Blinding with Science or Encouraging Debate?

How World Bank Analysis Determines PRSP Policies

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Further comments are welcome. We may post selected comments (with permission) on the Bretton Woods Project's website. Send to blinding@brettonwoodsproject.org.

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List of acronyms

CAS	Country Assistance Strategy
CSO	Civil Society Organisation
DEEP	Distributive Effects of Economic Policy
DFID	Department for International Development
DTIS	Diagnostic Trade Integration Study
ESW	Economic and Sector Work
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IF	Integrated Framework
IGR	Institutional and Governance Review
IMF	International Monetary Fund
ITC	International Trade Center
ISODEC	Integrated Social Development Centre
LDC	Least Developed Country
NGO	Non-governmental Organisation
PEAP	Poverty Eradication Action Plan
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
RMSM-X	Revised Minimum Standard Model – Extended
SAPRI	Structural Adjustment Participatory Review Initiative
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WB	World Bank
WTO	World Trade Organisation

Executive Summary

"Far from abandoning aid conditionality, international financial institutions are collaborating to retool the aid regime under the rubric of 'ownership' and aid effectiveness. Aid has become increasingly technocratic, with an overwhelming reliance on donor systems of aid management and accountability, implemented by a host of consultants and advisors. The World Bank reports that some 100,000 foreign experts are currently employed in Africa, tending to displace local experts and weaken capacity." (*The Reality of Aid*, 2002, p. 8)

"Increasingly, national NGOs and CSOs are expressing concern that the new agenda around PRSPs has failed to deliver both a different way of doing business and a real dialogue around a broader choice of policy options. It is a matter of concern if NGOs and CSOs become disenchanted and disengage at an early stage in the formulation of a PRSP." (UK Department for International Development, 2001, p. 3)

Despite some pronouncements from Washington and elsewhere, debates about privatisation, liberalisation and other core policy issues are alive and well. Discussions of trade policies at Doha, sustainable development in Bali and water ownership in Ghana demonstrate this clearly. Yet the World Bank and its sister agency, the International Monetary Fund (IMF), often give the impression that there is consensus on the development agenda, and that only details remain to be worked out. The Bank is pursuing this logic through studies in its client countries on a wide range of policy issues. These studies may be more influential than many outsiders realise and partly explain why the Poverty Reduction Strategy (PRS) process has not ushered in real debates about macroeconomic policies.

In 1999 the World Bank and IMF introduced the PRS process, which is supposed to improve donor coordination and ensure that governments and civil society groups take the lead in defining policies that the Bank and Fund should support. But many commentators have complained that macroeconomic policy choices have not been adequately debated and that few countries have deviated from standard choices (World Vision, 2002; DFID, 2002). This could be for a number of reasons. The main one often put forward is that the World Bank and IMF hold the purse strings, so they can dictate what a cash-strapped government signs up to in exchange for loans. But the Bank responds that it has moved away from a one-size-fits-all approach to policymaking, partly through decentralising some of its operations and opening up to consultation exercises. Thus understanding why the Poverty Reduction Strategy Paper (PRSP) exercises are proving so

dissatisfying for some NGOs and others requires a more detailed examination of the mechanisms by which the Bank continues to promote policy choices.

The Bank most of the time no longer has to rely on its financial clout alone, as it is winning arguments upstream. Through its global and national-level studies, and its extensive network of official, journalist and academic contacts, the Bank has a strong influence on policy debates even where it is not lending. But the Bank is clearly in the most influential position where it can combine its 'knowledge' and lending functions, imposing conditions to support its advice.

A recent study on the Uganda PRSP process found that the multi-stakeholder discussions led to very little substantive policy change in key areas. The conditionality in the Bank's new loans to Uganda did not match the conclusions of the PRSP discussions but appeared to come from an inside track of analysis and discussion (Nyamugasira & Rowden, 2002).

This briefing argues that in many cases like this, the World Bank's 'Economic and Sector Work' – the studies it carries out or commissions in its client countries – may be the source of official views which dominate the policy process at the expense of civil society inputs. The Bank's studies range from overviews of public expenditure or poverty statistics, to detailed analyses of particular sectors or institutions.

The briefing aims to inform interested parties – particularly NGOs in the South – about the World Bank's in-country analysis; to examine some concerns about its scope and content; and to discuss some possible strategic approaches. It sets out the areas in which the Bank is carrying out assessments, and ways that NGOs and independent researchers could do more to shape or contest these in areas they find important. It follows other work by the Bretton Woods Project in raising concerns about the World Bank's increasing "knowledge" work, viewed by many as limited in scope and crowding out others (Bretton Woods Project, 2001; Hildyard, 1998), and about the PRS process (Bretton Woods Project, 1999 & 2000).

Branislav Gosovic of the South Center recently commented: "…global intellectual hegemony should be of special concern to developing countries. Their intellectual dependency means that they tend to rely wholly on a handful of sources in the North for data, analysis, explanation, policy and prescriptions, including in relation to their own national development." (Gosovic, 2001; p. 135). The Bank's central role in defining and promoting development orthodoxy is well-documented (George & Sabelli, 1994; Wade, 1996 & 2001). The Bank is very widely respected despite its institutional biases, which frequently lead it to make serious errors in prediction. Partial recognition of errors in predicting debt burdens and commodity prices, for example, has meant that the debt relief obtained under the Highly Indebted Poor Country scheme has proved far from adequate – see table 1 (Jubilee Research, 2002).

The launch of the Structural Adjustment Participatory Review Initiative, and the contributions to the recent World Bank/IMF review of the PRSP process, show that the current approaches for policy analysis and decision-making are not working for all stakeholders. The Bank and Fund

recognise some problems with their approaches to PRSPs, but their responses to the PRSP review seem fairly complacent. The IMF's role in conducting studies and setting conditions is extremely important alongside that of the World Bank, however this briefing focuses mainly on the Bank.

Many officials and NGOs now pin hopes on the introduction of Poverty and Social Impact Analysis (PSIA). The Bank defines this as "analysis of the distributional impact of policy reform on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable" (World Bank, 2002a). This is supposed to encourage the use of more diverse analytical approaches as well as greater transparency and accountability in the process of making policy recommendations. The contours of this PSIA are ill-defined. But the introduction of any new exercise or approach at the World Bank needs to be set in the context of previous disappointments. The 1990s saw the launch of a whole series of new Washington initiatives and accompanying acronyms. Many, such as the Participation Flagships and the Country Assistance Strategies and the Environment initiative, had little lasting impact.

Ironically, the Bank is increasing the number of assessments of institutions in developing countries while it suffers from major institutional weaknesses itself. These are not just the perennial ones of political capture by the richest countries and resistance to calls for full accountability and transparency. The reforms initiated by President Wolfensohn in the last seven years have improved some matters, but left others untouched and caused some new problems. The Bank is still more focused on making new loans than on the impacts on poverty, and its internal market management system has caused many tensions.

The Bank constantly talks about capacity-building and listening, but seems reluctant to cede control of policy formulation processes or to recognise contributions or perspectives that diverge markedly from core Washington thinking. The production of the 'Poverty' *World Development Report*, the refusal to engage with the country studies produced by the Structural Adjustment Participatory Review Initiative, and the introduction of its new Private Sector Development Strategy testify to this. Indeed, the Bank often appears to imply that there is a vacuum out there that it needs to fill: that few others are doing serious policy analysis (World Bank, 2001h).

The World Bank should be far more open about how it is commissioning research and the methods being used. But beyond this, more must be done to break the Bank's near-monopoly on development analysis by diversifying the commissioners and producers of research. Even if the Bank were to make a major shift towards more open and heterodox research, there would still be many who would not see its conclusions as legitimate and even-handed. Ministers from indebted countries and prominent academics have recently voiced concerns about the conflicts of interest underlying the Bank's role as analyst and lender (HIPC Ministerial Declaration, 2002, p. 4; Wade, 2002).

Official agencies should be more sensitive to charges that they are crowding out analysis by independent organisations and networks. NGOs considering whether and how to engage in Poverty Reduction Strategy processes should find out more about the World Bank's analytical

work in their country or sector. Then they can consider how to influence the ways in which this research is designed and conducted, or how to use or challenge its findings in their advocacy. The PRS process is often said to be about putting the borrower country governments in "the driver's seat" of a metaphorical car. But even if governments are allowed to get hold of the steering wheel, it is vital to see who is in charge of producing the maps and deciding on navigation.

This briefing is structured in sections around the following sets of questions:

- Section 2: What is the World Bank's Economic and Sector Work? What issues does it cover, how is it carried out and what problems have been identified with it?
- Section 3: What are the key biases exhibited by World Bank research and analysis, both in general and in particular policy areas (investment climate, trade, governance, poverty measurement and macro-economic modelling)?
- Section 4: What can be done by official agencies and civil society groups to change World Bank approaches and to support the strengthening of independent ones?

Table 1: 2001 export growth much lower than World Bank projections

Country	Projected Growth for 2001 (%)	Revised figure based on Actual Growth in 2001 (%)
Guinea-Bissau	13.9	-15.9
Honduras	17.5	0.4
Nicaragua	9.7	-1.8
Niger	4.5	-3.2
Uganda	15.1	-3.8
Average for all 24 HIPC Countries	11.6	5.8

Source: World Bank (2002f)

World Bank assessments: What issues, whose voices?

