

Arthur Neron-Bancel

Critical reading note:

“The Role and Effectiveness of Development Assistance: Lessons from World Bank experience.”

Ian Goldin, Hasley Rogers, and Nicholas Stern (March 2002)

The ‘risky business’ of development.

Throughout the more than six decades since World War II, the centrifugal forces of an often contested yet seemingly irreversible process of globalization have come to impose themselves as one of, if not the, most critical items on the agenda of the international community. The convergence of numerous factors (unprecedented technological advances and demographic growth; new international organizations and the multiplication of newly-independent states) has contributed to the emergence of a new international system characterized by increasing levels of complexity, interdependence, interconnectedness. The implications of these changes are numerous, nuanced, and often contradictory - alongside a multitude of new challenges, and a wealth of new opportunities, one of the most notable outcomes has been a growing international commitment to - and a vested interest in - the promotion of social, political and economic development in countries around the globe.

Following its creation as one of the new international institutions within the framework of the Bretton Woods system following World War II, the World Bank has quickly become a leading player in the emerging field of ‘development.’ This role has implied tremendous challenges and responsibilities, and while more than five decades of pioneering work have involved remarkable achievements in poverty reduction and improvements in living standards, a number of failures, shortcomings, and unintended consequences have also exposed many areas for improvement.

Published in March 2002 by Ian Goldin, Halsey Rogers, Nicholas Stern and the Development Economics Vice Presidency of the World Bank, the report entitled ‘The Role and Effectiveness of Development Assistance: Lessons from World Bank experience’ represents an attempt to ‘analyze in reasonably concise form the changing roles and effectiveness of development assistance over the past 50 years, with particular attention to the past two decades and to the experience of the World Bank.’¹ To be sure, the work of the World Bank is not limited to concessional lending, aid and assistance and covers a broad scope of activities. And yet, as this report clearly shows, the Bank’s unique experience in this field can teach us a number of lessons regarding:

- the challenges of truly understanding the nature and mechanics of human development, understanding that the process is multi-dimensional and far from irreversible, and ultimately identifying the short- and long-term goals of poverty reduction;
- the challenges of developing coordinated evidence-based policies and strategies to reach these objectives through the necessary sequencing and selection of reforms, of pursuing economic imperatives in a cost-efficient manner while adhering to social and environmental priorities, and of balancing between cross-country standardization and country-specific strategies when simultaneously working in different political, cultural, economic settings each shaped by distinct historical legacies;
- the institutional specificities of the World Bank, including the difficulties of cooperation and coordination between many stakeholders with diverse and often conflicting political agendas and economic interests, and the difficulties of creating and maintaining a flexible, adaptable ‘learning’ institution constantly adjusting its policies and methods based on experience and critical self-assessment.

This report came during an important period in the evolution of development practice. As the document underscores, the preceding decade of the 1990’s had witnessed wide mobilization and concerted efforts within the World Bank (as well as within the broader international development community) to reverse a decline in the performance of ODA and IDA (concessional) lending, and to re-affirm the Bank’s priority focus on poverty reduction and human development.

¹ ‘The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience’ p.1

Following decades of either uni-dimensional (income- or GDP/aggregate growth-focused), highly politicized (Cold War), or ideologically-driven aid (statism of the 50s and 60s, free-market neo-classical approaches of the 80s and early 90s), by the mid-90s the World Bank was seeking to improve the effectiveness and impact of its direct financial and non-financial assistance to developing countries (pp.1-63), as well as its rapidly growing participation in global public good initiatives and partnerships (pp.63-68).

As concerns direct assistance to developing countries, the report looks at how the Bank has improved its performance and impact both in terms of the quality of assistance strategies and sector strategies ('doing the right things'), as well as the quality and delivery of operations ('doing things right')². This distinction is very important and will structure our review.

I. Aid policy and strategy development

On the one hand, looking at the quality of the policies and strategies that drive the Bank's lending and programing addresses the experimental knowledge and applied theory of development economics that the Bank has accrued over the past decades. In light of its capacity to consistently attract many of the brightest minds in economic theory from across the globe, this is an area in which the World Bank can be assumed to be particularly strong. (Even though a succession of vast shifts in conventional development economic theory over the past decades also illustrate the constant research and critical thinking this area obviously requires.)

Through a combination of cross-country statistical analysis, policy discussion and numerous country-specific case studies, the report offers very interesting insights into the Bank's progress in policy and strategy development. The report makes a convincing case that the Bank has considerably improved the effectiveness and the impact of financial aid, especially throughout the 1990's, through:

- a conscious effort to target aid towards those countries with the firm institutional framework, governance and political commitment necessary to achieve change;
- the institution of new processes and tools intended to make planning and policy development a more thorough, inclusive and consultative process - these include Country Assistance Strategies (CAS's) since 1991, Sector Strategy Papers (SSP's) since 1997, and Poverty Reduction Strategy Papers (PRSP's) since 1999;
- a shift towards comprehensive development policies aimed at creating the investment climate³ necessary for strong, sustainable and equitable economic growth. Combining various theoretical components such as Total Factor Productivity (TFP) growth and a commitment to reinforcing complementarities between public policy and private sector dynamism, these policies recognize the need for a flexible analytical framework allowing to identify country-specific constraints in order to develop tailored solutions and targeted action. Key areas for projects and advice include improving macro-economic policy and governance for stability; a balanced and gradual opening to international markets and liberalization of trade for exposure to competitive pressures and access to expanded markets; reinforcing institutions, the rule of law, and governance ('soft infrastructure'); increased investment in human capital (education, health) and empowerment; the promotion of gender equality and social inclusion as instrumental to sustainable economic growth; the development of physical infrastructure for essential services, transport and trade, and the provision of reliable energy supplies; and attention to rising challenges from ecological fragility and climate change.

II. Execution, implementation and institutional considerations

In parallel to the nature of the Bank's aid policies, looking at the quality and delivery of operations and project execution implies looking at the organizational forces and institutional dynamics that shape the Bank's work (policy implementation and project execution) and its capacity to adapt and learn rapidly from past projects, whether from failures (corrective adjustments) or from success (replication and 'scaling up' of successful models). The report places considerable emphasis on the Bank's efforts to improve the monitoring and assessment of aid effectiveness throughout the 1990's, primarily through systematic analyses of development approaches and project quality (both real-time feedback through the Quality Assurance Group or post-completion evaluations through the Operations Evaluation Department.)

² Report Annex, p.74

³ 'the constellation of underlying factors causing growth of productive investment' p.12

Because it addresses how the World Bank functions as an institution, and its capacity to adapt to the rapid changes in the field of development, this section (or dimension) of the report is of great importance - and it seems to be lacking a certain element of criticism. In his lectures to our class, Professor Goldin himself noted that the World Bank's culture of self-assessment often left much to be desired, that the reports and evaluations produced by oversight and monitoring departments were often disregarded or otherwise completed with such a time lag after project completion that they became irrelevant. One of the critical lessons that can be drawn from the collapse (or near-collapse) of many major financial institutions during the recent 2008 financial crisis is that audit and risk analysis departments need to be very well integrated and given substantial power lest they be too easily sidelined, disregarded, treated as a nuisance and an obstacle to growth and innovation. It seems that the report tells us well what the evaluation and monitoring department's roles are on paper, but does not offer any actual criticism about how they actually operate in fact, and how much of an impact they have. While I personally have no direct experience with the World Bank as an institution, I have worked for the United Nations, and would tend to support the idea that major international organizations often face considerable risks and weaknesses deriving from institutional pressures and momentum, and structural forces that considerably reduce flexibility and adaptability.