

# Building Resilience and Accountability:

## Motivating policy makers to use knowledge and evaluative evidence

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# The Knowledge Challenge

- **Do we have the right knowledge?**
- **Do we have the right knowledge at the right time?**
- **Have we incentivized the use of the right knowledge at the right time?**

# Evidence Base: IEG Evaluations in the Macroeconomic-Fiscal Space

- 1) [World Bank support for Public Financial and Debt Management in IDA-eligible Countries](#) (March 2021)
- 2) [World Bank Group Support for Addressing Country-specific Fiscal and Financial Sector Vulnerabilities](#) (July 2021)
- 3) [Early-Stage Evaluation of the Sustainable Development Finance Policy](#) (November 2021)
- 4) [Evaluation of the World Bank's Role in and Use of the Low Income Country Debt Sustainability Framework](#) (April 2023)
- 5) [World Bank Support for Domestic Revenue Mobilization](#) (May 2023)

# The (macro-fiscal) problem

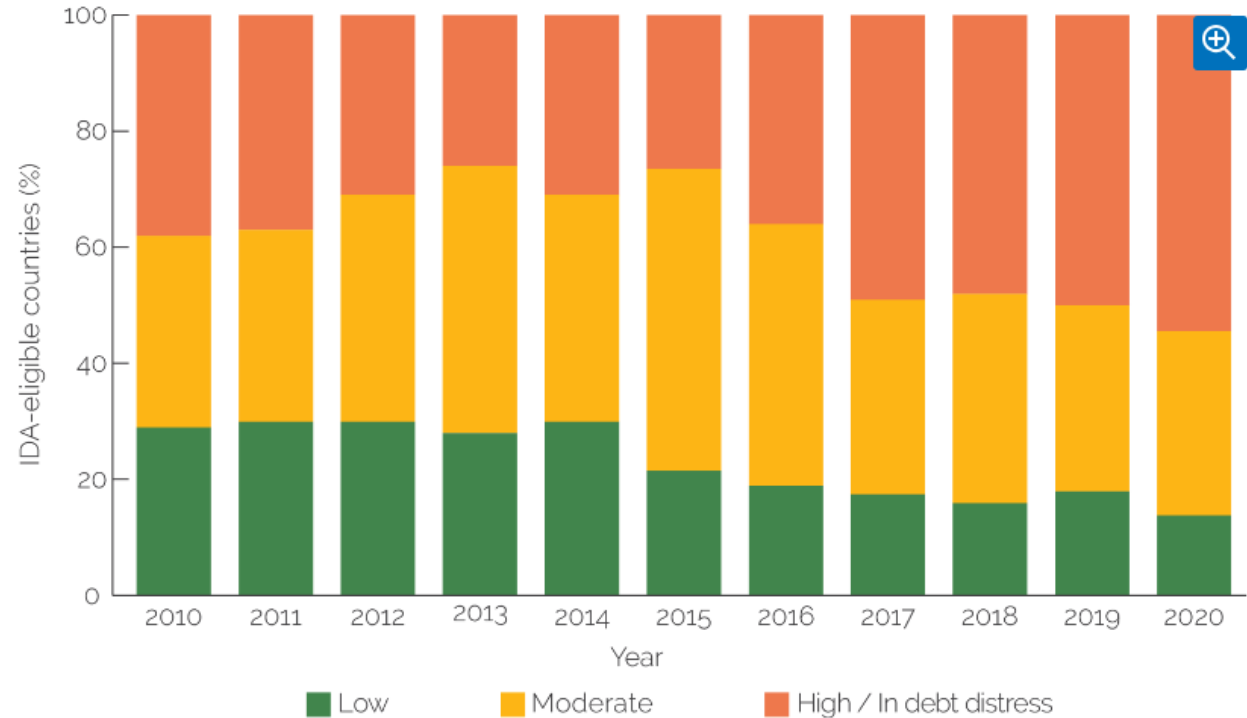
Large scale erosion of fiscal space in lower-income countries even before COVID, compounded by the fiscal implications of COVID and a failure to improve revenue has undermined fiscal and debt sustainability.

Opportunities missed after the Global Financial Crisis and in the decade prior to COVID to build fiscal space and resilience.