"The World Bank has enormous influence over the shape and pace of Indonesia's policies and reform in its own right, but also through its production of the economic analysis that serves as the information base on which other creditors and donors rely to make decisions." (INFID, 2002, p. 1)

"If the PRS process were a government-led process, why would the Bank and Fund send numerous missions to the country to develop the PRS? Why would the Bank develop a 1,000-page Sourcebook to tell developing country groups how to create a PRS?" (Abugre, 2000)

"In attributing ignorance to others, development's higher-level protagonists ensure that they themselves remain ignorant of others' knowledge. This reinforces a further kind of ignorance: that of the local background conditions for their own knowledge." (Lohmann, 1998, p. 2)

The importance of World Bank country studies

In theory, the World Bank is now prepared to let borrowing country governments set their own policies. In practice, it goes to great lengths to influence their choice. Its role, in combination with the IMF's, in setting conditions in return for its loans is well-known. The World Bank is also widely recognised as perhaps the most prominent global development think-tank, issuing studies and data on many topics. Less clear to many is how the "lending Bank" and the "knowledge Bank" fit together. This section examines the Bank's approach to analysis, which forms the basis of its policy conditions.

In every country where it lends, the Bank conducts or commissions a range of studies, covering issues from public spending to tariff reduction, from primary education to natural resource protection. The studies make recommendations that are often taken very seriously by borrower government officials negotiating funding with the Bank and with other aid agencies. Yet these studies are produced without the involvement of many people in governments and civil society groups who are now supposed to be key stakeholders in the Poverty Reduction Strategy process.

The Bank has long conducted analysis in its client countries. The analysis acts as a building block for World Bank Country Assistance Strategies (CASs), which are documents produced every three years setting out the Bank's programme for each country and policy changes the country must make in exchange for Bank support. The Bank's so-called "Economic and Sector Work" (ESW) analysis examines economic policy, institutions and structures, and specifies reforms. A briefing from Bank Information Center uses a medical analogy to describe the CAS and the ESW: the latter is the diagnosis that results in the Bank's prescription for the country, outlined in the CAS. If the cures put forward by the World Bank are limited, it may be because they are based on a narrow range of tests (Bank Information Center, 1999).

Paradoxically, since the introduction of the PRSP process – which is supposed to devolve policymaking to developing countries – the Bank is increasing its output of such studies (IBRD/IDA, 2001, page iv)[1]. And the Bank's assessments are growing not just in number but in importance. The Bank's country studies feed into its Country Policy and Institutional Assessment, an exercise that rates countries and determines how much money they will receive. The rating is based on 20 criteria, covering economic management, structural policies, policies for social inclusion, public sector management and institutions. Under this system the Bank rates the extent to which governments comply with the creditor community's definition of "good policies", and then allocates more funds to governments that score well. In 2001 the Bank allocated almost five times more money to governments that achieved its "A" rating compared to those rated "F" (Globalization Challenge Initiative, 2002). Some other donors also follow the Bank's rating system when deciding how to allocate their aid spending.

The Bank argues that it must carry out certain assessments to ensure that its funds are properly used and will be repaid. These include reviews of public expenditure, financial accountability and procurement (IBRD/IDA, 2001, Annex 3, p. 29). But these "fiduciary assessments" are complemented by an ever-widening range of Bank studies about particular issue areas. These have a confusing set of names and overlapping remits (see Box 1, below) and clearly take the Bank into areas where other organisations, such as UN specialised agencies and national research institutes, are seen to have more expertise and legitimacy. It is important to question whether the Bank should be doing studies in these areas, and, if so, who it should work with to set questions, gather data and finalise the policy conclusions. Does Bank research question the fundamental appropriateness of policies, or does it seek to "fine-tune" a pre-determined set of policies? Is the analysis of cross-cutting issues such as gender and the environment best served by stand-alone studies, or by integration into other analysis?

[1] In Fiscal Year 2001 the Bank planned a real budget increase of US$35 million for "more knowledge-based products (ESW)" (World Bank, 2001j, p. iv).

Box 1: Assessment overload

The World Bank conducts two main categories of analytical report in its client countries: *core reports* which are national in scope and carried out for all countries, and *sector-* or *issue-specific* reports which are done only in selected countries. The Bank also produces some regional reports and less formal policy notes, often resulting from workshops and conferences.

The main types of World Bank in-country analytical reports are:

Core reports

Poverty assessments – Aim to provide in-depth analysis of poverty issues, and evaluate the effects of economic and social policies on the poor.

Country economic memoranda or Development policy reviews – Provide an overall assessment of a country's economic and sectoral policies and development path. Development policy reviews are gradually replacing Country economic memoranda.

Public expenditure reviews – Analyse the equity and efficiency of public expenditure and assess the effectiveness of public expenditure management processes in achieving fiscal discipline and enabling cost-effective public service provision.

Country financial accountability assessments — Diagnose a country's private and public financial management systems, assess the strengths and weaknesses of public sector accountability arrangements and identify risks any weaknesses pose to the use of Bank funds.

Country procurement assessment reviews – Analyse a country's public sector purchasing procedures, and establish the need for an action plan to improve a country's system for procuring goods, works and services.

Sector or issue reports

Institutional and governance review
Social protection, health, and education sector review
Rural development assessment
Social analysis
Country gender assessment
Country environmental analysis
Financial sector assessment
Investment climate assessment
Diagnostic trade integration study
Country infrastructure framework report
Corporate governance assessment
Energy-environment review
Financial stability assessment
Economy-wide assessment
Review of spending priorities
Ownership assessment

Sources: World Bank, 2001i, and http://www-wds.worldbank.org/

Opening debate or pushing conclusions?

Despite the fact that their views may be eclipsed by the Bank's studies, few civil society organisations seem to know much about them, still less to be involved in them in a substantive way. A number of groups have been involved in or are aware of some of the Bank's Poverty Assessments, many of which have deliberately aimed to be participatory. But a recent World Bank evaluation recognised that "there has been less participation in Public Expenditure Reviews and other aspects of economic and sector work". (World Bank, 2001a, p. 62) Other official Bank reviews also recognise that their analytical work has not changed sufficiently in line with the principles of ownership and participation, which are supposed to underlie the Poverty Reduction Strategy (PRS) approach (World Bank, 2001a, p. 62 & World Bank, 2000b).

The Bank has often been criticised for its dogmatic approach to policymaking. Many parts of the Bank still show little interest in listening to other perspectives. The resignation of Ravi Kanbur as lead author of the *World Development Report*, the early departures of Joe Stiglitz as Chief Economist and William Easterly as a senior economist illustrate the difficulties facing alternative perspectives. Bank reports frequently make reference to the "right policies" for countries, or a "good policy environment" as if these can be conclusively assessed and asserted (World Bank, 1998b). The Bank very often appears to be pushing policy 'solutions' rather than contributing to a debate and listening to diverse evidence and arguments. Indeed the Bank is often reluctant to listen to opinions even from some of its own researchers. David Ellerman, formerly senior adviser to the Bank's Chief Economist, wrote recently in the Bank's *Staff Association Newsletter* of the danger that in such an atmosphere "Experimentation, debate, and the exercise of critical reason are curtailed to stay within the safe boundaries of Official Wisdom" (Ellerman, 2001, p. 3).

We question whether the World Bank should undertake all this analysis. The studies it continues to conduct should be reoriented to help different stakeholders to engage more meaningfully in debates about policy options. Analysis commissioned by the Bank should be defined and produced in an open manner and, ideally, be carried out by national researchers and civil society groups. The studies should aim to review evidence and set out issues and options for debate, not resolve debates and make firm proposals. The IMF and the Bank have agreed in principle that they should provide menus of potential reforms from which the country can select. It remains to be seen whether the Bank will work with others to offer a diverse and tailored range of dishes for countries to select from, or whether the menu will continue to be formulated very narrowly according to the tastes of Bank staff.

Poverty and Social Impact Analysis: what's new?

The Bank, under pressure from NGOs and some governments, has announced new approaches, in particular Poverty and Social Impact Analysis (PSIA). In the UK, Oxfam and the UK's Department for International Development are among those who have recommended that the Bank make available further analysis of the likely poverty impact of proposed policies to help foster an informed national debate about the macro programme, and make explicit and accessible

the economic logic underpinning policy proposals (Oxfam International, 2001; DFID, 2001, p. 3). The World Bank and IMF have made commitments to implement some further poverty and social analysis and in April 2002 the Bank produced a draft *User's Guide to Poverty and Social Impact Analysis* (World Bank, 2002a). This is a lengthy document describing different methodologies for evaluating individual reforms as well as economy-wide changes. The techniques described range from rapid qualitative analysis to complex data-intensive spreadsheets and models. Box 2 below briefly outlines some of these tools.

But it is still unclear what PSIA is and how it fits with existing work by the Bank, IMF and others. Is PSIA intended to outline likely impacts of reforms before they are agreed and implemented, or to help evaluate the effects of previous reforms? Is the *User's Guide* to PSIA just a shopping list of methodologies, or will it lead to Bank staff really changing the type and nature of the studies they conduct or commission? Will it persuade them to listen more to analysis produced by different organisations? Will PSIA's impact be limited to changing the timing or sequencing of reforms, or will it encourage a first principles examination of what are the appropriate policies?

