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MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Omar KABBAJ
President

SUBJECT : REVIEW OF 2002-2004 COUNTRY STRATEGY PAPERS *

Please find attached the above-mentioned document.

Attach:

cc: The President

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**AFRICAN DEVELOPMENT BANK
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**REVIEW
OF
2002-2004 COUNTRY STRATEGY PAPERS**

OPERATIONS EVALUATION DEPARTMENT

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Abbreviations and Acronyms

ADB	African Development Bank
ADF	African Development Fund
AIDS	Acquired Immune Deficiency Syndrome
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy (World Bank)
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CSF	Country Strategy Framework
CSP	Country Strategy Paper
CSPR	Country Strategy Performance Review
CG	Consultative Group
CLS	Core Labor Standards
CPAR	Country Procurement Assessment Report
CPR	Country Portfolio Review
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (United Kingdom)
ESW	Economic and Sector Work
EU	European Union
GDP	Gross Domestic Product
HD	Human Development
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
I-PRSP	Interim-Poverty Reduction Strategy Paper
JAS	Joint Assistance Strategy
JSA	Joint Staff Assessment (IMF-World Bank)
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
NDA	National Development Agenda
NGO	Nongovernmental Organization
OECD	Organisation for Economic Co-operation and Development
OPEV	Operations Evaluation Department
PCR	Project Completion Report
PEAP	Poverty Eradication Action Plan (Uganda)
PPER	Project Performance Evaluation Report
PRSL	Poverty Reduction Support Loan
PRSP	Poverty Reduction Strategy Paper
QAG	Quality Assurance Group
RMC	Regional Member Country
RBCSP	Results-Based Country Strategy Paper
SWAp	Sectorwide Approach
UNAIDS	Joint United Nations Programme on HIV/AIDS
UN	United Nations
UNDP	United Nations Development Programme
WTO	World Trade Organization

Executive Summary

1. In 1994, the Bank Group replaced the Economic Prospects and Country Program with the Country Strategy Paper (CSP). It would be the key instrument for managing assistance to borrowing regional member countries (RMCs), as well as the business plan for providing support to national strategies for poverty reduction. The objective was to improve the quality of the CSP so as to enhance the delivery and development effectiveness of the assistance rendered to RMCs. Three CSP programming cycles were completed in 1996–1998, 1999–2001 and 2002–2004.
2. Since 1994, the Bank-annotated CSP format has evolved broadly in line with the requirements of the replenishment cycles of the African Development Fund (ADF). After the 2002–2004 CSP period, the Bank Group will be adopting a results-based CSP format. The preparation of the 2002–2004 CSPs (which fall under the ninth ADF replenishment) has been guided by six key principles of the new, annotated format:
 - (i) Poverty focus;
 - (ii) Client ownership and strategic partnership;
 - (iii) Strategic selectivity, scenarios and triggers;
 - (iv) Self-evaluation from experience;
 - (v) Governance and regional integration; and
 - (vi) Outcome indicators.
3. This review assesses the 2002–2004 CSPs against these six guiding principles. The effectiveness of the CSPs as managing and planning tools for the Bank is also considered. The assessment draws on lessons learned for improving the quality of the new generation of results-based CSPs. It uses a combination of desk reviews of 36 CSPs (processed and approved during the ADF-IX period) and other Bank documents, questionnaires, personal interviews with selected Bank staff and RMC officials, and five country field visits.
4. A major finding is that *the CSP guiding principles are applied but the quality of CSPs varies considerably*. Compared with previous CSPs, the application of the guiding principles has resulted in reports of a relatively better quality. Analysis of poverty and poverty challenges has been strengthened. Governance and coordination with other donors are emphasized, and CSPs are prepared through a process involving stakeholder consultations. There has also been a noticeable improvement in selectivity. The quality of the CSPs, however, varies with the degree to which the guiding principles have been applied.
5. Most CSPs satisfactorily reflect the principles of governance, client ownership, strategic partnership and strategic selectivity. Application of the principles of poverty focus, outcome indicators and use of self-evaluation findings and scenarios, however, has substantial shortcomings. About one third of the CSPs are satisfactory in this regard. Furthermore, only half of the 2002–2004 CSPs adequately apply at least four of the CSP guiding principles, and are therefore deemed satisfactory.
6. The extent to which the CSP guiding principles are applied is largely influenced by the inadequacies in analytical work and operational guidelines, as well as the tight deadline of the ADF-IX cycle. The Bank is limited in economic and social sector work, including self-evaluation work, gender and governance profiles. Most RMC poverty profiles, which are essential for poverty diagnosis and planning, have not been updated for the past five years. Moreover, the country teams' weak capacity to perform poverty analysis and do planning limits the translation of the principles of poverty focus and outcome indicators. Add to this the

relatively high workload of some country team members. Also, operational definitions for concepts such as comparative advantage and scenario building are not provided. Their interpretation is therefore subjective, and results might differ.

7. Another finding is that *the CSP process is comprehensive and participatory, but country team coordination is weak*. The CSP mechanism improves stakeholder participation, but is limited by weak country team coordination and the relatively insufficient presence of country offices in the RMCs. Although the format facilitates the preparation of CSPs, its application is limited by the lack of practical guidelines. Such guidelines would provide common ground for interpretation, as well as contribute to an appropriate monitoring system.
8. A third important finding is that *the CSP has the potential to be an effective tool for Bank planning and management*. The CSP provides strategic directions for Bank interventions, as well as giving vital information on political, economic, social and development policy changes in the RMCs. It assists in:
 - Carving out an appropriate medium-term strategy and lending program;
 - Identifying potential areas of intervention in support of the private sector and crosscutting issues; and
 - Dealing with country solvency and Bank risks.
9. The realization of the full potential of the CSP as a planning and managing tool, however, is constrained by the limited analytical work and lack of operational definitions and procedural guidelines. The CSP also needs an effective monitoring and evaluation (M&E) system.

10. Recommendations

The Bank is adopting results-based CSPs, with guiding principles similar to those of the 2002–2004 CSPs. To facilitate the adoption of this new generation of CSPs, efforts should be directed at improving the key areas listed below.

- 10.1 ***Strengthening the capacity and coordination of the country team.*** The mismatch between country team capacity and the demands of results-based CSPs should be reduced. The existing coordination mechanisms should be revisited to provide clear terms of reference for the teams and individual members; to rationalize the location of the budget and cost centers; and to strengthen the role of the country office. To this end, the Bank should continue to train the teams in the following areas:
 - Results-based CSPs (including the design and implementation of appropriate M&E systems);
 - Teamwork;
 - Poverty diagnosis; and
 - Analysis of the impact of public actions on poverty reduction and inequality.

The Bank should encourage on-the-job training. Country teams need to engage in periodic review meetings for learning and for improving their performance.

- 10.2 ***Supporting the preparation of operational guidelines.*** Country teams should be given operational guidelines for using the key concepts of the new results-based CSP approach. This will reinforce the desired effects of training and ensure that the concepts are properly applied. It will also be possible to monitor the extent to which the results-based principles have been put into operation.

- 10.3 ***Supporting analytical work.*** This includes the profiles of crosscutting issues (e.g. poverty, gender, governance and others), self-evaluation work, and other relevant economic and social analyses. Such work is essential to informing the results-based CSPs and improving their quality. Resources should be allocated to the establishment of comparative advantage or domains where the Bank's interventions will have the greatest development impact. While efforts to undertake independent and self-evaluation work should be enhanced, existing work should be fully exploited. As high-quality national poverty profiles are generally expensive, the Bank should continue to assist RMCs and other donors in mobilizing resources for such studies.
- 10.4 ***Broadening stakeholder participation.*** For key stakeholders to buy into the CSP, it is vital to obtain their effective participation. The recent pace of establishing country offices is commendable and should be continued. This will improve the Bank's presence in the RMCs and help to ensure that key stakeholders participate effectively in the CSP process and country dialogues. Mechanisms for stakeholder consultation should be improved to broaden their participation in the CSP, especially when draft CSPs need to be validated.
- 10.5 ***Improving the RMCs' analytical capacity.*** The Bank should continue to support appropriate training for RMCs to strengthen their analytical capacities in poverty analyses, planning and monitoring. Their participation in the results-based CSP processes also needs to be enhanced.
- 10.6 ***Enhancing CSP performance monitoring.*** CSPs should incorporate effective M&E systems, using appropriate outcome indicators. This will help to track CSP implementation performance and assist in the preparation of a completion report.

1. BACKGROUND AND METHODOLOGY

1.1 Background

1.1.1 The Country Strategy Paper (CSP) of the African Development Bank (ADB) is an important and principal tool for Management and the Board. It is used in planning and managing the operations of the Bank in regional member countries (RMC). The frequency of CSP preparation was made to coincide with the replenishment period of the African Development Fund (ADF). The CSP has been evolving constantly, changing in format and focus in every cycle, in response to new priorities in development assistance.

1.1.2 The CSP has improved considerably, both in content and process, since it was first introduced in 1994. As the Bank's vision became increasingly centered on poverty reduction, there was a greater focus on:

- Analysis of the country's own development agenda and priorities;
- Stronger macroeconomic analysis;
- Better coverage of governance issues;
- Greater selectivity in the focus of Bank group interventions; and
- Information on the situation in other development institutions.

1.1.3 In 1994 and 1999 respectively, two annotated formats were prepared to guide the preparation of CSPs. Each format required incremental improvements in content and process. This present review does not offer a comparative analysis of CSP formats predating the 2002–2004 annotated format. Other reports of the Operations Evaluation Department (OPEV) that have done such analysis conclude that there have been significant improvements. These include: (i) expanded discussion on the Bank's past strategies; (ii) a new section on assessment of risks; (iii) the inclusion of non-lending activities; and (iv) refinements in the performance-based framework for allocation.

