. Such activities account for a third of the World Bank's outlays for country services, exceeding those for lending or supervision. Economic sector work, technical assistance, and country dialogue contribute to country knowledge and performance through different channels. Project interventions are more successful when based on in-depth analytical work (IEG 2008).

One example of impactful technical assistance is the help provided to Sri Lanka in instituting standardized small power purchase agreements to facilitate access to the power grid. Another example is the well-timed, high-quality knowledge products that helped Egypt formulate policy, reduce poverty, and develop human resources in the early 2000s, despite the World Bank's small financial contribution. Similarly, analytical work, capacity building, and demonstrations contributed to favorable renewable-energy payment schemes, stimulating more than 20 gigawatts of installed wind capacity in China and hundreds of megawatts under construction in Mexico.

External factors, besides affecting project outcomes, often play a large role in achieving country impact. Policies can have an overwhelming impact on country programs. A recent review (IEG 2011) indicates that country outcomes were correlated with country governance, measured by Country Policy and Institutional Assessment (CPIA) data, but not with country income, measured by GDP per capita. Just 4 of 19 programs in countries with low CPIA governance scores (3.2 or less) had satisfactory outcomes, compared with 75 percent in those with high CPIA governance scores. When policies are off course, projects do poorly.

An evaluation showed a large difference between countries that borrowed from the Bank for public sector reform and those that did not (2). Overall, borrowers had a 73 percent improvement rate and nonborrowers a 48 percent improvement rate, though across regions the incidence of lending and the correlation of public sector reform lending with changes in governance scores varied.

**Table 2.** Public sector reform lending can produce higher governance scores, 1999–2006

Region	With Bank public sector reform lending		Without Bank public sector reform lending	
	Percent	Number	Percent	Number
Sub-Saharan Africa	70	30	47	15
East Asia and the Pacific	70	10	56	9
Europe and Central Asia	90	20	86	7
Latin America and the Caribbean	75	20	25	8
Middle East and North Africa	57	7	0	2
South Asia	50	6	0	1
Total	73	93	48	42

Source: IEG 2008d.

The difference in CPIA scores between countries with and without Bank public sector reform lending is large across all regions except Europe and Central Asia, where the improvement for countries getting public sector reform lending is the highest—90 percent—but the improvement for nonborrowers is almost as high. A common external factor explaining some of the performance improvement in this region seems to be the need to meet requirements for accession to the European Union. Almost all the countries in Europe and Central Asia that did not borrow for public sector reform in 1999–2006 were among the first from the East to join the European Union and had completed reforms before 1999.

In short, project and country level results differ. Country development is affected by many factors other than projects, so outcomes at the two levels do not always correspond. After all, the objectives, scope, criteria, and measures at each level are different. There also are different actors, and the external influences at work can differ, too.

Stronger overall results emerge from the nature of the policy regime and how well projects are connected with each other in augmenting their effectiveness. Positive project outcomes do not necessarily translate to positive country outcomes. Achieving satisfactory project outcomes are different from achieving satisfactory country outcomes. Factors bearing on country results can be within the control of the government, donor organizations, or other actors—or beyond the control of any of them.

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