The Bank has stated that "over time, it is expected that social and environmental analysis would increasingly be integrated into a systematic review undertaken as part of the upstream preparatory work of the PRSP" (World Bank, 2001b, p. 11). The IMF has pledged that "the distributional impacts of major macroeconomic or structural reforms should be considered and reported on in PRGF [Poverty Reduction and Growth Facility] documents together with any countervailing measures to offset the impact of these reforms on the poor" (IMF 2002, p. 39). But it is worrying that in the same document, the IMF goes on to claim that more than half of its programmes in low-income countries already refer to some sort of poverty and social impact analysis and two-thirds include measures to offset the impacts of reforms on poorer people.

In the context of the PRS process, assessing the anticipated benefits and costs of a menu of policy options for consideration by citizens, the government and others could enable greater engagement of civil society in decision-making processes, leading to better policy design and ownership. Open deliberation with multiple stakeholders now appears to be welcomed in principle by everyone from the World Bank President to academics and NGO staff. It can also help ensure that Bank and Fund staff have to argue in detail what they believe will be the results of the reforms they are suggesting, not just present aggregate data and economic hypotheses borrowed from textbooks or other countries. Coupled with an effective process to monitor implementation, up-front impact assessments could help hold creditors and donors to account and enable the discussion of changes to programmes when significant negative social outcomes occur.

Who will conduct the analysis?

It is unclear whether some existing Bank Economic and Sector studies will be renamed Poverty and Social Impact Analysis or whether there will be a new approach. If it is the former, it will clearly still be the World Bank or the IMF doing the analysis. Rosalinda Quintanilla of the

World Bank says, "We can't do good ESW without locals – I mean government and technical people from the country. Generally, it's not true that the World Bank knows better than nationals, local people know what's best for them. But the World Bank knows a great deal about the international experience which gives it a unique comparative advantage in the analysis it undertakes in collaboration with counterparts. It is the joint effort, the leveraging of local and international knowledge, that brings the highest quality and best analysis for consideration of the policy makers." (Quintanilla, 2001). However, Jim Stephens, who works on ESW in the World Bank's Operational Policy and Country Services central team, clarified: "In most cases ESW represents just the Bank's view. It has corporate sign-off and is intended to influence the policies of client countries or other donors working in the client country. In specific cases the contents of ESW are discussed with the government and made publicly available" (Stephens, 2002).

Ministers in the HIPC Finance Ministers Network (which brings together ministers from 33 Heavily Indebted Poor Countries) recently urged the World Bank and IMF to "dramatically accelerate PSIA in HIPCs, [since] analysis of the links between macroeconomic and structural policies and poverty reduction remains among the weakest areas of most PRSPs". They were clear, however, that they did not mean that the World Bank and IMF should do more, or better, studies. They argued that "it is essential to equip countries with the tools to conduct their own PSIAs rather than depending on outside assistance. These tools should have input from the Bretton Woods Institutions and donors, but be administered and disseminated by independent capacity-building sources, to avoid conflict of interest for partners in the negotiation process of PRGF and PRSC [Poverty Reduction Support Credit] frameworks" (HIPC Ministerial Declaration, 2002, p. 4).

The heads of the IMF and World Bank replied saying that they understood "the need for a broader and deeper discussion with all stakeholders of macroeconomic frameworks and policies, including on current policy choices and trade-offs. A concerted international effort will be required to assist the countries in undertaking more systematic PSIAs of major policies. The Bank and the Fund in cooperation with other partners are committed to help provide the necessary technical and financial support" (Koehler & Wolfensohn, 2002, p. 2). This raises important questions of who will fund, commission and carry out this work, but implies that the Bank and Fund have accepted in principle the need for it to be done independently, not by themselves.

Some have argued that although it is important for the World Bank to stop doing all this analysis by itself and allow governments to take the lead, there is some concern that the Bank and Fund might try to distance themselves from independently-produced research findings (Oxfam International *et al.*, 2001, p. 4). Thus it is proposed that impact analysis be carried out by teams involving the Bank and Fund, the government, and civil society representatives (WWF, 2000). If PSIA is to be a tool to enhance the accountability of the World Bank and IMF, this may be appropriate, but if the intention is to enhance in-country capacity and responsibility for analysing options, this may be less successful.

What will be assessed using which methods?

The Poverty and Social Impact Analyses currently being piloted (separately) by the Department for International Development and the World Bank are focusing on specific policy actions that are expected to have particularly significant social impacts. These include: tax increases, subsidy reforms, exchange rate changes, civil service downsizing, energy price reforms and the size of the fiscal deficit. The Bank has stated that it proposes to introduce analyses of country policies and institutions and their capacity to mitigate adverse effects of reforms. This would apply to "all key sectors, including agriculture, education, energy, forestry, health, mining, social protection, transport and water" (World Bank, 2002e, p. 10).

The PSIA *User's Guide* contains such a wide range of possible methods that many Bank staff will be able to say that they are already complying with its intentions. A former World Bank staff member has described the *Users' Guide* as "a huge and rambling guide containing a hodge-podge of qualitative and quantitative methodologies" (World Bank Interviewee A, 2002). And Bank management is very reluctant to force its staff to use the PSIA *User's Guide* or indeed to introduce any new mandatory procedures. Thus it is likely that there will be only a slow uptake of new approaches by Bank staff, who face many competing incentives and initiatives (Bosshard, 2002). A former Bank consultant concludes that: "there is nothing about PSIA which forces analysts to question policy from the outset. PSIA does not change institutional biases towards orthodoxy within the Bank itself".

It is still far from certain that the Bank's current PSIA initiative will mark a break from narrow, extractive and technical approaches to understanding poverty and planning policy responses. However, the comment by the heads of the World Bank and IMF in reply to HIPC Finance Ministers is encouraging. They stated that the recent reviews of the PRSP/PRGF "underscore the need for a broader and deeper discussion with all stakeholders of macroeconomic frameworks and policies, including on alternative policy choices and trade-offs within the overall poverty reduction strategies. The Bank and Fund, in cooperation with other partners are committed to help provide the necessary technical and financial support to low-income countries in undertaking PSIA" (Koehler & Wolfensohn, 2002, p. 2). But the detail of what Bank and Fund staff are bringing forward does not meet these objectives; still less do they achieve what Andrea Cornwall, a prominent analyst of participatory approaches, recommends: "a more deliberative process: one that engages policy actors in critical reflection on pervasive policy discourses and the accepted wisdom of prevailing policy narratives, rather than simply in finding out about poor peoples' perceived needs" (Cornwall, 2001, p. 64).

Box 2: PSIA methodologies

The World Bank defines Poverty and Social Impact Analysis (PSIA) as "…analysis of the distributional impact of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable". There are seven key aspects: what particular reform is being analysed; which welfare indicator is being assessed; which social group

is being analysed; what are the impacts on employment and wages, prices, market access, assets, and transfers and taxes; how do institutions affect these outcomes; when do the impacts materialise; what are the risks of an unexpected outcome.

PSIA aims to make more transparent the links between policy and poverty to improve public understanding of the logic behind policy choices. A policy analyst has a choice of a variety of tools when carrying out PSIA. The choice will be dependent on the analyst's view of the nature of impacts of the reform in question and their data, time and capacity constraints. Examples of proposed methods include:

Social Impact Assessment – Assesses how the costs and benefits of reforms are distributed among different stakeholders and over time. Has been used to analyse the privatisation of state-owned enterprises and the reform of basic services.

Social Capital Assessment – Measures institutions and networks that determine access to resources of individuals and groups. Surveys are used to identify associations that have facilitated policy reform. Used in Bosnia and Herzegovina in the reform of social welfare systems and public service provision for returning refugees.

Demand/supply analysis – Estimates the likely response of consumers and producers to changes in price of goods or services. Has been used when considering increases in electricity prices in Armenia and market liberalisation in Mexico.

1-2-3 PRSP model – A comprehensive model of an economy that can be combined with household data to simulate the impact of policy changes on poverty and welfare. Has been used in the Philippines to simulate the impact of macroeconomic changes on households' nutritional status.

Simulations of Social Indicators and Poverty (SimSIP) – Examines how changes in growth rates will affect poverty and income distribution in particular countries by estimating the likelihood that a particular policy – such as an education sector reform – will achieve its objective.

Source: World Bank (2002a).

Problems in the Bank

Ironically, given that it does a lot of institutional and governance assessments, the Bank as an institution functions very poorly in many respects. The reforms introduced by the current World Bank President, James Wolfensohn, were supposed to improve the Bank's mix of skills and ensure that the different parts of the Bank could share information better and collaborate more. However there is growing evidence that success has been patchy and that some of the reforms have been counter productive.

Non-economic social scientists in the Bank are less influential than their economist peers. Despite a rise in their numbers they often have to adapt their research methods and jargon to get their points across (Bebbington et al., 2002). The people working on "empowerment" in the Bank are in a separate team from those working on "social development" who in turn are distinct from the key "poverty" analysts.