1.1.4 The present review is the first independent assessment of the content and process of the last generation of CSPs. It draws lessons from those CSPs processed and approved by the ADB Boards during the ADF-IX replenishment period. The objectives of this review are threefold:

- To assess the content and process of the 2002–2004 CSPs in the light of the Bank's approved format for 2002–2004;
- To assess the effectiveness of CSPs as the Bank's planning and managing tool; and
- To provide lessons for the next generation of CSPs.

1.2 Scope and Coverage of the Report

1.2.1 During the ninth ADF replenishment period (2002–2004), the ADB processed 36 CSPs.¹ A full list of the CSPs reviewed and assessed in this report is found in Annex I. Of these 36 countries, 31 are classified as low-income countries (Category A) and five as medium-income countries (Category C). Their geographic distribution is as follows: three from the North Region, eight from the South Region, seven each from the Central and Eastern Regions, and eleven from the Western Region.

¹ During 2002–2004, eleven CSP updates were also prepared but do not form part of this review.

1.2.2 Chapter 2 of this report assesses the scope and contents of CSPs, focusing on the six main principles emphasized in the new format (see 1.3.3). Chapter 3 reviews the CSP process, examines the effectiveness of CSPs as a planning and management tool for the Bank, whereas Chapter 4 presents conclusions and recommendations.

1.3 Review Methodology

(a) Approach and data sources

1.3.1 Data for the findings and conclusions of this report were obtained through a desk review of the 36 CSPs processed during ADF-IX, as well as other relevant Bank documents. Questionnaires, interviews and field visits were further sources of data.

1.3.2 The Bank staff questionnaire was sent to 16 organisational units involved in the CSP process, including country and sectoral departments. The questionnaire covered an assessment of the scope and content of CSPs; the CSP as a programming tool; and its connection with results. A slightly modified questionnaire was sent to the 36 countries under review. Of the 16 staff questionnaires provided, eight covering 16 countries² were completed and returned. Only two of the 36 countries responded positively to the questionnaire. Consultations and interviews were also held with selected Bank staff, and a field mission was undertaken in five countries (Benin, Chad, Guinea-Bissau, Mozambique and Tanzania).

(b) Analytical framework

1.3.3 The key principles of the CSP format provided the analytical framework for assessment. All 36 CSPs were assessed and rated against these principles³:

- ***Poverty focus:*** The CSP should design a strategy that conforms to the Bank's overarching goal of poverty reduction. It should be rooted in the country's Poverty Reduction Strategy Paper (PRSP), Interim Poverty Reduction Strategy Paper (I-PRSP), or its National Development Agenda (NDA).
- ***Client ownership and strategic partnership:*** The CSP should be based on broad stakeholder and donor consultations.
- ***Selectivity, scenarios and triggers:*** The CSP should articulate the Bank's strategy very clearly. It should prioritize the Bank's main focus and areas of operation in the country, based on specific comparative advantage, niche and track record. The CSP should use scenarios and triggers as devices to make more resources available to those countries that have satisfied objectives and measures agreed upon by the Bank Group and the RMC.
- ***Self-evaluation from experience:*** The CSP should include a frank discussion of the Bank's performance in implementing the previous CSP's strategy. The objective is to extract lessons from experience and to apply this knowledge fruitfully.

² Some completed questionnaires covered more than one country.

³ The ratings are: 1 = Highly unsatisfactory; 2 = Unsatisfactory; 3 = Satisfactory; 4 = Highly satisfactory.

- **Governance:** The CSP format stresses the need for candid diagnosis of the governance situation in the country and opportunities for regional integration. Where appropriate, these opportunities are addressed in the proposed lending and non-lending program.
- **Outcome indicators:** The CSP should be supported by a set of medium-term outcome indicators, as well as a sound monitoring and evaluation (M&E) system for assessing effectiveness.

1.3.4 Each of the above principles is considered as a dimension which is composed of sub-dimensions that are rated individually. Aggregate ratings for the dimensions have been obtained by finding simple averages of the ratings of the sub-dimensions (meaning that the latter have equal weight). Although a total of 36 countries have been covered, some CSPs do not have complete information on certain dimensions. For example, scenarios and triggers were not required for four countries (Angola, Botswana, Democratic Republic of Congo, and São Tomé and Príncipe). Consequently, the overall assessment is based on the ratings for 32 countries.

2. ASSESSMENT OF THE SCOPE AND CONTENT OF CSPs

2.1 Poverty Focus

2.1.1 The 2002–2004 CSP format emphasized the need for expounding the country’s vision, whether expressed in a medium-term framework, such as the PRSP, the I-PRSP or a NDA. Three criteria are used to evaluate the presentation and assessment (see Annex II) of the Bank’s poverty focus in the CSPs:

- Poverty diagnosis;
- Consistency of the CSPs with national strategies for poverty reduction and development; and
- Extent of coverage of pro-poor policies and activities in CSPs.

2.1.2 Consistency with PRSPs, (I-PRSPs) or NDAs is a very important requirement. All 36 CSPs have been found to be satisfactory in this regard. The treatment of other aspects of the poverty focus, however, appears less satisfactory. 75% of the CSPs are deficient in their poverty diagnosis, whereas all 36 CSPs lack coverage and analysis of pro-poor priorities and activities in RMCs. Judged by the three criteria listed above, the 26 CSPs’ overall treatment of the poverty focus is, therefore, considered unsatisfactory.

Poverty diagnosis

2.1.3 This criterion involves eight sub criteria, most of which deal with the adequacy, quality and appropriateness of:

- Data and analysis of country poverty profiles;
- Analysis of the social impact of proposed macroeconomic and structural reforms; and
- The extent to which data gaps have been identified.

In assessing these elements, 75% of the CSPs have been found to be less than satisfactory. Weaknesses in poverty diagnosis have been the result of: (i) outdated country poverty profiles; (ii) inability to introduce segregated statistics to depict the gender and regional dimensions of poverty; (iii) inadequate analysis of the causes, trends and determinants of

poverty; and (iv) inadequate analysis of past policies and programs on policy reduction. Moreover, it was expected to report on information gaps and recommendations there on for ESW in concerned areas.

Consistency with national poverty reduction or development strategies

- 2.1.4 The second criterion examines the extent to which the strategic framework of CSPs has been consistent or aligned with the PRSPs (I-PRSPs) or NDA. This criterion includes elements that assess the consistency between the objectives and priorities of the CSP and the Bank's poverty policy, and the country's PRSP/(I-PRSP). It also assesses the relevance of proposed CSP lending and non-lending activities in support of national poverty objectives and priorities. All 36 CSPs were found to be satisfactory in this regard.
- 2.1.5 As shown in Table 2.1, there is a global coherence between priority sectors or areas in the Bank's individual lending programs and priority areas in countries' medium-term strategies, as spelled out in their PRSPs (I-PRSPs) or NDAs. In fact, a comparison of PRSPs and CSPs for the RMCs reveals that the strategies and programs of both documents are highly concentrated in five common areas: (i) policy, institutional and governance reforms; (ii) agricultural and rural development; (iii) physical infrastructure; (iv) capacity building and human resources development; and (v) the social sector.

Table 2.1: CSP Sectoral Focus

<i>Sectoral focus</i>	% of PRSP*	% of CSPs
Policy, institutional and governance reforms	100	89
Agricultural and rural development	85	61
Physical infrastructure	72	42
Social sector	64	67
Capacity building	22	19

Note: * PRSP, I-PRSP or NDA.

Source: Extracted from individual CSPs.

- 2.1.6 For CSPs, policy, institutional and governance reforms⁴ are prominent areas of activity, followed by the social sector, agriculture and rural development, physical infrastructure, and capacity building, in that order. These areas of activity are globally aligned with the priority areas or sectors in the PRSPs (I-PRSPs) or NDAs. The exception is physical infrastructure, which is normally prominent in category C countries with NDAs, and for which poverty reduction may be one of several other priorities.
- 2.1.7 There are additional (I-PRSPs) characteristic features within these common broad areas of priorities in PRSPs/NDAs and the CSPs. Bank Group support of policy reforms has mainly been directed toward acceleration of sustainable economic growth, macroeconomic stabilization, fiscal reforms, and policy reforms in support of private sector development and good governance.

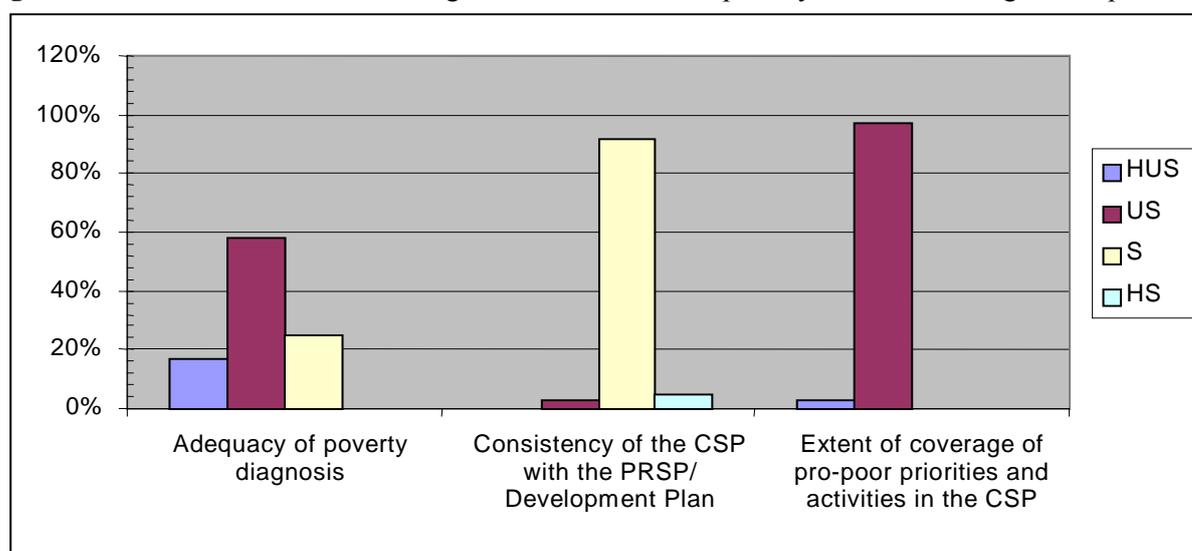
⁴ In only four (Botswana, Lesotho, Nigeria and South Africa) of the 36 countries, the Bank's medium-term lending program has not included policy-based operations.