# Even before the COVID pandemic, there was a sharp rise in the level of debt distress being faced by low-income countries

- Public debt as a percentage of GDP increased sharply starting in 2012
- Increasing number of IDA-eligible countries at high risk or in debt distress: 13 in 2013 to 34 in 2019 and 36 in 2023.

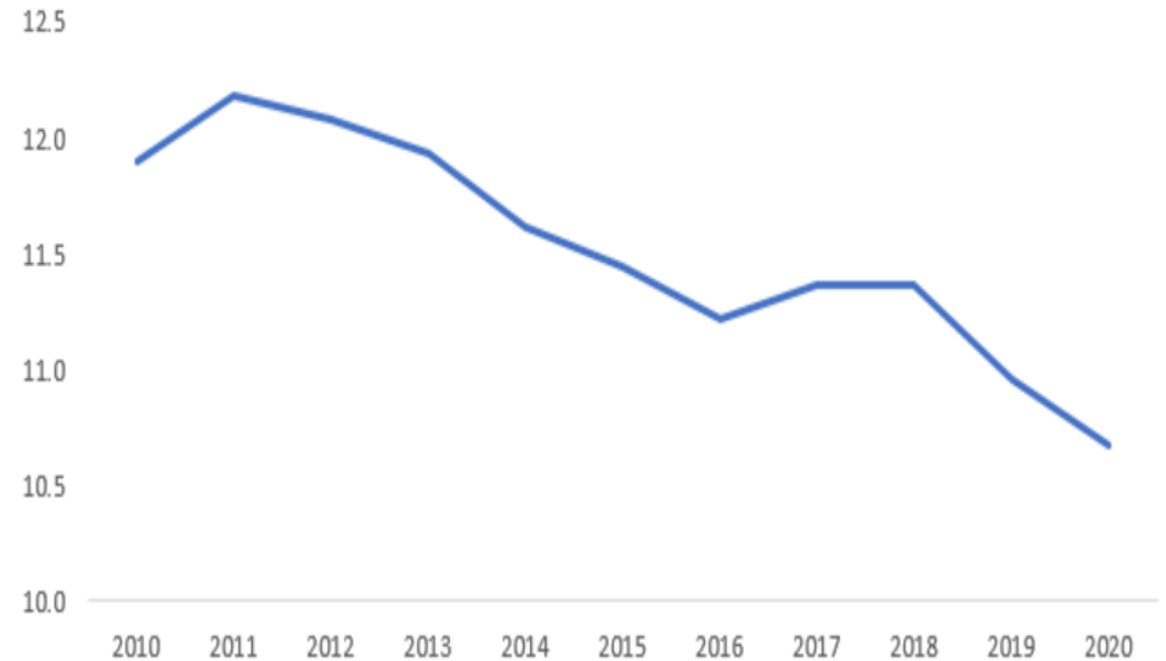
Figure 1.2. Evolution of Debt Distress Ratings in International Development Association–Eligible Countries, 2010–20



Source: World Bank 2020b; International Monetary Fund Debt Sustainability Analysis (database), International Monetary Fund, Washington, DC (accessed April 2021), <https://www.worldbank.org/en/programs/debt-toolkit/dsa>

In 2015, at the *World Conference on Financing for Development in Addis Ababa*, the international development community recognized that official development assistance was unlikely to be adequate to achieve the ambitious SDGs; resources from other sources would be needed, including from domestic revenue mobilization.

**Tax Revenue as a Share of Gross Domestic Product in Low- and Middle-Income countries (percent)**



Source: World Development Indicators database.

# What knowledge do we need? -- the role of diagnostics in building fiscal resilience

# Examples of core technical diagnostics to inform the building of fiscal resilience.

- Systematic Country Diagnostic (SCD)
- Debt Management Performance Assessment (DeMPAs)
- Public Expenditure and Financial Assessment (PEFA)
- Public Investment Management Assessment (PIMA)
- Tax Administration Diagnostic Assessment Tool (TADAT)
- Public Expenditure Review (PERs)
- Debt Sustainability Analyses (DSAs)



## *But sometimes more is not better...*

Number of tax tools and diagnostics has increased significantly in recent years presenting challenges in ensuring that valuable analysis is integrated into operational work and priority setting

- Tax Administration Diagnostic Assessment Tool (TADAT)
- Tax Policy Assessment Framework
- Three new tool kits on international tax
- Tax treaty explorers
- Innovation in Tax Compliance Conceptual Framework
- Commitment to Equity Assessment Diagnostic Framework Tools
- Tax Diamond
- microsimulation models
- tax gap models
- tax incentive analyses
- and many more....