The Bank has decentralised – moved some 2,000 staff including about half of its Country Directors – to its client countries. Catherine Weaver, a researcher at the Brookings Institution, comments: "the degree to which decentralisation has led to an espoused 'listening culture' is undermined by staff acknowledgement that reality has not quite lived up to this rhetoric". She cites a World Bank internal report, which finds that "while staff are encouraged to listen to their clients in the field, they frequently find resistance in Washington to tailoring Bank approaches to heed what they have heard. And still, to an apparently excessive degree, they find themselves pressing their clients to use Bank guidelines, policies, systems and ways of planning" (World Bank, 2001d, p.14).

Another plank of the Bank's reforms was the introduction of an "internal market", which aimed to ensure that the best researchers were selected for each piece of in-country research. Bank Country Directors now have increased power over budgets and can contract in Bank analysts in response to what they think is needed in a country. This has not had the desired effect of creating healthy competition for research assignments. Instead a recent Bank review found that it has "created stress, job insecurity and poor morale as staff competed with each other for work. It also resulted in protectionism with budgetary disincentives to using people from other units" (World Bank, 2001d, p. 42). The system also frustrated the objectives of knowledge-sharing as "budget downsizing and job insecurity create incentives for staff to hold onto knowledge as a form of power" (World Bank, 2001d, Annex 3, p. 11). As a result, the "Knowledge Bank" has remained "unhealthily supply-oriented" and the incentive for staff is still the approval of their superiors in the Bank[2] (*ibid*, p. 24). Bruce Rich, a long-standing analyst of the World Bank, argues that the Bank has to stop trying to be all things to all people and to decide who are its real clients – governments or poverty-stricken people. This would involve "focusing on quality not quantity in its lending, and rewarding staff first and foremost for ensuring that its policies relating to poverty alleviation, participation and the environment are carried out" (Rich, 2000).

One of the activities of any large organisation, and of units within it, is to maintain and expand its own remit. To do this the Bank has to make loans, its primary function. So the incentive system in the organisation, despite all the rhetoric about participation and about poverty reduction being its overriding objective, is still geared primarily towards large volume lending (World Bank, 2001e, p. vii).

Whose knowledge counts?

A number of commentators argue that the Bank is structurally incapable of understanding and acting on poorer peoples' concerns. This is not just because it is politically dominated by the USA and other G7 countries (Griffith-Jones, 2002) but for more fundamental reasons. Larry Lohmann presents two. Firstly "development's need to cross physical and social boundaries inherently

[2] In a staff survey, only 26% of Bank staff agreed that the new matrix management system had created a good balance between the client focus, Country Director empowerment, and the global knowledge provided by sector directors and managers located in the new networks (World Bank, 2001d, Annex 4, p. 5).

complicates its efforts to predict, to manage and to translate power and knowledge from one place to the other". Development officials have to defend their own and their institutions' positions by denying "the existence of a reality in principle unmanageable from an office or institution" (Lohmann, 1998, pp. 1-2). Lohmann points out that development agencies' reaction, when faced with criticisms or concerns about their interventions, will be to commission another study. But inevitably the studies conclude that the same development agency that is implicated in causing the problems also has the expertise and potential to resolve them (ibid., p. 6). In this light the Bank's proliferation of studies is less than encouraging, reflecting the Bank's ability to reinvent itself and expand its mandate in the light of external criticism.

A more favourable interpretation, however, is that not all Bank studies suffer from the same institutional pressures. Some Bank staff have managed to experiment with approaches involving genuine collaboration with outsiders. The Uganda Participatory Poverty Assessment Project, the Vietnam Public Expenditure Review and the Voices of the Poor national consultations stand out as oft-cited examples. The dynamics of these studies, the factors that made them relative successes, and their problems are explored in a new book *Knowing Poverty: Critical Reflections on Participatory Research and Policy* (Brock & McGee, 2002). Rosemary McGee concludes that one important factor is whether the policy "spaces" are created by "powerful actors from above" or are "autonomously created [where] less powerful actors set agendas" (p. 190).

Towards transparency and accountability?

Many NGOs and bilateral donors have welcomed the Bank's intention to support governments who need help with social impact analysis. The UK's Department for International Development (DFID) has cautioned, however, that "the Bank and Fund have an obligation to manage the PSIA in a way that reflects PRS principles, including the promotion of national ownership and a more inclusive policy process" (DFID, 2001, p. 3).

In line with this, the selection of policies to be assessed should be made by the country, following consultations. In principle the Bank and Fund agree with this, but it is not clear who will be considered "key stakeholders" and whether consultation will occur both at the stage of considering what research to commission and at the stage of agreeing research conclusions and possible policy responses (World Bank & IMF, 2001).

Nor is it clear whether all such studies will be made public. Economic and Sector studies are reviewed by the Bank's board, the government concerned and sometimes by parliaments. While the Bank in general says it supports publication, it is happy to accept government arguments that particular reports or sections of reports should not be published if they contain particularly "sensitive" information (World Bank, 2002b, p. 7).

Donor government representatives negotiating the financing of the Bank's IDA lending recently urged the Bank "to look for ways in which more information can be made publicly

available, including relevant economic and sector work underpinning the CAS and information on projects and PRSCs [Poverty Reduction Support Credits] under preparation" (IDA, 2001). Some governments have backed a call for aid agencies to publish a clear statement of what research they are commissioning, from whom, for what purpose, on what timetable. DFID and NGOs have urged that analysis of the likely impacts of reforms be made public well in advance of the PRSC being brought to the Bank and Fund boards (Oxfam International *et al*, 2001, p. 3). Indeed, since one of the intentions of PSIA is to make explicit the logic behind policy reform proposals, it is essential that the rationale for commissioning and conducting impact studies be brought into the open. The topics, the approach, the people, the timetable and the purpose of this publicly-funded research should all be made public.

The World Bank currently categorises its Economic and Sector Work in terms of intended audience and objective. The audience categories are 'government', 'bank', 'donor', and 'public dissemination', while the objectives are 'knowledge generation', 'problem-solving' and 'public debate'. A surprising number of reports are not intended for public dissemination or to foster public debate. For example, the following 1998 studies on Bolivia, which raise issues of wide public interest, were categorised as non-public: Nutrition; Food Security and Rural Water; Rural Participatory Investments: Impact Assessment; Secondary and Higher Education; and Poverty (World Bank, 1998a, Annex D).

Even when documents are nominally made public, there is often a problem for Southern civil society organisations to obtain or make sense of them. The Internet is not accessible to many, so Southern NGOs may only be able to access documents if they travel to the nearest Bank office. The technical style of Bank documents is also daunting, and currently the documents are written in English – the Bank's official working language – with occasional translations of executive summaries. This limits the potential for broad national dialogue, as many civil society organisations that have participated in the PRS process have pointed out. A recent Christian Aid briefing complained: "How can we expect participation to work when sometimes even the basic building blocks are not in place? Often it is very simple things, such as the language in which the document is published, or the lack of information about what a PRSP is, that prevent real and effective involvement of local groups" (Christian Aid, 2001, p. 14). Cambodian organisations similarly recorded: "Language is another important issue. [Key documents] have been drafted in English. As a result the plans have been discussed by foreigners while most Cambodians are not able to access them at all" (NGO Forum, 2001). The Bank argues that it has limited resources for translation, but this is a question of priorities: the Bank could, for example, easily save money on some of its self-promotional publications.

The Bank and Fund will have to do more to show that they are really prepared to make transparent the whole process of assessing policy options. Whilst some changes have been introduced in recent years, the "knowledge" work done by these agencies in their client countries still often conveys a traditional "we know best" mentality. And the Bank's processes mean that much energy is being wasted on seeking internal approval rather than engaging with outsiders.

World Bank research: Influential, but narrow

"Knowledge generated by and for 'global' centres of power may in fact tell us very little about poverty as it is actually lived in everyday experience" (Patel & Rademacher, 2002, p. 167).

"PRSPs from wildly divergent countries reveal great universality in vocabulary, process, form, content and even prescription. With some exceptions, PRSPs provide a good deal of evidence of the macro still driving the national, the global the local, the rational the practical, the technical driving the political and economic" (Craig & Porter, 2001, p. 26).

Many contributors to the recent official review of PRSPs recognised that "in several cases countries put forward macroeconomic and structural policies that were similar to those of the recent past" (World Bank & IMF, 2001). The Bank argues that this was because countries recognise that these policies represent the most effective way of ensuring sustained growth and poverty reduction. There is concern, however, that countries are reluctant to propose alternative approaches as they know the limits of what policies international financial institutions are prepared to accept.

The World Bank seems to be promoting the same core policies as ever. By making it appear that no workable alternatives exist, the World Bank does not always have to exercise "hard power" by withholding money to compel countries to agree to certain conditions; it can win arguments upstream with its global "aid effectiveness" research mirrored by national-level policy research. Its country studies regularly refer to the global studies and conclude that countries need lower tariffs, more private service delivery and particular governance reforms. The continuity of assumptions and approaches at the Bank is exemplified by many of the studies and models it uses in various fields. The World Bank has recently expanded the issue areas it considers to be within its remit, and has extended its research work into many aspects of national policymaking (Martin, 2000).

The Bank's research is widely disseminated and respected among many important audiences. A survey of 271 high-level policymakers (mainly senior civil servants) in 36 developing and transition countries found that 84 percent of respondents used Bank analytical reports; respondents rated the Bank their most important information source out of a list of 17 domestic and international organisations; and the majority of respondents considered the Bank's work "technically sound, relevant and objective" (World Bank, 2000c, p. 101).