- In the social sector, the Bank Group emphasizes accessibility to primary education, particularly for girls, and improvement of the quality of primary and secondary education through the development of curricula, teacher training and institutional development in the education subsector.
- In the health sector, the Bank focuses on improved accessibility to, and expansion of basic health services, benefiting the rural population in general and women and children in particular.
- In the agricultural and rural development sector, the Bank Group strategy centers on activities to benefit the poor, notably women. Also included are the intensification and diversification of crops, natural resources management, water harvesting and the development of small-scale irrigation.
- The Bank Group's operations in physical infrastructure have concentrated on rural roads, electrification, water supply and sanitation, in part as an accompaniment to rural development activities.
- The Bank's strategy in almost all the CSPs involves capacity building and human resources development, either as stand-alone operations or as components of other projects. For instance, all education and health operations involve capacity building and human resources development of some sort.

Extent of coverage of pro-poor policies and activities

2.1.8 The third criterion assesses the extent to which the CSP covers pro-poor priorities and activities. The sub-elements considered here include: (i) the extent of analysis of the sources of poverty reduction and/or pro-poor growth; (ii) analysis of social inclusion and equity; and (iii) the effectiveness of selected strategy priorities for pro-poor growth. The review has found that none of the CSPs presents an adequate analysis. The most serious shortcoming is inadequate analysis of social inclusion and equity, particularly in respect of gender. Here again, the reasons for this deficiency are due to analytical gaps in which the CSPs could have proposed support.

Figure 2.1: Assessment of CSP coverage of main elements of poverty reduction strategies and priorities



Key: HUS = highly unsatisfactory; US = unsatisfactory; S = satisfactory; HS = highly satisfactory.

2.2 Client Ownership and Strategic Partnership

(a) Client Ownership

2.2.1 The 2002–2004 CSP format requires that the Bank should ensure client ownership in its strategy and lending program. This requires increased dialogue with the government on strategy, policy issues and portfolio management, as well as broad consultations with community organizations on the Bank’s strategy and operations. The objective is to strengthen the country’s ownership of the strategy and lending program, and to improve the Bank’s understanding of the country’s issues, challenges and priorities. Assessment of stakeholder participation has been based on two criteria:

- (i) Intra-governmental representation; and
- (ii) Extent of stakeholder participation.

Intra-governmental representation

2.2.2 Stakeholder consultations were undertaken for all 36 countries, except Rwanda, due to the unsettled political situation there. In recent years, intra-governmental representation has been expanded to include representatives of regional and local governments, as well as central governments. About 60% of the stakeholder meetings have included representation beyond the central government. To stress the outreach element of the participatory process, ADB country teams have organized stakeholder meetings outside the national capitals for several countries. In Mozambique, for instance, consultations were held outside Maputo in the cities of Beira and Nampula. The Madagascar stakeholder participation could be considered as best practice (see Box 2.1).

Box 2.1: Best practice – Madagascar stakeholder participation

The CSP for Madagascar was prepared along with the active involvement of the Bank in the preparation of the government’s PRSP, in line with the participatory approach that started in 2002. Within this context, the Bank participated in national and regional workshops organized between September 2000 and April 2003. In May 2001, as a contribution to the PRSP, the Bank conducted a study on the management of public finance in a decentralized framework. In September 2001, it launched the initial preparation of a project to enhance good governance and reduce poverty. It prepared the CSP in December 2001, just before the post-electoral crisis. Thereafter, the Bank conducted another CSP preparation mission in October/November 2002. This was followed by a joint study with the World Bank and the European Union on Country Financial Accountability Assessment (CFAA) in March and June 2003. The Bank also conducted a dialogue mission in April 2003.

During these exercises, workshops brought together government officials, elected representatives of the people, the private sector, civil society, non-governmental organizations (NGOs) and donor agencies in all provinces and communes of the country. The Bank’s experts either participated in these workshops or served as resource persons. The CSP dialogue workshop was organized after the Bank participated in the validation of the full-fledged PRSP. The workshop confirmed the two sectoral priorities, namely transport and agriculture/rural development. The latter priority has been accorded a pilot program for integrated rural development. The workshop also confirmed three thematic areas: reform support, capacity building, and control of malaria and transmissible diseases.

Extent of Stakeholder Participation

2.2.3 This criterion assesses the extent to which civil society organizations have contributed to the meetings or workshops. Although this aspect is considered satisfactory for about 52% of the workshops, the main shortcoming lies in the scope of representation of civil society organizations.. The occasional participation of the Bank in PRSP discussions prior to their adoption in the RMC also improved the contribution of stakeholders in the CSP process. Moreover, the Bank Group has contributed to the PRSP consultation process by channeling resources to selected RMCs from the Netherlands' Trust Grant Fund managed by the Bank. Judged by the two criteria discussed above, the review rates 77% (of 35 CSPs⁵) of the stakeholder consultations as satisfactory.

(b) Strategic Partnership

2.2.4 The CSPs' treatment of strategic partnership has been assessed against three criteria:

- (i) Adequacy, coherence and complementarity of the assistance of development partners, including NGOs;
- (ii) Global resource envelope, priorities and approach of major funding agencies; and
- (iii) Level of coordination and co-financing reached under the previous CSP period, as well as prospects for co-financing the sectors identified for proposed future Bank intervention.

(i) Adequacy, coherence and complementarity of assistance of development partners

2.2.5 The CSPs' treatment of the adequacy, coherence and complementarity of the assistance provided by development partners is rated as unsatisfactory. More strikingly, very little attention has been given to the role played by NGOs.

(ii) Global resource envelope, priorities and approach of funding agencies

2.2.6 Almost 33% of the CSPs adequately present the global resource envelope, priorities and approach of major funding agencies.

(iii) Aid Coordination and Co-financing

2.2.7 The most noticeable inadequacy of the CSPs is the absence of a clear statement on the approach each major development partner takes to funding. Whereas formal institutional mechanisms of coordination have existed for a long time, it is only recently that common approaches of donors toward assistance to RMCs have enjoyed high visibility. These approaches still vary greatly in the degree to which coordination mechanisms have been institutionalized. There is also an ongoing debate on the goals and priority sectors selected for external assistance.

2.2.8 Almost half the CSPs present a satisfactory review of the level of co-financing reached under the previous CSP period. They also offer prospects for co-financing in the sectors identified for proposed Bank Group intervention. Interviews during field missions have corroborated the active role ADB teams play in spearheading coordination activities in RMCs. There is even reason to believe that cooperation agreements implemented with aid agencies, both multilateral and bilateral, have been instrumental in increasing cooperation

⁵ This specific sub-criterion was not rated for Rwanda.

at country level. In this respect, cooperation with the World Bank has proven to be quite successful for co-financing, as well as for a wide array of activities generating valuable inputs for CSPs.

- 2.2.9 Over 61% of the 36 CSPs are rated as being satisfactory in their overall treatment of strategic partnerships.

2.3 Strategic Selectivity and the use of Scenarios and Triggers

(a) Strategic Selectivity

- 2.3.1 This review assessed the CSPs' commitment to strategic selectivity based on six criteria:
- (i) The number of pillars or sectors supporting the Bank Group strategy – this element examines whether the Bank has sectoral focus in its programmed operations;
 - (ii) Sectoral alignment of the Bank's strategy with the country's PRSP, I-PRSP or NDA – that is, whether the identified priority sectors are consistent or aligned with the PRSP or Comprehensive Development Framework (CDF);
 - (iii) Appropriateness of the instrument mix and synergic impact;
 - (iv) Focal area for economic and sector work;
 - (v) Selectivity based on country performance in terms of the previous strategy and the Country Policy and Institutional Assessment (CPIA); and
 - (vi) The Bank Group's comparative advantage, based on its track record.
- 2.3.2 Overall, 64% of the 36 CSPs adequately deal with strategic selectivity, while about 78% sufficiently have addressed the matter of sectoral focus. Excluding intervention through policy-based lending, the sectoral distribution of the Bank's intervention reveals that 27% of the CSPs have planned operations in only one sector. Some 44% have planned operations in two sectors, 25% in three sectors, and only one has operations in four sectors.
- 2.3.3 The most serious shortcoming in strategic selectivity (in about 72% of the CSPs) is the failure to identify the Bank's comparative advantage. Two-thirds of the CSPs could established a link between selectivity and focal areas for economic and sector work. Some 47% did not present an adequate analysis of the selectivity based on country performance. However, the case of Democratic Republic of Congo could be considered as best practice.

Box 2.2: Best Practice – Strategic Selectivity of the Democratic Republic of Congo

Strategic selectivity in this CSP has been rated as highly satisfactory. In terms of sectoral focus, the Bank's strategy has focused on two interrelated sectors: rural development and the social sector. This has been in response to the urgent needs of the post-conflict situation. The Bank's strategy of intervention is aligned with the country's I-PRSP of 2002–2005, which also focuses on these two sectors.

In terms of appropriateness of instruments used, including mix and synergic effects, the DRC's CSP has been rated highly satisfactory. The Bank's assistance covers project loans, grants, policy-based operations and debt relief. Project financing and technical assistance have been limited to rural development and the social sector.