# Bank's analytical and advisory products and global advocacy help increase awareness and capacity

## Selected Tools



- Microsimulation Models
- Tax Incentive Analysis
- Tax Gap Models
- ... Many more

Need to scale-up the advocacy for developing countries on global tax issues (including at G7 and G20)

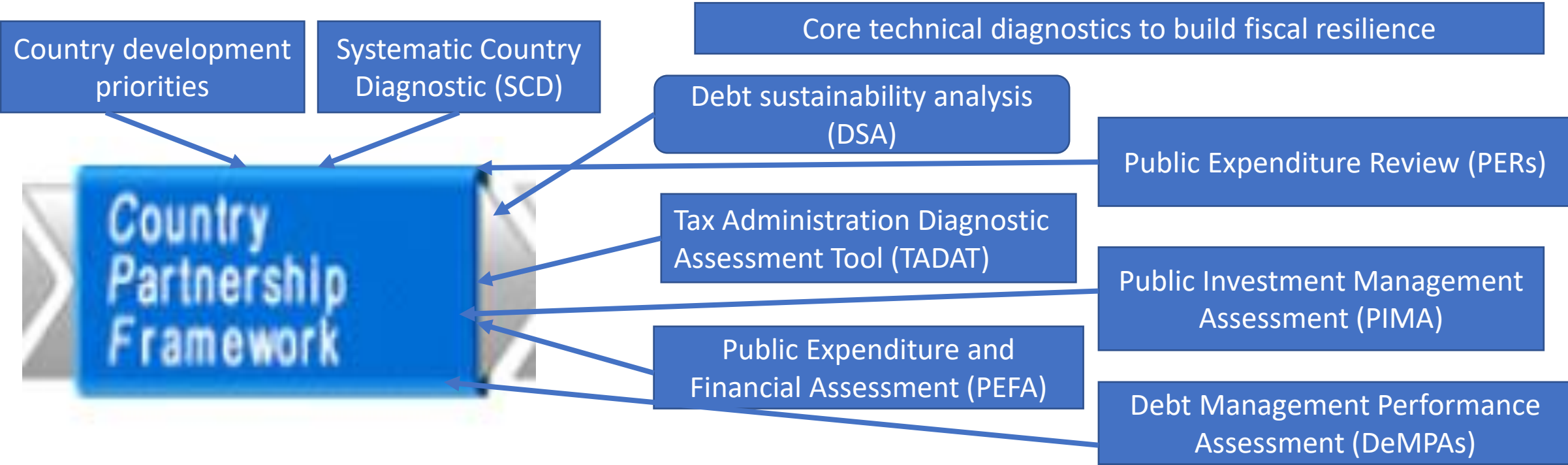
## Selected Publications

**When did we need the knowledge?**

**The World Bank's country engagement model**

# Main Entry Point for Knowledge: World Bank Group Country Partnership Framework

A **Country Partnership Framework (CPF)** is the central tool of Management and the Board for reviewing and guiding the WBG's country programs and gauging their effectiveness. The CPF identifies the key objectives and development results through which the WBG intends to support a member country in its efforts to end extreme poverty and boost shared prosperity in a sustainable manner.