Yet many NGO and academic commentators are not convinced of this objectivity. Whilst recognising that a range of different papers and views do emerge from the Bank, Lyla Mehta, a fellow at the Institute for Development Studies in the UK, complains that "the Bank's knowledge agenda often tends to be centralised and absolutist, and draws on economistic and technocratic models. These trends contribute to the emergence of a narrow knowledge agenda that both neglects sociocultural issues and those concerning a wider political economy" (Mehta, 2001). Professor Yash Tandon, Director of the Southern and Eastern African Trade, Information and Negotiations Institute, commented: "To most objective observers from the South there is, in fact, no such change in thinking or even an acceptance of change in the World Bank. [The Bank remains] a bastion of control over knowledge" (Tandon, 2000). A study carried out for the Swedish Ministry of Foreign Affairs concluded that "the World Bank continues to be dominant as the main purveyor of development ideas. A 'the Bank can never be wrong' mentality still prevails in much of the institution's thoughts and actions. This impairs the World Bank's ability to learn and creates an accountability deficit" (Swedish Ministry of Foreign Affairs, 2000, p. 27).

Continuing disagreement

Much official development agency literature suggests that there is a basic consensus on how to understand poverty and what to do about it, but this view is rejected by many people. Ravi Kanbur, a former World Bank analyst and country director and now a professor at Cornell University, is in a particularly good position to comment on the continuing disagreements. In 1998 the World Bank appointed him to lead its team preparing its major *World Development Report* on Poverty and in this capacity he read and travelled very widely, soliciting views from a wide range of civil society organisations, officials and academic researchers. In May 2000 he resigned from this position, under pressure from senior World Bank and US government officials concerned that his report would dilute orthodox thinking on liberalisation and economic growth. Kanbur commented that "especially among some parts of the international financial institutions and the G7 Treasuries, the tendency is for the policy messaging – for example on trade and openness – to be sharp and hard, for fear that to do otherwise would be read as a sign of weakness by 'the other side'" (Kanbur, 2001).

Kanbur outlined some general reasons for the continuation of major disagreements on poverty analysis. He concludes that development bank and finance ministry staff and economic analysts often have fundamentally different perspectives to NGOs, non-economist researchers and staff in UN specialised agencies, aid ministries and social sector line ministries. He says that disagreements are particularly clear on trade liberalisation, financial liberalisation and privatisation.

This, he argues, is largely because the two groups view poverty at different levels of aggregation, and have different views of markets and time horizons. Officials often want to have a bird's-eye view of national, regional or international trends, while NGOs and non-economists may focus on particular categories of people. International financial institution staff tend to view markets as neutral, while NGOs and non-economist researchers consider that they are riddled

with power relations and therefore often disadvantage the poor. On timing, officials mainly address the five- to ten-year consequences of policies, while NGOs and others are worried about short-term consequences that can drive families into starvation, or force them to pull children out of school. NGOs are also often concerned about whether economic growth can be sustained in the long-term given resource depletion and the earth's limited carrying capacity, while officials tend to be optimistic that new technologies will be created in time to solve problems (Kanbur, 2001).

Technical approaches to political questions

The World Bank and other development agencies have made welcome moves to recognise that poverty is complicated and multi-dimensional (World Bank, 2001f). It is not therefore appropriate just to produce a "poverty line" and measure the number of people below it, but concepts such as insecurity, risk, social exclusion, environmental health and empowerment are now mentioned. However, the way that they are actually understood and dealt with is still often very limited.

This multi-dimensionality poses challenges for people who are used to producing orthodox economic number-crunching analyses. Some seem to have reacted by trying to quantify ever more aspects of life, in order to plug them into technical models. One example is the construction of elaborate indices of "social capital", a concept that has been picked up by the Bank to encompass social relationships previously invisible to many economists. Ben Fine, a professor of economics, argues that social capital is an aspect of "the colonisation of the non-economic by the economists. [This] is a severe setback to development studies, with key topics such as industrialisation, gender and ethnicity being stripped of their empirical and intellectual traditions" (Fine, 2000, p. 169).

Numbers on social trends are often fed into equations of economic trade-offs. The use of quantification for research is supposed to encourage more objective and rational decision-making. But some see these exercises not as illuminating the best development options but as ignoring or downplaying complex political debates on property rights and value systems - whether on land titling, unpaid work by women and men in the home and community, or access to common property resources.

Sociologist Wendy Espeland has examined the use of cost-benefit analysis as the main tool for deciding whether to build a dam with severe consequences for a Native American community. She concludes that "quantification privileges some forms of expertise at the expense of others. Those who fix the terms of what is being disaggregated and integrated, and those who evaluate the technical adequacy of it, do so at the expense of local, practical knowledge, altering relations of authority in profound ways" (Espeland, 1999, p. 3). Frequently, officials appear to fit the description by Nobel Prize-winning economist Herbert Simon:

> "Administrative man recognises that the world he perceives is a drastically simplified model of the buzzing, blooming confusion that constitutes the real world. He is content with the gross simplification because he believes that the real world is mostly empty - that most of the facts of the real world have no great relevance to any particular situation he is

facing and that most significant chains of causes and consequences are short and simple" (Simon, cited in Scott, 1998, p. 45).

David Craig and Doug Porter, from the University of Auckland and the Asian Development Bank respectively, argue that conventional PRSP processes display a "lopsidedness between the 'technical' and the 'political'". They find that "much is lost as a consequence of the PRSP-style focus on representing and categorising poverty in global terms, and dumbing down poverty into strategic mantras of 'pro-poor growth', 'inclusive social development' and 'good governance'" (Craig & Porter, 2001, p. 25).

Extractive and conclusive research

Too much Bank research aims to reach sweeping conclusions about the state of poverty and what should be done about it. It would be more usefully geared towards contributing to public debate, presenting data and results for different audiences to consider. Viewing research in this way will require researchers to communicate better and to unpack their assumptions. In other words, to view themselves less as experts and more as facilitators.

Such a view will also, in many cases, compel those who commission research to allow their staff or consultants to spend sufficient time with the communities they are studying, and to ensure that this relationship continues through all stages of the work, including taking responsibility for outcomes. These points were well made by Manuel Fernández de Villegas of the Mexican NGO Trasparencia:

> "From our point of view, it would be worthwhile to propose a code of ethics for social development professionals who work as consultants, setting out the terms of their relationships with the communities and social organisations who are the target of their research. It is very rare for the communities and organisations mentioned in the reports to receive copies of them, so that they are not even aware of what is said about them, much less have an opportunity to state their opinion about the findings or the way in which the results are obtained during the (always brief) field visits. Currently consultants are giving priority to their source of temporary employment, over and above the interests and rights of the communities and social organizations" (Fernández de Villegas, 2000).

Michael Goldman, a US academic who has closely studied the World Bank in Laos and elsewhere, agrees that "important institutional factors shape the knowledge production process". He argues that the most important factors are the rapid time allocated for conducting the research and the requirement that all rights to data and research findings remain with the employer – the World Bank (Goldman, 2001, p. 197). Describing the assessment process for the Nam Theun II dam in the Lao PDR, which would be the most costly infrastructure project ever built in that country, he relates a conversation with a biologist. This scientist knew many details of the complex interactions between people living on the Mekong floodplain and their natural environment. They depend on the floods to fertilise the soils, to grow rice, to provide building materials, and snakes, fish and frogs to eat. Yet the biologist's official consultancy report

mentioned hardly any of this, as the Bank had hired him only for a narrow study of river aquaculture options. Goldman concludes that "the most sophisticated expertise, analyses, data, observations, wisdom and practices never appear in formal scientific reports commissioned by development institutions if they conflict with those institutions' larger purposes" (p. 198).

The limitations of Bank research on selected issues

This section contains some examples of World Bank approaches to selected key policy areas which tend to downplay or ignore alternative analytical or policy approaches.

Investment climate

The World Bank's new Private Sector Development strategy aims to expand private sector provision of services such as health and education, and work to improve the "investment climate". It is a continuation of previous Bank policies to reduce the state to a coordination and regulation role, leaving private companies to organise production and service delivery. Improving the investment climate is supposed to increase investment, boosting growth and thereby reducing poverty.

The strategy includes plans for the Bank to conduct investment climate assessments in client countries. This will involve surveying companies on their views of what obstructs their activities. These assessments will inform the Bank's policy advice and conditionality. Senior World Bank researcher David Ellerman comments, however, that: "'Bankthink' tends to interpret investment climate in terms of foreign investors". The Bank often does not seem to realise that "improving the investment climate for one group may make it worse for some other groups", such as domestic investors. Furthermore the assessment of foreign investors' needs is often "dangerously narrow". The Bank tends to favour labour market flexibility over job stability and human capital investment, and stock market liquidity over long-term, predictable investment flows (Ellerman, 2002). Craig and Porter comment that development agency studies tend to display a "stunning poverty of the imagination when it comes to the potential roles of the state in relation to productive opportunity" (Craig & Porter, 2001, p. 26).