The Bank's strategy has been in synergy with those of other donors. Its operations – notably institutional support, community capacity building and rehabilitation of marketing infrastructure – supplement the activities of other donors. For example, the Bank's assistance in rehabilitating marketing facilities complements the activities of the World Bank, the European Union and bilateral development partners' investments in roads. Synergy has also been ensured through the Bank's institutional support to ministries in charge of agricultural and rural development and producer capacity building. This support supplements investments in other provinces by the United Nations Development Program and the Food and Agriculture Organization.

In terms of focal areas for economic and sector work, the Bank has lent assistance through ongoing institutional support projects. For instance, it has supported the PRSP for the national poverty survey and sectoral studies on health, education, social welfare and infrastructure.

Strategic selectivity has also been rated satisfactory in terms of country performance, based on the assessment of the country's previous strategy and its CPIA. The previous strategy appropriately focused on the main areas of institutional capacity building and rehabilitation, and the development of socio-economic infrastructure.

The CSP's strategic selectivity is also deemed satisfactory on the basis of the Bank's historical comparative advantage. In examining the Bank's portfolio for the DRC, it has been concluded that the Bank does have a comparative advantage in the chosen sectors of intervention.

(b) Use of Scenarios

- 2.3.4 The annotated CSP format stipulates that: *“The strategy, on the basis of a close policy dialogue with the country, should provide for clear indications about the sectors, the types and nature of initiatives and, when possible, specific projects that are envisaged under different scenarios based on triggers.”*⁶ It asserts further that: *“This section should discuss the indicative resource allocations (for category A and B countries) or resource package (for category C countries), determined on the basis of three scenarios.”*
- 2.3.5 The introduction of scenarios has been one of the innovations in the lending activities of the CSP 2002–2004 cycle. Even though this review assesses scenarios and triggers separately, they are in fact inter-related. Indeed, a change in scenarios depends on the satisfaction of a set of triggers, whereas triggers from one scenario to another cannot be entirely delinked but rather broadened or reduced.
- 2.3.6 In assessing this aspect of the CSP, the following four criteria are considered:
- (i) Plausibility or realism – the extent to which the high case lending scenario can be achieved, given the country's particular conditions;
 - (ii) Distinctiveness – whether the key forces and/or actors in the economy are well identified and combined to lead to given results and outcomes;
 - (iii) Consistency and soundness of the internal logic in the formulated scenario – the existing conditions are unlikely to change, unless a sound explanation of the changes is part of the scenario itself; and
 - (iv) Challenge – the scenario should pose a genuine challenge for both the country and the Bank to achieve. It should not settle for easy targets.
- 2.3.7 There have been mixed results in scenario building when judged by the criteria above:
- Only half of the CSPs has been found to be satisfactory in terms of realism.
 - Another major weakness has been the distinctiveness of the scenarios. About 53% of the CSPs are unsatisfactory in this regard. Key forces and/or actors have not been well defined to enable them to achieve the results and outcomes.
 - Some 68% of the CSPs demonstrate consistency in scenarios. This indicates a strong internal logic modeled around the following:

⁶ Refer to Section 4.2 of the Bank Group's medium-term strategy for the annotated CSP format.

- Priority areas of the PRSPs (I-PRSPs) or NDA;
 - Poverty reduction efforts, notably in the social sector;
 - Reform measures; and
 - Bank Group measures for portfolio improvement.
- The most serious weakness in the scenarios has been their failure to pose a genuine challenge for either the country or the Bank. Some 56% of the CSPs stipulate conditionalities that could be relatively easy to achieve, or have almost been achieved.

Box 2.3: Best Practice – Benin’s Choice of Scenarios

The choice of scenarios in the Benin CSP is highly satisfactory in terms of realism. Given the constraints and potential of the country, the conditions of the scenarios are plausible and realistic, as they are in keeping with the conditions to qualify for HIPC

The scenarios have also been rated as satisfactory in terms of their distinctiveness, as the CSP has considered the factors that would lead to the achievement of the anticipated results and outcomes.

The various conditions of the scenarios are consistent with, and supportive of each other. They also progress logically from one scenario to the other.

In the light of the risks and difficulties facing both Benin and the ADB, the aspect of challenge has been dealt with satisfactorily. For Benin, the most serious risk has been slippage in the implementation of the policy and institutional reforms, particularly in the area of the fiduciary framework for government spending. Another risk has been worsening terms of trade as a result of further drops in the price of cotton exports. For the Bank, the major risk has been the quality of portfolio implementation.

(c) Use of Triggers

2.3.8 Triggers used in the CSPs are assessed against a composite index of four elements. The assessment considers whether the triggers:

- (i) Are realistic, i.e. whether their benchmarks can be achieved during the three-year period of the CSP;
- (ii) Are within the government’s control, i.e. they should not be exposed to exogenous shocks;
- (iii) Are allowed for monitorable, i.e. whatever trigger is used, it should be possible to monitor progress in implementation and, in the case of a quantitative indicator, reliability and regular frequency of publication should be taken into consideration; and
- (iv) Are clear and simple, i.e. they should be easily understood by RMCs, the Bank’s country team and any other third party.

2.3.9 An intriguing overall feature is that the assessment of triggers has generally been rated satisfactory and higher than that of the scenarios. Two-thirds of the CSPs are satisfactory in terms of their realism. Almost 80% are considered satisfactory (and 13% highly satisfactory) because they are within government control and less subject to internal or external shocks. Although the triggers are rated satisfactory for being monitorable and clear (at 59% and 53%, respectively), these elements are obviously below the 93% considered as satisfactory or higher. A relatively low correlation (40%) has been found between the overall ratings of scenarios and those of triggers. A possible explanation for this is that both scenarios and triggers were developed separately or from separate types of documents (PRSPs, I-PRSPs or NDAs), which makes some of the triggers irrelevant.

2.3.10 Scenarios are usually derived from PRSPs, and have strong internal logic. Triggers, however, appear to be derived from other sources, including the macroeconomic framework developed and adopted by donors, notably the Bretton Woods institutions. In this regard, Djibouti CSP could be considered as a best practice (see Box 2.4).

Box 2.4: Best Practice – Djibouti’s Choice and Formulation of Triggers

The Djibouti CSP for 2002–2004 has involved five sets of triggers: (i) the macroeconomic framework; (ii) implementation of the PRSP; (iii) structural reforms; (iv) governance reforms; and (v) portfolio reforms.

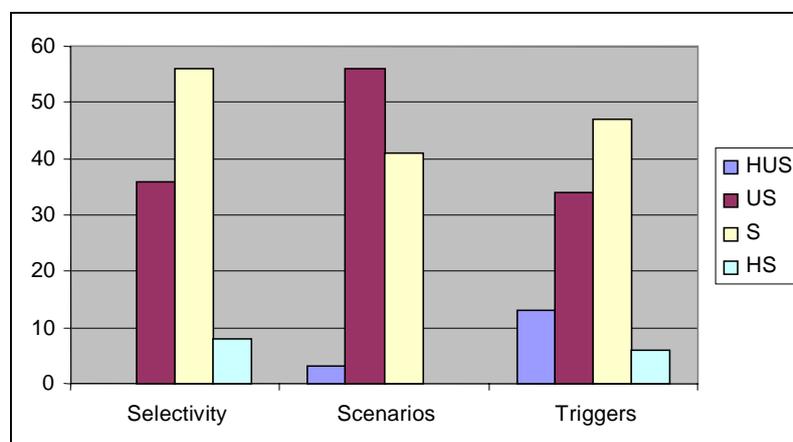
The triggers are seen to be realistic in terms of their implementation. They do, however, pose a genuine challenge to the government. To progress from the basic case scenario to the high case scenario, the gross domestic product (GDP) should have increased from 2.6% in 2002 to 4% and 4.6% in 2003 and 2004 respectively. The scenario also requires that the Consumer Price Index would stay constant at 0.6% in 2002, and that the budget deficit to GDP ratio would not drop below the 2002 level of 3.5%. All these triggers are realistic, given the track record of the macroeconomic situation.

The targets for implementing the PRSP involve variables related to PRSP follow-up implementation, health, education, gender, HIV/Aids and macrofinance. These are considered realistic, as are the triggers for structural, governance and portfolio reforms. All the triggers are deemed to be within the government’s control and unaffected by external shocks or factors.

The triggers for the macroeconomic framework and PRSP are monitorable and are published regularly, both by the government and the Bretton Woods institutions. Progress in economic, governance, portfolio policy and institutional reforms can be monitored. Progress in implementation is regularly reviewed by the donor community at conferences, and regular progress reports are jointly published by the government and the Bretton Woods institutions. The triggers chosen for the Djibouti CSP are also straightforward and easily understood.

2.3.11 Interviews with staff have confirmed that the use of scenarios and triggers has not had the desired effects, mainly because the choice of triggers has been inappropriate in most cases. (They are structural variables that would require longer than the three-year period of the CSP to realize.) In addition, the financial rewards are not guaranteed, as there are no specific allocations to countries that graduate from the basic to the higher scenario. Moreover, scenarios and triggers do not benefit from an established regular review mechanism within the Bank. Also, the period during which the preparation of CSPs starts is shorter than the ADF-IX cycle. Finally, no guidelines or training on scenario building and triggers are provided to country teams.

Figure 2.2: Assessment of Strategic Selectivity, Scenarios and Triggers in Percentage



Key: HUS = highly unsatisfactory; US = unsatisfactory; S = satisfactory; HS = highly satisfactory.

2.4 Self-evaluation from Experience

2.4.1 A major principle that governed the CSPs during the ADF-IX period is that they “*should include a frank discussion of the Bank’s track record in the country with reference to the previous CSP cycle, including a thorough and candid analysis of the portfolio. This analysis could be based on findings from OPEV and other self-evaluating studies*”. In assessing this element, this review has considered two criteria:

- (i) Track record of portfolio performance; and
- (ii) Use of self-evaluation in formulating the new CSP strategy.