# Did we make use of knowledge to build fiscal resilience?

## Findings from IEG Evaluations

# World Bank Group Support for Addressing Country-specific Fiscal and Financial Sector Vulnerabilities (2021)

1. Fiscal and debt-related conditionality did not always prioritize major country-specific drivers of debt stress.
  1. Often, low hanging fruit were prioritized;
2. Track record in prioritizing the reduction in fiscal and financial sector vulnerabilities outside of a crisis context is mixed.
  1. Production and use of diagnostics frequently not prioritized outside the context of a crisis

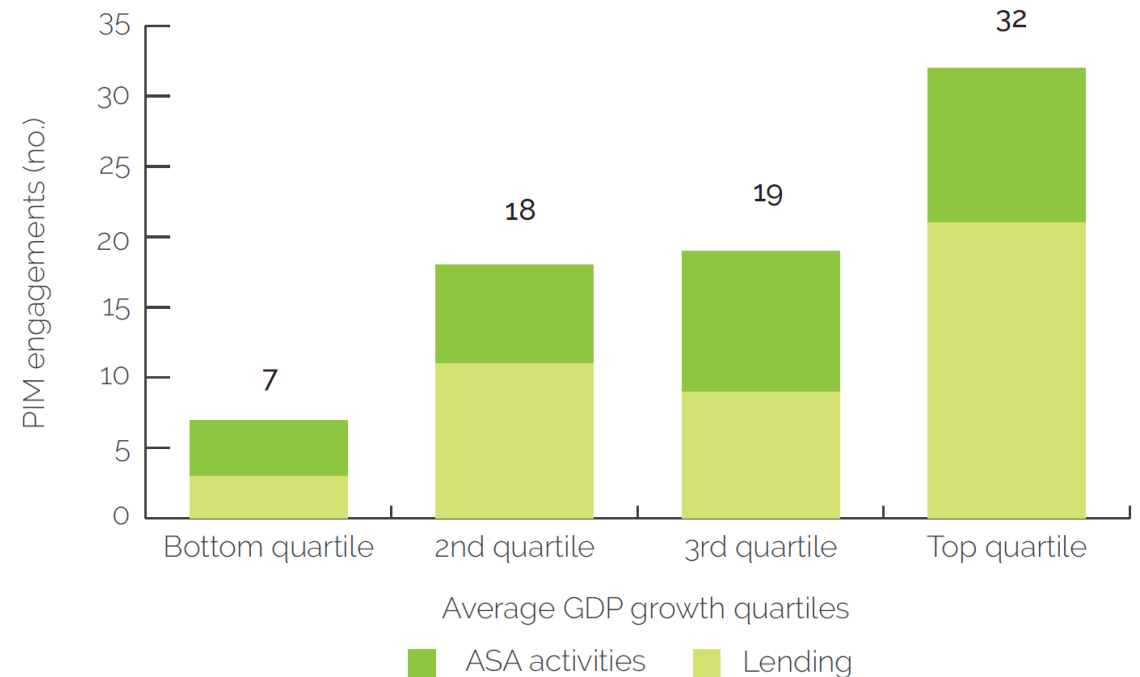
## World Bank Support for Public Financial and Debt Management in IDA-eligible Countries (2021)

1. Individual Public Financial and Debt Management diagnostics were of good quality but not coordinated or adequately disseminated.
2. Public Investment Management support did not target debt stressed, IDA-eligible countries even while many were undertaking “growth enhancing” public investment, including in infrastructure.

# Slower growing countries require support to strengthen Public Investment Management (PIM), but are receiving little of it

- Relatively few IDA-eligible countries currently at risk of or in debt distress had Bank support for public investment management (PIM)
  - Of the 30 countries in this group, only seven received support for PIM through budget support operations

World Bank Support to PIM by Average GDP Growth Quartile (2008–18)



Source: Independent Evaluation Group; World Development Indicators database (accessed May 28, 2020).

Note: ASA = advisory services and analytics; GDP = gross domestic product; PIM = public investment management



# **Recommendations from IEG evaluations to better incentivize use of knowledge to build fiscal resilience**

# Recommendations and Lessons from IEG Evaluations:

## Improving the Use of Knowledge

- Building fiscal and financial resilience should be fully and explicitly integrated into country strategies, with a clear articulation of priorities.
- More concerted effort needed to use diagnostic findings to systematically inform priority setting for country-level policy dialogue, capacity building, and operations.
- Regularly take stock of the findings of relevant diagnostics tools and instruments to identify knowledge gaps. Where knowledge is incomplete, filling gaps should be explicitly planned for. Greater attention should be paid to data quality.

# Thank you

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