The Bank's record is poor. Advice to the Czech Republic and Bosnia to introduce voucher privatisation funds, for example, resulted not in sustained investment but in asset stripping by foreign "vulture funds". The Bank has also pushed many countries to amend their mining legislation in order to provide a "sound investment climate" for mining companies. In the case of Indonesia, in early 2002 the World Bank threatened suspension of loan payments if the government did not comply with a range of recommendations - including the relaxation of restrictions on mineral exploration and extraction in officially protected forests and small islands. The Bank argues this is necessary because "the prohibited areas include a number of potentially rich mining prospects" (World Bank, 2001g). In order to get at these deposits, the Bank

recommends that the Government of Indonesia pass a new energy law to make Indonesia's natural resources sector more attractive to foreign investors. Ophelia Cowell of the Transnational Institute comments: "Bank pressure to remove environmental protections does not contribute to sustainable development but reduces its prospects. Current Bank-led reform in Indonesia will define the rules for the industry for years to come." (Cowell, 2002)

It is also unclear how the Bank's new investment climate assessment agenda fits with the existing studies on the same issues being conducted by other agencies such as the United Nations Conference on Trade and Development (UNCTAD).

Box 3: Bank-backed consultants push Ghana water privatisation

Ghanaian organisations have mobilised in recent months to prevent the privatisation of their country's urban water supply system. They argue that the privatisation package is a bad deal both technically and financially. Ghanaian NGO the Integrated Social Development Centre (ISODEC) complains that much of the current reform process has been propelled by the World Bank, IMF and bilateral donors using their aid as punitive levers. They say that:

"The whole process was hidden from public view, because it was heavily rigged to favour privatisation to foreign companies."

The nature of the deal can be explained by the fact that the Water Sector Restructuring Secretariat is directly funded by the World Bank and bilateral donors, and by the choice of consultants who drew it up at a cost of US$3 million. "The key studies were commissioned and paid for by the World Bank and bilateral donors such as DFID. None of those studies were tendered in Ghana. The consulting firms all happened to be ideologically favourable to privatisation and had a track record of working for large private water companies," argues ISODEC.

The consultants included Louis Berger and the Adam Smith Institute. Louis Berger is a consulting firm based in New Jersey, USA, specialising in infrastructure privatisation. The Adam Smith Institute, a UK think-tank that is almost synonymous with the worldwide privatisation boom, was selected to advise the Public Utilities Regulatory Commission on tariffs.

The decision to bring in foreign companies is justified on the basis that they will invest in new infrastructure and deliver services more cheaply and efficiently. But the ISODEC briefing complains that the foreign companies have no contractual responsibility to raise funds for renewal and expansion investments. The Government of Ghana must do this. The government also retains responsibility for subsidising the water companies if they raise prices to levels that poorer customers cannot afford. In any case, as companies are being awarded monopolies within their business areas, they face little incentive to cut prices, which may rise up to 300 per cent.

Sources: ISODEC (2001), Martin (1993)

Trade

In February 2002, the heads of six major international institutions met to discuss trade-related capacity building. The heads of the World Bank, IMF, WTO, UNDP, UNCTAD and ITC discussed the Integrated Framework (IF) – an initiative to enable these agencies to collaborate to help governments in poorer countries understand increasingly complex trade policy areas and better participate in multilateral trade negotiations. Their statement "reaffirmed the lead role of the World Bank in supporting the process to mainstream trade into development plans and strategies for poverty reduction" (World Bank, 2002c).

The IF process begins with the Bank leading Diagnostic Trade Integration Studies (DTIS) to "identify specific technical assistance activities and investments that will enhance trade capacities" (World Bank, 2002d). The results of these studies – which will be carried out by World Bank staff or by consultants – are then expected to be integrated into Poverty Reduction Strategy Papers and tabled at donor coordination meetings.

The IF recently received US$18 million from official donors, despite achieving very little in its first phase from 1996 to 2000, according to officials and critics alike (Prowse, forthcoming, pp. 10-12). The first phase of the new IF has recently been completed in Cambodia, Madagascar and Mauritania. Integration studies are underway in 11 other LDCs, and are likely to start soon in the remaining 35 LDCs and perhaps also in middle-income countries (WTO, 2002).

The relationship between the DTIS and national poverty reduction plans is worrying; there is a distinct risk of putting the cart before the horse. Rather than shaping trade policies to achieve poverty reduction goals, Bank President James Wolfensohn suggests that DTIS "can become important building blocks for governments as they formulate their poverty reduction strategies" (Wolfensohn, 2001). When framed this way, the choice of models to analyse the benefits of the accepted wisdom of trade liberalisation will profoundly impact the PRSP. Concerns have already been raised that the World Bank is pursuing its traditional agenda of tariff reduction through these studies, overlooking supply-side measures relating to diversification and protection of new industries (Tan, forthcoming; Bretton Woods Project, forthcoming). Academics such as leading US economist Danny Rodrik have criticised the limitations of prominent Bank studies on trade, saying that they use "misleading indicators of trade policy selected to systematically bias results in favour of trade liberalisation and growth" (Rodrik, 2000).

Civil society organisations - including major international organisations and networks such as DAWN, International South Group Network and Public Services International - signed a statement in March 2002 arguing that the allocation of the lead role in trade capacity-building to the World Bank was "a cause for concern". Such groups have urged that developing governments be given "the flexibility to choose the agency and the form of assistance that they feel to be most appropriate" (Bretton Woods Project, 2002). This resonates with the recommendations of LDC Trade Ministers for an increase in the "resources for UNCTAD to carry out in a full and effective manner the technical assistance and capacity building activities on trade-related issues" (Zanzibar Declaration, 2001).

Governance

The importance of good governance and institutional quality has recently become a priority among officials in Washington and elsewhere. However, it is hard to measure good governance in a precise, objective and comprehensive manner. The World Bank has undertaken extensive research into areas such as institutional quality, governance and corruption. It conducts Institutional and Governance Reviews (IGRs) "to bring a greater focus on and understanding of governance arrangements in the public sector and their link to public sector performance". (World Bank, 2000d) IGRs have been conducted in Argentina, Armenia, Bangladesh, Bolivia, eastern Caribbean states, Indonesia, Nigeria and Peru. Numerous similar studies – including anti-corruption surveys of citizens, firms and/or policy makers – have also been conducted.

Governance is defined by the Bank as "the traditions and institutions by which authority in a country is exercised" (Kaufmann et al, 2002, p. 4). The Bank examines civil liberties, political rights, the voting process, media independence, and political stability. It also tries to assess the quality of the civil service, its independence, and whether the government is pursuing market-unfriendly policies such as excessive regulation. The "Rule of Law" is also examined, by looking at the incidence of crime, the predictability of the judiciary, the enforceability of contracts and the incidence of corruption.

Trying to capture the quality of governance in comprehensive, objective indicators is problematic. It may be misleading to compare the responses of subjects across different countries because respondents will have different perceptions of corruption and governance (Kaufmann et al., 2002, p. 3). The Bank bases its indicators partly on research conducted by commercial polling companies. Yet many of these do not cover many of the world's smallest and poorest countries or the poorest people within them, as they are solely interested in finding out information for potential private investors. Given the complexity of producing indicators in this field it is essential that governance studies are open, involve broad discussions and are perceived to be produced by a neutral player.

Very few people involved in development would contest the need to study and improve governance systems. Many have welcomed the World Bank's recent acknowledgement of the importance of anti-corruption measures and institutional strengthening. However they would question whether the Bank is competent or legitimate to make judgements on these complex and sensitive areas (Santiso, 2002; Kapur & Webb, 2000; Harrison, 2001; Hildyard, 1998). Whilst the Bank has built some partnerships with independent agencies in this field, there are concerns that it is over-engaged in this area in its own right and should do more to foster and listen to the results produced by other organisations.

Measuring poverty

Estimating the number and type of people in poverty is clearly an essential starting point for further research or policy work by developing agencies. In the last decade there have been many innovations in poverty assessment approaches, with participatory elements being introduced in many countries. But it is rare for poor people themselves or their representatives to be fully involved in such studies, and so the headline conclusions may not capture what is observed by people on the ground.

National poverty statistics often conceal wide variations in outcomes for different regions or population groups. Ravi Kanbur gives the example of the Ghana Living Standards Survey, which focused on household consumption and did not capture the value of public services. So, for example: "if the bus service is cancelled, the health post runs out of drugs, or the teacher does not turn up to teach, it will not show up" (Kanbur, 2001). In their report on Uganda, Warren Nyamugasira and Rick Rowden give a further illustration of these diverging perspectives. They quote the Archbishop of Gulu, Monsignor John Baptist Odama, who challenged those who believe that the IMF and the World Bank have pulled his country out of poverty to "come and see for themselves". He said about 85 per cent of Ugandans in the north of the country live in misery and that "the riches of the nation are not well distributed" (Nyamugasira & Rowden, 2002).

A recent review of African PRSPs found that they still over-emphasise income measures and ignore power disparities and issues of empowerment - issues raised in the Bank's own Poverty World Development Report. Poverty Assessments provide statistics on the incidence of poverty but often fail to offer significant analysis of why poverty persists and what could be done about it. PRSPs from different countries employ a "remarkably uniform" approach to their analysis of poverty numbers, which are based on information which "tends to be patchy" (Thin *et al,* 2001, pp. 4-5). A recent paper finds that PRSPs frequently do not discuss "gender, differences between chronic and transient poverty, and extreme and less extreme poverty[, or] issues of ethnicity and race" (Marcus & Wilkinson, 2002). This analysis echoes other reviews of the Bank's Poverty Assessments (e.g., Hanmer *et al,* 1999). In November 2001 donor government officials renegotiating funding for the World Bank pressed the Bank to "improve the quality and policy relevance of much of its poverty analysis" (IDA, 2001).