2.4.2 The overall treatment of this principle has been found to be unsatisfactory or highly unsatisfactory for three-quarters of the CSPs. The only CSP rated as highly satisfactory in drawing lessons from experience is that of Madagascar.

Track record of portfolio performance

2.4.3 In assessing this element, the following three criteria were examined:

- (i) Substantive discussions of Country Portfolio Reports (CPRs), project completion reports (PCRs) and OPEV findings;
- (ii) Assessment of the country’s institutional effectiveness; and
- (iii) Quality of the analysis of track records of project development outcomes.

2.4.4 About 22% of the CSPs present substantive discussions of CPRs, PCRs and OPEV findings, whereas 78% either do not use, or make little use of self and independent evaluations. Part of the problem seems to be backlogs in the processing of CPRs. Only 14 CPRs of the 36 CSPs approved during ADF-IX have been processed during 2002-2004. The backlog of PCRs is even more serious. Similarly, the country’s institutional effectiveness is inadequately covered in about three-quarters of the CSPs. Only one fifth of the CSPs satisfactorily analyze track records of project development outcomes from CPRs, PCRs and Project Performance Evaluation Reports (PPERs).

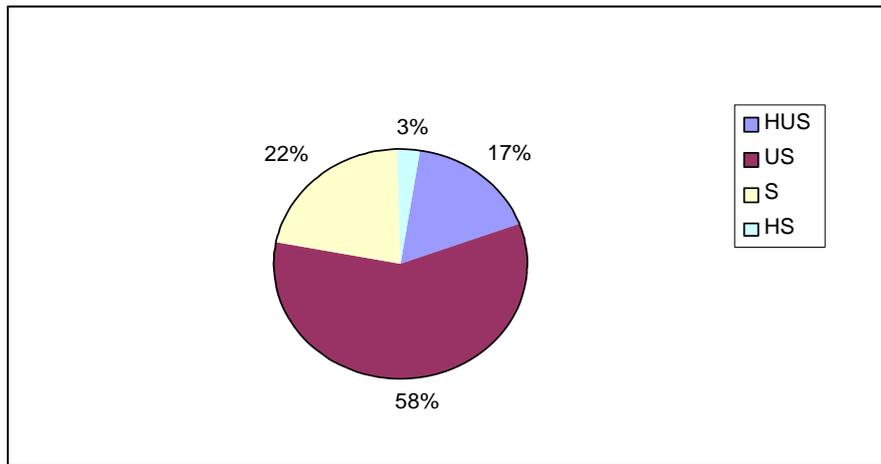
Use of CSP self-evaluation in Formulating New Strategy

2.4.5 These three criteria were used to assess this element:

- (i) Substantive discussions of lessons learned from previous CSPs; and
- (ii) Application of lessons of experience in new strategy.

2.4.6 Some 31% of the CSPs have satisfactorily used the self-evaluation of previous CSPs in the formulation of new strategy. Individual assessment of the three criteria reveals that 31% of the 2000–2004 CSPs have managed to draw lessons from previous CSPs, whereas 69% either do not sufficiently identify any lessons, or have not analyzed them thoroughly. Only a quarter of the CSPs have satisfactorily used historical records on country and/or sector performances as a proxy to guide the new strategy. In sum, only 31% have appropriately applied lessons of experience in the new strategy.

2.4.7 The overall rating of the CSPs in their self-evaluation in drawing lessons from experience is depicted in Figure 2.3. About three-quarters of the CSPs range between highly unsatisfactory (17%) and unsatisfactory (58%), whereas the remaining one quarter is satisfactory (22%) to highly satisfactory (3%).

Figure 2.3: Overall rating of self-evaluation

Key: HUS = highly unsatisfactory; MUS = moderately unsatisfactory;
MS = moderately satisfactory; HS = highly satisfactory.

Box 2.5: Best Practice – Madagascar’s Self-evaluation from Experience

The Madagascar CSP has been rated as highly satisfactory due to its outstanding analysis of CPRs and OPEV findings and the way it draws lessons from experience. After giving a thorough review of the completed projects, the CSP concluded that the Bank Group operations have attained the objectives set at appraisal, with the exception of operations in the health and water sector. The CSP summarizes the main lessons drawn as follows:

- There is a need to strengthen M&E to ensure the sustainability of the projects. Towards this end, job profiles of incumbents need to be matched with those of project managers.
- Smooth implementation is aided by sectoral programs that are acceptable to the entire donor community and are consistent with the implementation of the poverty reduction strategy. This makes it possible to measure the impact of poverty.
- Considering the implementation status of operations in the agriculture/rural development, social and public utilities sectors, the Bank and the government have agreed not to retain these sectors for implementation of the initial operations proposed under ADF-IX.

Obstacles to monitoring the Bank’s operations are the absence of Bank representation, distance from the project sites, difficulties of communication, and inadequate staff. The CSP confirms the consistency of the Bank’s ongoing operations with the strategic framework of the PRSP. It draws the attention of Bank management to five specific operations whose M&E need more consideration to ensure their sustainability.

2.5 Governance

2.5.1 Two criteria have been used to assess CSPs’ treatment of governance:

- (i) Coverage and depth of analysis of the various types of governance; and
- (ii) Relevance and consistency of strategies, including risk factors, identified in the CSPs.

2.5.2 Some 84% of the CSPs have treated the matter of governance satisfactorily. The coverage and depth of analysis of the various types of governance are satisfactory in about 94% of the CSPs. Coverage of the relevance and consistency of strategies, including risk factors, is satisfactory in 78% of the CSPs. The relative ease in applying the governance principle can be due to the fact that most of the CSPs focus on political governance, and with limited reference to other aspects like judiciary, corporate governance and corruption.

Box 2.6: Best Practice – Mali’s Coverage of Governance Issues

The Mali 2002–2004 CSP is a good case for evaluating the review of governance issues and the presentation of government and Bank strategies. The CSP gives a brief historical overview of its governance issues over the last decade and the measures taken by the administration to improve the quality of governance. In the historical perspective, governance issues are classified into mainly five categories:

- (i) Management of public finance and spending, particularly in the face of poverty;
- (ii) Reform and privatization of public enterprises;
- (iii) Decentralization and devolution;
- (iv) Modernization of the public sector – the judiciary and the public service; and
- (v) The fight against corruption.

The Strategy Matrix presents the government’s strategy for establishing good governance and for intensifying the fight against corruption. The administration aims to:

- Strengthen the coordination of all projects and programs directed at good governance;
- Implement the Good Governance Program Action (GGPA);
- Establish links with various good governance programs; and
- Strengthen the public justice and adopt laws relating to High Courts.

The Bank’s strategy objective for 2002–2004 has been to improve the effectiveness of judicial and public services. This would accelerate growth and reduce poverty. The intermediate impact would be an improvement in public sector performance in terms of better transparency, effectiveness of public services, and accountability. The CSP emphasizes that the success of the GGPA would depend on the administration’s political will to implement reforms. The following performance indicators have been identified:

- (i) Law for High Courts has been established.
- (ii) Anti-corruption agencies have been established and are in operation.
- (iii) Quarterly status reports and study reports are being published and reviewed.

2.6 Outcome Indicators

2.6.1 The format has stressed the importance of self-evaluation from experience as a learning process. Towards that end, “... *the CSP should be supported by a set of medium-term outcome indicators as well as a sound monitoring and evaluation system to help determine the effectiveness of Bank’s assistance program. The CSP should also present longer-term indicators crucial to judge the success of the government’s poverty reduction strategy*”. The CSP matrix or the Country Strategic Framework (CSF) in the CSP presents monitorable medium-term outcome indicators, as well as longer-term PRSP indicators.

2.6.2 Interviewees and respondents have indicated that the usefulness of the CSP matrix largely depends on the quality of the indicators used. Almost one third of the respondents are dissatisfied with the longer-term indicators that are crucial for judging the success of the government’s poverty reduction strategy. Some 61% of the respondents feel that the CSP does not present well-designed medium-term outcome indicators for checking the direction in, and pace at which the Bank’s strategy is being implemented. The Strategic Matrix has been of little use to management, as no monitoring or reporting system on the benchmarks has been instituted.

2.6.3 In assessing the outcome indicators in the CSPs, three elements are critical:

- (i) Establishment of a sound M&E system for CSPs within the Bank and in the RMCs;
- (ii) Assessment of relevant macro and long-term target indicators; and
- (iii) Assessment of relevant intermediate outcomes and monitoring indicators.

- 2.6.4 Interviewees have identified the absence of a sound M&E system within the Bank as a major impediment to tracking progress in outcomes. They also stress the conspicuous weakness in selecting relevant intermediate outcome indicators. The review has concluded that although 83% of the CSPs are satisfactory in terms of establishing appropriate macro and long-term target indicators, as most CSPs have included relevant macro and long-term targets, some 56% of the CSPs, however, have failed to incorporate intermediate outcome indicators between long-term target indicators and output indicators. Some 75% of the CSPs are considered as unsatisfactory with regard to the treatment of outcome indicators.

2.7 Overall Picture

- 2.7.1 The 2002-04 CSPs faced two special challenges. First, the set of CSPs reviewed were the results of a process that followed the 2002-04 annotated format as a guideline, which set a higher standard than previous formats. Second, the operationalization of the 2002-04 format coincided with the introduction of a new matrix organization which required new working arrangements.
- 2.7.2 Notwithstanding these challenges, Table 2.2 shows that most CSPs met expectations for many of the requirements of the format. At the same time, the review identifies scope for significant improvement in the challenging areas of: (a) stronger poverty and results focus with greater monitorability; (b) stronger sector analytic work and specific areas of Bank comparative advantage; (c) greater attention, and explicit utilization of lessons learned from past operations as may be reflected in CPRs, PCR and independent evaluations; (d) stronger justification of proposed future operations and (e) better use of scenarios and triggers.

Table 2.2: Assessment of Elements of the CSP

CSP element	HUS	US	S	HS	Total
	Proportion in %				
1. Governance	–	16	68	16	100
2. Stakeholder participation	3	13	81	3	100
3. Poverty focus	–	69	31	–	100
4. Self-evaluation from experience	19	56	22	3	100
5. Strategic selectivity	–	38	56	6	100
6. Scenarios	3	56	41	–	100
7. Triggers	13	34	47	6	100
8. Outcome indicators	6	69	25	–	100

Key: HUS = highly unsatisfactory; US = unsatisfactory; S = satisfactory; HS = highly satisfactory.

Note: For the sake of analysis, certain dimensions were split into subcomponents.

Source: Ratings from OPEV officers cover 32 countries instead of 36 countries, because scenarios and triggers were not required in the CSPs of four countries (see footnote 4).

3. ASSESSMENT OF THE CSP PREPARATION PROCESS

The annotated CSP format adopted in 2002 departed from previous ones in its emphasis. It required a substantial degree of adaptation by the Bank Group's organizational units and professionals involved in the preparation of CSPs. This section summarizes the review's findings on the CSP process cycle, consultation with governments, and the 2002–2004 CSP format.

3.1 The CSP Process Cycle

- 3.1.1 The CSP review process was based on instructions contained in the 1999 version of the Operations Manual, which was updated in September 2004. In principle, the preparation of CSPs is the shared responsibility of all departments and organizational units of the Bank's operations complexes. In practice, however, the burden of responsibility is unevenly spread, with the country economists carrying by far the greater part of the load. Country operations departments and sector departments have been unable to plan and coordinate the preparation of CSPs effectively.
- 3.1.2 Wider experience has shown that the matrix of country and sector departments and, by extension, the effectiveness of country teams, does not work well if responsibilities and accountabilities are not clearly spelt out. Other factors that influence the effectiveness of inter-departmental work are; budget allocation, incentive and staff performance systems. At present, administrative budget allocations are made to divisions and are not segregated by activities or countries. Also, the performance of staff in country teams is not systematically taken into account in the annual performance evaluation exercise. As a result, country teams have not been as effective as would be expected. The participation of certain members of the teams has been limited due to the low priority given to assignments other than the core operational work of the sector staff. Bank staff have also revealed that the participation and contribution of poverty, gender and environment specialists and staff representing the Private Sector Department have not been satisfactory.
- 3.1.3 Given the general shortage of staff, the tight and almost parallel schedule for processing CSPs for approval by the Boards, does not allow sufficient time to reflect and consult on certain critical areas of the CSP, such as scenarios and triggers and the strategy matrix.
- 3.1.4 The Bank's Operations Manual stipulates that the CSP should be prepared every three years, coinciding with the ADF replenishment cycle. A project presented for the Board's approval should be supported by a current CSP or a CSP update. As a result, the preparation of several CSPs and CSP updates processed during ADF-IX has been based on an I-PRSP, with ensuing serious information gaps.
- 3.1.5 The modest number of Bank country representations has been another weakness in the process. The Bank has been less able to participate regularly in PRSP meetings, stakeholder consultation meetings and donor coordination meetings. The absence of the Bank from most of the capitals of the RMCs during 2002–2004 has prevented it from keeping abreast of social and economic developments and rapidly responding to the country's needs.

3.2 Consultations with Governments

(a) Government contribution and dialogue

- 3.2.1 The governments' contribution to the CSPs has generally been satisfactory. On average, consultations and dialogue with the governments have occurred twice during the CSP process cycle – once during the preparation mission and subsequently during the dialogue mission. The governments' contribution to the CSP process has generally been positive in terms of providing up-to-date information and organizing stakeholder consultations. Their contribution, however, could be improved if the Bank streamlines its planning and preparation of CSP missions.
- 3.2.2 The governments' contribution has also been positive in developing the Bank's medium-term strategy and its lending program. In most cases, the level of Bank representation could have been raised to senior management level rather than that of country economist, which is usually the case. The effectiveness of dialogue with the governments in discussing the Bank's medium-term strategy and lending program has also been limited in most cases by the limitation of intra-governmental participation in the preparation of the CSP.
- 3.2.3 The format stipulates that the CSP should include a subsection on: “*areas requiring dialogue*”, which “*sets out issues, policies and institutions identified as particularly weak and requiring dialogue and close monitoring (e.g. portfolio and policy issues stemming from the Country Performance Assessment, or CPA).*” In addition, “*the CSP should outline a timetable for dialogue*”. The CSPs have generally complied with the first requirement but the issues raised have been too general, which has reduced the usefulness of this aspect of the CSP. Moreover, timetables for dialogue were seldom set.

(b) Stakeholder consultations

- 3.2.4 Although shareholder participation has been rated highly, the preparatory process for undertaking stakeholder consultations has been unsatisfactory. This has been due to the inadequate effort that has gone into the planning of stakeholder workshops. In most cases, the Bank has relied on the government and the third party to assist in planning stakeholder workshops and selecting community organizations to participate in them. As a result, the ADB has had little to do with arranging and ensuring the level of participation of community organizations and the quality of stakeholders' contribution.

(c) Disclosure of information

- 3.2.5 According to the Bank Group's former disclosure policy (which prevailed until its revision in September 2003), only the Chairman's summary statements were made publicly available. The 2003 policy states that draft CSPs are to be released to in-country target audiences as part of the consultation process, in order to enhance the information for CSP consultation. The policy did not require prior posting of a CSP draft on a website or in any other media for comments and discussion by a third party before being submitted to the Board.

3.3 The 2002–2004 CSP format

3.3.1 overall, the 2002 annotated CSP format addresses key concerns raised by the Boards. However, the review finds: (i) shortcomings in the content of the format; (ii) poor assessment of consequences linked to new requirements in operational terms (resources and skills); and (iii) processes to be amended. It is also apparent that, without additional practical guidelines and reference manuals, the format has led to various interpretations on how CSPs are to be conducted and processed and their implementation monitored. These issues are worth examining in the context of the format guidelines for the subsequent generation of CSPs.

- *Establishment of a monitoring and evaluation system:* The 2002–2004 format does not provide practical guidelines for establishing an M&E system for the CSPs.
- *Reporting on the strategy matrix:* The CSP strategy matrix has been designed to serve as a management tool for assessing progress in the PRSP (I-PRSP) and CSP strategies. However, the CSP format hardly stresses the need for the country teams to review the matrix and report to management on major deviations from the PRSP and CSP strategy objectives.
- *Operational definitions of, and procedures for scenarios and triggers:* The absence of operational definitions for scenarios and triggers in the format, and the lack of criteria for their selection have reduced the usefulness of this management tool. The resultant ambiguity may have discouraged management from using it to justify the promotion of a country from a basic case scenario to a higher scenario.
- *The Bank's comparative advantage:* The format states that a major principle governing the Bank's intervention during the ADF-IX should be "strategic selectivity", yet it does not offer an operational definition of the term. The review has drawn findings on selectivity and other areas such as strategic partnership and economic and sector work.
- *Country performance assessment:* The format fails to elaborate on the importance of country performance assessment, or on deriving lessons from previous CSPs. As a result, this aspect of the CSP continues to be very weak, as seen in Section 2.4 of this report. No guidelines or training in this regard were made available to staff after the annotated format was approved in 2002.
- *The CSP as a business plan:* The format does not sufficiently stress the CSP's role as a business plan for the Bank, which creates the incorrect impression that a CSP is solely a strategic plan for Bank intervention in the RMCs. Similarly, none of the CSPs processed during the ADF-IX period has mentioned where the CSP, as the Bank's business plan, could depart from the main priority of a country's PRSP (I-PRSP) or NDA.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

(a) Effectiveness of the CSP as a Planning Tool for Lending

- 4.1.1 On the whole, the CSP could be an effective tool for planning the Bank's lending strategy and the supporting lending program. Despite certain shortcomings, the CSPs' diagnostic analysis of countries' political and macroeconomic situations has assisted management in carving out an appropriate medium-term strategy and lending program. Similarly, the presentation and assessment of the countries' PRSPs (I-PRSPs) or NDAs have been helpful in informing management on priority areas and the overall objective of the program and strategy to be followed. Both diagnostic analysis and the presentation and analysis of the countries' PRSPs have assisted management in formulating a strategy that is firmly grounded in the countries' medium-term program.
- 4.1.2 The presentation and analysis of the business climate in the private sector has assisted management in identifying potential areas of intervention in support of this sector. Similarly, the presentation and analysis of crosscutting issues have helped management to identify areas of intervention in governance, gender issues, communicable diseases, population issues, environmental conditions, labor standards and regional integration.
- 4.1.3 In deciding on operations for middle-income countries, management has found the section of the CSP dealing with country solvency and Bank risks useful. The CSP establishes an explicit link between the risk profile of the borrower country and the Bank's capacity to contain such risks. Analysis of the evolution of a country's major risk indicators has also been useful as a management tool for deciding on new investment proposals.
- 4.1.4 However, the usefulness of the CSPs in drawing lessons from experience has been limited by: (i) the weak analysis of the track record of portfolio performance; and (ii) inadequate analysis of the lessons learned from previous CSPs.
- 4.1.5 The effectiveness of the CSP as a planning tool has been limited by the inadequate use of scenarios and triggers. This has mainly been due to the lack of operational definitions and procedural guidelines in the CSP format. As a result, management has not used scenarios and triggers either to promote a country from the basic scenario to the high scenario, or to demote it to the low case scenario. Similarly, the Country Strategic Framework has been of little use to management, as no regular follow-up reporting on its implementation has been done.