Sanjay Reddy and Thomas Pogge of Columbia University, in a paper entitled "How not to count the poor", give a scathing account of the problems with the World Bank's poverty numbers. They say they are "surprised that the Bank has been publishing regular poverty statistics for twelve years now – 'precise' to six digits and very widely used in academic publications and popular media over the world – without significant attention having been paid to the massive flaws in its procedures. It is hard not to see this fact as indicative of the low priority that has hitherto been attached to the global problem of persistent severe poverty" (Reddy & Pogge, 2002, p. 32).

Robert Wade, Professor of Political Economy at the London School of Economics, argues that the Bank knows very well that some numbers, including the number of absolute poor, are politically sensitive. He expresses concern that "it is possible that the people who calculate such

numbers - in the Bank or elsewhere - are inclined to make methodological choices that produce a relatively favourable result even as they remain in the bounds of the professionally defensible". Wade contests the fact that the World Bank, subject as it is to arm-twisting by its member states, is the world's principal provider of development statistics. As he puts it: "We would not want [cigarette transna-tional] Philip Morris research labs to be the only source of data on the effects of smoking even if the research met professional standards" (Wade, 2002, p. 5).

Box 4: Whose poverty knowledge counts in Uganda?

In a forthcoming report, researchers Karen Brock, Rosemary McGee and Richard Ssewakiryanga argue that, despite all the talk of ownership and donor coordination, the World Bank is often dismissive of poverty analyses produced by other organisations and has recently increased its own role in research. Donors have promoted the concepts of participation, thus opening some space for civil society organisations to act as researchers. But the influence of traditional international experts remains strong. They quote one DFID advisor saying "there are too many DFID advisors in this place". Of course, actors (NGOs, think-tanks, etc.) are also producing research; the question is not as much who generates information as what analysis is considered legitimate.

Poverty knowledge that originates at the grassroots and is reported by NGOs has often been treated as invalid, irrelevant or not even worth gathering. A qualitative study commissioned by the Ugandan NGO UWONET on the effect of structural adjustment on women saw its legitimacy undermined by heavy critiques from the World Bank on the grounds of methodological weakness. Similarly, the report reveals contradictions between World Bank claims of valuing grassroots poverty knowledge and what it actually takes it into account: "...the World Bank, main funder of the Northern Uganda Social Action Fund, based the programme's design on extensive micro-level consultations in the north, in which they found that 'the poor know their priorities very well'. However, even among those in the Bank who value grassroots participatory research, a common belief is that 'what the poor want is not necessarily what they should get'. Traditional 'expert' intervention is viewed as necessary to translate their expressed wishes [...] into policy-friendly, trustworthy outputs" (Brock et al., 2002). There have recently been debates about how to present poverty headcount data. Disparities between districts, regions or ethnic groups may be politically taboo, so disaggregating this data is not carried out in official studies despite being technically feasible.

The Bank, while championing "ownership", has sometimes failed to accept poverty information produced by other organisations. While Uganda succeeded in re-presenting its pre-existing Poverty Eradication Action Plan (PEAP) as a Poverty Reduction Strategy Paper acceptable to the Bank, Brock *et al.* describe a conflict between the Bank, IMF and the Government of Uganda on how to monitor and report on the PEAP/PRSP. A Poverty Status Report produced by the Ministry of Finance to report on progress against PEAP objectives underwent efforts by the IMF and the Bank to change it to their own preferred reporting format. A Ministry of Finance observer relates that the Poverty Status Report posted by the World Bank on its website was different from the one previously produced by the Ministry. The only possible conclusion is that the World Bank revised it without consulting its authors.

Brock, McGee and Ssewakiryanga claim that the World Bank's role in producing poverty data has increased in Uganda since 2000, partly because "the Bank has a research agenda of its own that it is determined to pursue there, whether or not it dovetails with government's poverty research agenda". More generally, "donors are duplicating each others' efforts in research and

poverty knowledge generation", apparently because donor visibility and sense of achievement comes from commissioning new reports (Brock et al., 2002).

Knowledge production does not necessarily influence key decisions. While broad consultations were carried out to inform the recent revision of Uganda's Poverty Eradication Action Plan, its actual drafting took place behind closed doors at the Ministry of Finance "with technical assistance from an expatriate consultant supported by DFID". Negotiations on the corresponding Poverty Reduction Support Credit with the World Bank took place behind closed doors too, and the World Bank successfully pushed for policy conditions that are not discussed in - and are inconsistent with - the actual Poverty Eradication plan.

Sources: Brock *et al.,* 2002, Nyamugasira & Rowden, 2002. See also World Bank, 1996.

Macro-economic modelling

The World Bank has long been criticised for having a universal approach to policy-making in its client countries. One way that it pushes this approach is through its use of macroeconomic models which are generic and standard for all countries. The World Bank uses a complex computer spreadsheet to model the state of the economy and simulate what will happen if certain quantities and types of development assistance are provided. This model, the Revised Minimum Standard Model – Extended (RMSM-X), used in every WB client country, entirely ignores many analytical perspectives and options. The Integrated Social Development Centre in Ghana complains that the RMSM-X is based on a concept which "has been conclusively shown to have no support in either data or economic theory" (ISODEC, 2002, p. 9). Bank staff have themselves criticised the RMSM-X model and are developing some new approaches. Unfortunately, these retain some key flaws of RMSM-X, including its one-size-fits-all approach to developing countries and its implausible assumptions such as the existence of continuous full employment (*ibid,* pp. 13-17).

Despite their problems, however, these models lend a scientific gloss to negotiations about how much money the Bank should lend a country and what economic growth and poverty reduction will result. Ghanaian organisations led by ISODEC are currently developing an alternative model called Distributive Effects of Economic Policy (DEEP). This is a computer-based dynamic economic model of Ghana, which aims to "enrich the discussion of macroeconomic policies and poverty reduction by clarifying the macroeconomic trade-offs and their probable social implications" (ISODEC, 2002, p. 10). DEEP intends to reverse the logic that underlies existing models: "instead of starting from a generic model and adding Ghana-specific touches to it, we start from the specific Ghanaian situation as perceived through the discussions with the local economic experts and grassroots organisations and stylise it down to a manageable model". This model allows evaluation of policy trade-offs and alternative approaches. It uses a structuralist macro approach as opposed to the World Bank's neo-classical one. DEEP explicitly addresses geographic issues (region, rural/urban), differentiates impacts by occupation type and social group, and enables social service provision and income/distribution to be mapped against human development indicators.

Such a model represents a radical departure from RMSM-X. As its approach will be unfamiliar to Bank staff, it is not clear how they will react to its findings when it is fully operational. Rather than working within the confines of the Bank and Fund's existing approaches, however, it is very worthwhile for other NGOs to learn from the ISODEC experience and work with suitable researchers in their own countries to construct DEEP-style models.

Conclusion

Similar examples of narrow approaches to important issues could be drawn from other issue areas, such as the environment, education, health and gender. But this section illustrates the general point that there continue to be major disagreements on how to understand poverty and economic policy both in general and in particular areas. Within the World Bank these differences are also perceptible on occasion, as the staff certainly do not have a single view. But the external outputs of the Bank are not currently trusted by the range of stakeholders it seeks to engage in PRSPs and similar processes, reinforcing the need for changes in practice by the Bank and the further development of independent analysis. A diversification of the sources of data and policy-relevant research is the only way for more voices to come to the table and more ownership and capacity to be created.

Conclusions and Strategy Suggestions

"[We need to] end the analytic near-monopoly of the World Bank (and the other multilaterals) on the details of pension reform, privatisation of water systems, the ideal bank deposit insurance system, and so many of the other nitty-gritty issues of economic and social reform. The World Bank needs to foster and directly finance more use by country borrowers of its own competitors – including local research institutions and world-class private consultancies – not only in implementing but in designing policies and programs. Bank staff can and should take much more of a hands-off approach to policy design."

– Nancy Birdsall, former Director, World Bank Policy Research Department (2000)

At a time when it is emphasising "capacity building", "partnerships", and the need for different voices to be heard, the World Bank is producing more studies on more areas than ever before. Whilst the Bank certainly has many highly-trained researchers and much information on hand, many people contest its dominant roles as a producer of research and analysis. Its analysis is often shaped more by internal Bank politics and processes than by the needs of poorer people. As these studies are the building blocks for Bank lending in its client countries, they may represent one reason for the failure of the PRSP process to spark major debates about macroeconomic policies.

The World Bank – and the IMF – are often depicted as judge and jury in their operations. World Bank staff or management can, consciously or not, be tempted to distort the research they produce to justify their operations or support their client governments. The Philip Morris analogy drawn by Robert Wade (see previous section) vividly illustrates these possible conflicts. They are similar to those faced in investment banks such as Merrill Lynch, where there have been clear tensions between the roles of financial analyst and investment banker[3].