(b) Effectiveness of the CSP as a Management Tool

- 4.1.6 Over the years, the effectiveness of the CSP as a management tool has improved significantly. CSPs have helped to inform management on economic and social development taking place in RMCs. The review indicates, however, that there is scope for improving the depth of existing poverty analysis. Where good data and poverty diagnosis exist, it is useful to have a general discussion of poverty, recognize the lack of data and present a plan for addressing the gaps. The discussion on governance issues has met this requirement of the format. On the other hand, some shortcomings have been observed in the use of independent and self-evaluations available within the Bank. A conscious effort has been made to introduce selectivity and alignment with PRSP priorities in RMCs. Scenario building and triggers could have generated more internal consultations and, more

importantly, close monitoring for corrective actions. This approach was, however, relatively new and difficult to develop.

- 4.1.7 In spite of the deficiencies identified, the CSPs could have been used more systematically, as prescribed in the Operations Manual. The manual appears to be less intrinsically linked to the CSP itself than guiding the operational practices within departments.

(c) CSP Process

- 4.1.8 The CSP process over 2002–2004 has been constrained by several factors. Its effectiveness has been reduced by: (i) difficulties in coordinating different operational departments for the preparation of CSPs; (ii) low effectiveness of the country teams; (iii) weak communication links with country stakeholders; (iv) the low number of representation offices in RMCs; and (v) inherent weaknesses in the 2002–2004 CSP format. Despite all these shortcomings in the process, the CSP has been a useful source of information on political and macroeconomic developments. It has also guided management in designing an appropriate strategy for the Bank’s intervention in RMCs.
- 4.1.9 Given the conditions under which the annotated CSP was launched and the newness of some of its features, it would have been surprising if all aspects were adequately covered and monitored in relatively short period of time. This review calls for some issues to be looked into for the next generation of CSPs. A CSP should be seen as a planning, monitoring and management tool, and not only as an information and programming document for Bank Group interventions in RMCs.

4.2 Recommendations

(a) Recommendations for the Format and Content of CSPs

- 4.2.1 The Bank is currently finalizing the format for a Results-Based Country Strategy Paper (RBCSP) to be applied from 2005 onwards. The CSP format should benefit from the lessons learned in applying the 2002–2004 format. Section 3.3 of this review specifically highlights issues to be addressed in the new CSPs.
- 4.2.2 More effort should go into the depth and coverage of poverty-related issues. Wherever data on poverty are scarce, the CSP should recommend economic and sector work and the strengthening of statistical capacity.
- 4.2.3 The Bank’s comparative advantage should appear in each CSP and be determined on solid grounds, with tangible and convincing arguments.
- 4.2.4 Country performance (including systematic, in-depth self-evaluation) should form part of the CSP, and clear guidelines for the content should be prepared.
- 4.2.5 CSPs should continue to emphasize strategic selectivity for Bank Group operations and be more specific about areas of economic and sector work.
- 4.2.6 If scenario building and trigger mechanisms are to be maintained in the CSP, staff should be given clear operational indications and regular training. A major difficulty in this approach is the distinction between selecting indicators for the CSP period and selecting indicators pertaining to the RMC’s long-term development goals.

- 4.2.7 Bank M&E system should be introduced for each CSP.
- 4.2.8 M&E system should also be introduced at the country level, and Bank support should be provided at this level when required.
- 4.2.9 Reporting on the strategy matrix should be systematic, regular and verifiable.

(b) Recommendations for the CSP as a Planning, Managing and Monitoring Tool

- 4.2.10 The CSP will have to retain its feature as a tool for informing management of political, economic and social developments in the RMCs, as well as their development priorities (poverty reduction strategy). This will allow the Bank Group to tailor its assistance and to be more relevant and efficient. The content of CSPs should be more analytical and rely on knowledge the Bank Group has accumulated through experience.
- 4.2.11 Once approved, the CSP should constitute the main reference document for identifying projects (general or sectoral) according to Operations Manual procedures, thereby limiting ad hoc identifications as far as possible. To improve the link between the CSP's strategy and planning aspects, it is proposed that the project identification process be consolidated Bank-wide. To ensure commitment to the CSP strategy, it is proposed that the review process relating to the Issues Paper of identification missions be improved to maintain consistency between strategy and programming. It is also recommended that country economists be part of the identification missions carried out by the sector/technical departments.
- 4.2.12 Because the CSP is likely to cover a longer time-frame and corrective actions may be necessary in the course of implementing the Bank Group's strategy, an assessment at mid-term review will be required. A report on the implementation of the strategy should be produced at the end of the CSP cycle. The M&E reporting system would have to be implemented and reviewed on a regular basis. In particular, CSP results, CSF updates and intermediate outcomes during the mid-term review should be reported on.

(c) Recommendations relating to the CSP Process

- 4.2.13 Management should find ways and means to improve coordination among organizational units responsible for preparing the CSP. Their resources, available skills and work programs should be taken into account. Country teams should be reinvigorated with a clear mandate to prepare the CSP and be fully accountable for its implementation and monitoring. In terms of staffing, the ideal situation is where each economist deals with one country. Over the medium term, each economist should not be allowed to handle more than two countries at the most. The Bank should also improve the recruitment of specialists in critical areas (e.g. poverty economics, gender, environment and community organizations).
- 4.2.14 Budgetary resources needed for the preparation of the CSPs should be presented on a country basis for information purpose. This will allow better coordination among departments and organizational units taking part in the CSPs.
- 4.2.15 The CSP process should be revisited with the objective of instilling an element of flexibility in the management of the process.
- 4.2.16 To improve the contribution of stakeholder participation, it is suggested that the Bank's team should disseminate the draft CSP among participants well ahead of the workshop.

List of CSPs Processed under the ADF-IX

	Country	Report	Report no.	Board Submission Date
1	Angola	CSP 2002-2004	ADB/BD/WP/2003/55	17/06/2003
2.	Benin	CSP 2002-2004	ADB/BD/WP/2003/19	16/04/2003
3.	Botswana	CSP 2004-2008	ADB/BD/WP/2004/51	16/07/2004
4.	Burkina Faso	CSP 2002-2004	ADB/BD/WP/2003/60	16/07/2003
5.	Cameroon	CSP 2002-2004	ADB/BD/WP/2003/18	15/04/2003
6.	Cape Verde	CSP 2002-2004	ADF/BD/WP/2003/34	25/04/2003
7.	Chad	CSP 2002-2004	ADF/BD/WP/2003/52	25/06/2003
8.	Djibouti	CSP 2002-2004	ADF/BD/WP/2003/92	24/09/2003
9.	DRC	CSP 2003-2004	ADF/BD/WP/2003/102	17/09/2003
10.	Equatorial Guinea	I-CSP 2004-2006	ADB/BD/WP/2004/62	16/06/2004
11.	Eritrea	CSP 2002-2004	ADF/BD/WP/2003/152	17/12/2003
12.	Ethiopia	CSP 2002-2004	ADF/BD/WP/2003/31	23/04/2003
13.	Gabon	CSP 2003-2005	ADB/BD/WP/2003/66	04/07/2003
14.	Gambia	CSP 2002-2004	ADF/BD/WP/2003/53	25/06/2003
15.	Ghana	CSP 2002-2004	ADB/BD/WP/2003/20	16/04/2003
16.	Guinea-Bissau	CSP 2002-2004	ADB/BD/WP/2003/39	12/05/2003
17.	Kenya	CSP 2002-2004	ADB/BD/WP/2003/132	10/11/2003
18.	Lesotho	CSP 2002-2004	ADB/BD/WP/2003/73	25/06/2003
19.	Madagascar	CSP 2002-2004	ADB/BD/WP/2003/70	08/07/2003
20.	Malawi	CSP 2002-2004	ADB/BD/WP/2003/40	29/04/2003
21.	Mali	CSP 2002-2004	ADF/BD/WP/2003/90	03/09/2003
22.	Mauritania	CSP 2002-2004	ADB/BD/WP/2003/43	22/05/2003
23.	Mauritius	CSP 2004-2008	ADB/BD/WP/2004/105	14/09/2004
24.	Morocco	CSP 2003-2005	ADB/BD/WP/2003/123	24/10/2003
25.	Mozambique	CSP 2002-2004	ADB/BD/WP/2003/106	25/09/2003
26.	Niger	CSP 2002-2004	ADB/BD/WP/2003/86	19/08/2003
27.	Nigeria	CSP 2002-2004	ADB/BD/WP/2003/24	18/04/2003
28.	Rwanda	CSP 2002-2004	ADF/BD/WP/2003/58	13/06/2003
29.	São Tomé and Príncipe	CSP 2002-2004	ADB/BD/WP/2004/17	31/03/2004
30.	Senegal	CSP 2002-2004	ADB/BD/WP/2003/30	08/05/2003
31.	Sierra Leone	CSP 2002-2004	ADB/BD/WP/2003/35	25/04/2003
32.	South Africa	CSP 2003-2005	ADB/BD/WP/2003/21	17/04/2003
33.	Tanzania	CSP 2002-2004	ADB/BD/WP/2003/48	05/05/2003
34.	Tunisia	CSP 2002-2004	ADB/BD/WP/2002/114	15/11/2002
35.	Uganda	CSP 2002-2004	ADB/BD/WP/2003/63	13/06/2003
36.	Zambia	CSP 2002-2004	ADB/BD/WP/2003/71	23/06/2003

Note: From the total list of RMCs of the Bank and for a variety of reasons, the following countries do not have a CSP for inclusion in the cohort: Algeria, Central African Republic, Comoros, Congo, Côte d'Ivoire, Egypt, Equatorial Guinea, Guinea, Liberia, Mauritius, Namibia, Seychelles, Somalia, Sudan, Swaziland and Zimbabwe.

Criteria for Assessing CSP Dimensions

1. Assessment of the Poverty Focus

Poverty diagnosis

- Adequacy, quality and appropriateness of the data set, including qualitative data
- Quality, extent of coverage of and desegregation (by location, gender and other criteria) in poverty description (incomes and non-incomes)
- Adequacy and quality of analysis of causes (poverty, inequality, vulnerability)
- Adequacy and quality of analysis of trends and determinants (poverty, inequality, vulnerability)
- Adequacy and quality of analysis of the impact of past policies and programs on poverty reduction
- Extent of analysis of social impact of proposed macroeconomic and structural reforms
- Extent of analysis of the likely impact (including social impact) of national public action programs on poverty reduction
- Extent of the identification of data gaps and appropriate economic and sector works

Consistency of the CSP with the national poverty reduction/development strategy

- Consistency of CSP objectives and priorities with the Bank's poverty policy
- Consistency of CSP objectives and priorities with national poverty objectives and priorities
- Relevance of proposed CSP lending and non-lending activities to national poverty objectives and priorities
- Extent of analysis of the effectiveness of national poverty priorities in reducing poverty
- Extent of analysis of national expenditure allocations for national poverty reduction

Extent of coverage of pro-poor priorities and activities in the CSP

- Extent of analysis of sources of poverty reduction
- Extent of analysis of sources of pro-poor growth
- Extent of analysis of sources of social inclusion and equity
- Extent of analysis of the relative effectiveness of selected strategy priorities for pro-poor growth
- Extent of analysis of the relative effectiveness of selected strategy priorities for social inclusion and equity
- Consistency of selected strategy priorities with the poverty diagnosis
- Extent of analysis of the relative potential effectiveness of national strategy priorities for poverty reduction

2. Assessment of Client Ownership and Strategic Partnership

(a) Client Ownership

- Assessment of stakeholders' level of intra-governmental participation
- Extent and nature of stakeholder participation

(b) Strategic partnership

- Adequacy, coherence and complementarity of development assistance of other partners, including NGOs
- Resource envelope, priorities and approach of major agencies
- Co-financing reached under the previous CSP period, and prospects for co-financing areas identified in proposed future Bank interventions

3. Assessment of Strategic Selectivity

- Number of pillars and the sector theme supporting the Bank Group strategy
- Alignment of the strategy with the PRSP or National Development Plan
- Appropriateness of instruments used, including mix and synergetic effects
- Focal area for economic and sector work
- Selectivity based on country performance
- Identification of comparative advantages

4. Assessment of Scenarios

- Realism
- Distinctiveness
- Consistency
- Challenge

5. Assessment of Triggers

- Realistic
- Clear
- Monitorable
- Within government control

6. Assessment of Self-evaluation from Experience

Track record of portfolio performance

- Substantive discussion of CPRs/PCRs/OPEV findings
- Assessment of the country's institutional effectiveness
- Quality of analysis of the track record of project development outcomes

Use of self-evaluation in the formulation of new strategy

- Substantive discussion of lessons from previous CSPs
- Use of historical records on country/sector performances
- Use of lessons of experience in new strategy

7. Assessment of Governance

- Coverage and depth of analysis of the various types of governance
- Relevance and consistency of strategies, including risk factors, identified in the CSP

8. Assessment of Outcome Indicators

- Sound monitoring and evaluation system
- Relevant macro and long-term targets and indicators
- Relevant intermediate outcomes and monitoring indicators

CSP Review – Assessment Ratings

	Country	Govern- ance	Stake- holders*	Poverty focus	Self- evaluation	Strategic selectivity	Scenarios	Triggers	Outcome indicators
1	Angola	3	2	2	2	2	n/a	n/a	2
2	Benin	3	3	2	3	3	3	4	3
3	Botswana	3	2	2	3	3	n/a	n/a	2
4	Burkina Faso	3	3	2	2	3	3	2	2
5	Cameroon	3	3	2	2	3	2	2	2
6	Cape Verde	2	3	2	1	3	2	3	2
7	Chad	3	3	2	2	3	3	3	2
8	Djibouti	2	3	2	3	2	3	4	2
9	DRC	2	2	2	2	4	n/a	n/a	2
10	Equatorial Guinea	3	3	2	2	3	3	3	2
11	Eritrea	3	3	2	2	4	2	2	2
12	Ethiopia	2	3	3	2	3	2	1	3
13	Gabon	3	2	2	2	2	2	1	2
14	Gambia	3	3	3	1	2	2	3	2
15	Ghana	4	3	3	3	2	2	2	3
16	Guinea-Bissau	3	2	2	2	2	2	3	2
17	Kenya	4	3	3	2	3	3	3	3
18	Lesotho	3	2	2	3	3	2	2	1
19	Madagascar	3	4	3	4	4	3	3	2
20	Malawi	3	3	2	2	3	2	2	1
21	Mali	4	3	2	2	3	2	3	2
22	Mauritania	3	3	2	2	2	2	1	2
23	Mauritius	3	3	3	1	3	3	3	3
24	Morocco	2	3	2	3	3	3	3	2
25	Mozambique	4	3	3	2	2	3	2	3
26	Niger	3	3	2	2	2	2	2	2
27	Nigeria	3	3	2	1	2	2	3	2
28	Rwanda	3	1	2	1	2	2	2	2
29	São Tomé	3	3	2	2	3	n/a	n/a	2
30	Senegal	3	3	2	2	3	3	3	3
31	Sierra Leone	3	3	2	2	2	3	2	2
32	South Africa	3	2	2	2	3	2	1	2
33	Tanzania	4	3	3	3	3	2	2	2
34	Tunisia	2	3	2	1	3	2	3	2
35	Uganda	3	3	3	3	3	3	3	3
36	Zambia	3	3	3	2	2	1	3	2

Key: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = satisfactory; 4 = highly satisfactory; n/a = not available.

Note: *Stakeholder participation and strategic partnership.

Satisfactory CSPs by Number of Adequately Applied CSP Principles

Principles adequately applied							
One principle	Two principles	Three principles	Four principles	Five principles	Six principles	Seven principles	Eight principles
Angola GOVERNANCE	Guinea-Bissau GOVERNANCE TRIGGERS	Botswana GOVERNANCE SELF-EVALUATION ³ STRATEGIC SELECT.	Burkina Faso GOVERNANCE SELF-EVALUATION STAKEHOLDERS	Chad GOVERNANCE STAKEHOLDERS STRATEGIC SELECT. SCENARIOS TRIGGERS	Senegal GOVERNANCE STAKEHOLDERS STRATEGIC SELECT. SCENARIOS TRIGGERS	Benin GOVERNANCE STAKEHOLDERS SELF-EVALUATION STRATEGIC SELECT. SCENARIOS TRIGGERS OUTCOME IND.	Uganda GOVERNANCE POVERTY FOCUS STAKEHOLDERS SELF-EVALUATION STRATEGIC SELECT. SCENARIOS TRIGGERS OUTCOME IND.
DRC STRATEGIC SELECT. ¹	Mauritania GOVERNANCE STAKEHOLDERS ²	Cameroon GOVERNANCE STAKEHOLDERS STRATEGIC SELECT.	Djibouti STAKEHOLDERS SELF-EVALUATION SCENARIOS TRIGGERS	Equatorial Guinea GOVERNANCE STAKEHOLDERS STRATEGIC SELECT. SCENARIOS TRIGGERS	OUTCOME INDICATORS		
Gabon GOVERNANCE	Niger GOVERNANCE STAKEHOLDERS	Cape Verde STAKEHOLDERS STRATEGIC SELECT. TRIGGERS	Ethiopia GOVERNANCE POVERTY FOCUS STRATEGIC SELECT. OUTCOME INDICATORS	Ghana GOVERNANCE POVERTY FOCUS STAKEHOLDERS SELF-EVALUATION OUTCOME INDICATORS		Kenya GOVERNANCE POVERTY FOCUS STAKEHOLDERS STRATEGIC SELECT. SCENARIOS TRIGGERS OUTCOME INDICATORS	
Rwanda GOVERNANCE	South Africa GOVERNANCE STRATEGIC SELECT.	Eritrea GOVERNANCE STAKEHOLDERS STRATEGIC SELECT.	Gambia GOVERNANCE STAKEHOLDERS POVERTY FOCUS TRIGGERS	Morocco STAKEHOLDERS STRATEGIC SELECT. SELF-EVALUATION SCENARIOS TRIGGERS			
		Lesotho GOVERNANCE SELF-EVALUATION STRATEGIC SELECT.	Mali GOVERNANCE STAKEHOLDERS STRATEGIC SELECT. TRIGGERS	Mozambique GOVERNANCE STAKEHOLDERS POVERTY FOCUS SCENARIOS OUTCOME INDICATORS		Madagascar GOVERNANCE POVERTY FOCUS STAKEHOLDERS STRATEGIC SELECT. SELF-EVALUATION SCENARIOS TRIGGERS	
		Malawi GOVERNANCE STAKEHOLDERS STRATEGIC SELECT.	Zambia GOVERNANCE STAKEHOLDERS POVERTY FOCUS TRIGGERS	Tanzania GOVERNANCE STAKEHOLDERS POVERTY FOCUS SELF-EVALUATION STRATEGIC SELECT.			

Notes: 1 = Strategic selectivity; 2 = Stakeholder participation and strategic partnership; 3 = Self-evaluation from experience.

Satisfactory CSPs by Number of Adequately Applied CSP Principles (continued)

Principles adequately applied							
One principle	Two principles	Three principles	Four principles	Five principles	Six principles	Seven principles	Eight principles
		Nigeria GOVERNANCE STAKEHOLDERS TRIGGERS				Mauritius GOVERNANCE POVERTY FOCUS STAKEHOLDERS	
		São Tomé GOVERNANCE STAKEHOLDERS STRATEGIC SELECT.				STRATEGIC SELECT. SCENARIOS TRIGGERS OUTCOME INDICATORS	
		Sierra Leone GOVERNANCE STAKEHOLDERS SCENARIOS					
		Tunisia STAKEHOLDERS STRATEGIC SELECT. TRIGGERS					