The Bretton Woods Project urges NGOs, parliamentarians and other interested parties to focus more attention on the analytical work conducted or commissioned by the World Bank in their countries or sectors which may influence negotiations and financial allocations. They can monitor who carries out the studies and how, or can consider challenging those studies considered too limited in design or execution.

[3] Merrill Lynch's analysts issued bullish recommendations on company stocks, allegedly to help secure lucrative deals for the firm's bankers who advise the same companies on stock market flotations, mergers and acquisitions. (*The Guardian*, 2002)

Bilateral development agencies should be wary of providing further funding to the World Bank to conduct analysis. Recipient countries should be allowed to specify their own needs and priorities and be able to buy in assistance from a range of official organisations or independent research institutes.

NGOs working at the international level may wish to raise these issues in various fora – for example, during the current review of the World Bank's Structural Adjustment Operational Directive, which guides staff on how to undertake adjustment work, or in the discussions about the Bank's social development strategy and empowerment guidelines. Public work and advocacy can also help counter the persistent "we know best" mentality of international financial institutions, as in the case of Bangladesh, where NGOs such as the People's Empowerment Trust and Action Aid Bangladesh launched a campaign in 2002 to challenge the PRSP process.

At the national level organisations may want to:

- get involved in the choice of study topics or analysts;
- have input into studies;
- obtain copies of studies and prepare responses in time for PRSP meetings;
- work with independent approaches being developed outside the Bank.

NGOs until now have concentrated most of their attention and energy on the PRS process, but it is perhaps more important to scrutinise who is writing and negotiating the country analysis and the actual PRGF and PRSC loan agreements (Nyamugasira & Rowden, 2002).

Towards genuine participation and options assessment

The announcement by the Bank and the Fund of a Poverty and Social Impact Analysis (PSIA) approach has the potential to increase the transparency of the Bank's support for particular policy positions. But on the information currently available PSIA is just a long listing of methodologies. It is not at all clear that it will lead to a dramatic transformation in who is involved in producing World Bank analysis and what it covers.

The World Bank has a system of "quality control" of the research it produces. This control – involving research protocols and peer reviews from Bank analysts – is part of the reason why the Bank often will not accept research produced by other organisations, including official donors. Is it too much to ask that the Bank extend its notion of "quality" to aspects beyond the merely technical? This analysis should be judged by the objectives set for the overall process. In the words of the Bank President: "the PRSP approach is rooted in the concept that countries themselves and their citizens need to own their poverty reduction strategies. It is also based on the concept of partnerships – partnerships within countries among government, NGOs, the private sector and the local communities in which poor people live, together with partnerships between countries and their external supporters, but always with the country in the lead" (Wolfensohn, 2002).

Poor people and their representatives should be directly involved in framing publicly-funded studies about their status, as well as in discussing the results. They must then have access to the data and reports so they can make direct use of them. The World Commission on Dams, a body comprising activists, analysts, company bosses and government representatives, made a series of relevant recommendations in its report. It expressed concern that the assessment of development "has been typically limited in scope and confined primarily to technical parameters". It defined participation in project planning to mean that there should be "demonstrable public acceptance" by affected people. This should be expressed in binding formal agreements "negotiated in an open and transparent process". Options assessment and planning should include:

- Formulating development needs and objectives through an open and participatory process before identifying and assessing options for development;
- Using planning approaches that take into account the full range of development objectives to assess all policy, institutional, management and technical options;
- Giving social and environmental aspects the same significance as technical, economic and financial factors (World Commission on Dams, 2000).

Bolstering independent approaches

As well as scrutinising and, where necessary, challenging the analyses produced or commissioned by the Bank, independent approaches need to be reinforced and further built up. Other institutions such as UNDP produce valuable information, for example in their global and national *Human Development Reports*, and many independent civil society initiatives deserve to be built on and given greater publicity. These may be ad hoc, around a particular initiative or policy, or sustained, to enable ongoing independent assessment.

The DEEP economic model produced by Ghanaian civil society groups appears to offer a good prospect for taking policy discussions out of their Washington-built black boxes and into the open where more actors can be part of the discussions. Examples in other countries of organisations establishing their own approaches to challenge the Bank's include the Economic Development and Research Centre in Armenia, and the KIKIS initiative in Indonesia (INFID, 2002). Selected examples of international initiatives for independent policy analysis are outlined in the appendix.

NGOs have also on occasion recruited heavyweight external analysts to support their positions. In May 2002 Ugandan NGOs encouraged economist Jeffrey Sachs to write a letter to the Ugandan government contesting the IMF's wisdom that a big increase in health spending in Uganda would have negative economic impacts (allAfrica.com, 2002). In early 2002 Ghanaian civil society groups set up an independent fact-finding mission involving academics, a World Health Organisation representative, British parliamentarians and trade union representatives to assess the proposed urban water privatisation in their country.

There is no question that further data collection and policy analysis are needed. But the World Bank must be persuaded to allow others to lead in many issue areas; and for areas where it continues to conduct policy analysis, to do so in a much more open manner throughout the process. This will enlarge the space where independent approaches, genuine debates, and creative solutions can develop.

Box 5: Getting informed about World Bank assessments

There are some useful general guides to understanding and advocating on the PRSP process, including from Oxfam (2002) and the Bretton Woods Project (2000). Before getting involved in any strategising about the Bank's in-country studies, interested organisations should find out more about them. Ways to do this include:

- Consulting the World Bank's website or the planned new multi-agency site on Country Analytic Work which aims to show studies completed or planned by various official development agencies, including the Bank (www. countryanalyticwork.net);
- Obtaining the World Bank's Country Assistance Strategy documents which list completed country studies in annexes (normally in Annex B4);
- Contacting staff in the relevant Bank country office.

Interested organisations may like to ask their national World Bank representatives questions such as the following about what is happening in their country:

- What research has the Bank commissioned or does it plan to commission?
- Who will carry out these studies?
- What research methods will be used?
- What is the timetable for planning, conducting and publishing them?
- Will the process of designing, executing and concluding these studies be open to interested civil society groups?
- How do these research exercises fit with the overall PRSP process and the process of negotiating conditions for PRSC and PRGF loans?
- Are any parliamentary or other committees involved in guiding this work?
- At what stage are the PRGF and PRSC?
- When do you plan to redraft your Country Assistance Strategy?
- What are your plans for civil society involvement in negotiating the CAS/PRSC/PRGF?
- Do you have plans to carry out Poverty and Social Impact Analysis on any of the reforms you are promoting?

To make this task easier the World Bank and IMF should respond to the demand that they produce a matrix of who is responsible for what studies of the impacts of proposed policies by when.

Appendix

Structural Adjustment Participatory Review Initiative (SAPRI)

A joint research project of the World Bank and civil society organisations that challenge the effects of adjustment. When the World Bank eventually refused to endorse its findings, SAPRI helped establish an international network of CSOs (SAPRIN), whose report draws conclusions regarding adjustment in numerous countries.

http://www.saprin.org/

Initiative for Policy Dialogue (IPD)

An organisation established by Joe Stiglitz with others to help developing and transition countries explore economic policy alternatives. In cooperation with in-country partners, IPD convenes forums that bring together diverse stakeholders, including senior government officials, NGOs, labour, academics, business communities, think tanks and the media. These forums evaluate economic policy alternatives and promote understanding of the available options (See: IPD, 2002).

http://www.gsb.columbia.edu/ipd/

Social Watch

Since 1999 the Social Watch network has monitored progress against commitments made at the World Summit for Social Development in Copenhagen and the Fourth Conference on Women in Beijing, using indicators related to the WSSD commitments and collecting data all over the world thanks to its member organisations. It produces thematic and country reports, as well as an annual global report.

http://www.socialwatch.org/

IDEAs

A pluralist network of heterodox economists engaged in the teaching, research and application of critical analyses of economic development. IDEAs defines itself as a South-based network open to all those committed to developing more appropriate and progressive analysis of development challenges.

http://www.networkideas.org/

The International Budget Project

An initiative to raise the interest and capacity of civil society groups to engage in budget negotiations.

http://www.internationalbudget.org/

Micro Impacts of Macroeconomic and Adjustment Policies (MIMAP)

A network that connects developing country researchers, policy officials, NGOs and international experts. Through research, training and dialogue, the MIMAP network aims to better understand the

human costs of macroeconomic policies and shocks, and to design improved policies and poverty alleviation programs.

http://www.mimap.org/

Community Information, Empowerment and Transparency (CIET)

An international group of epidemiologists and social scientists who bring scientific research methods to local government and community levels. By involving people in evidence gathering and analysis, CIET helps them to participate, in an increasingly informed way, in decisions that affect their lives.

http://www.ciet.org/

Debt Relief International

A non-profit organisation funded by five European governments, DRI was established in July 1997 to run a programme to build capacity of the governments of the Heavily Indebted Poor Countries (HIPCs) to manage their own debt strategy and analysis. DRI is currently working with 30 of the HIPCs.

http://www.dri.org.uk/

Economic Policy Empowerment Programme (EPEP)

A programme coordinated by the European Network on Debt and Development (EURODAD) which aims to pool knowledge and build capacity in the South in order to improve debates on economic policy choices.

http://www.eurodad.org/5programmes/indexprogrammes1.htm

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