

Overstretched and underloved: World Bank faces strategy decisions

Alex Wilks, Bretton Woods Project February 2001

In late January and early February the World Bank's restructuring and strategic planning process burst into public view when the press caught onto a leaked memo expressing Bank staff dissatisfaction. Whether a symptom of staff resistance to internal belt-tightening that should have happened years ago or of the management style of World Bank President James Wolfensohn, it opened up the debate on World Bank strategy currently under review.

Many – from government ministers at the Development Committee in September to UN officials and activists in the streets – feel that the Bank is influential in too many areas and are calling for broader debate about the Bank's expanding remit. This debate is very important as the Bank is right now establishing the strategic priorities for Wolfensohn's second term as Bank President and setting its budget for the next three years.

The Bank now advises borrowing countries to consult widely with stakeholders when drawing up their strategies and budgets, so should do the same itself. This short briefing aims to foster further discussion about the Bank's strategies by explaining what is known about the World Bank's planning process and outlining some of the issues at stake.

World Bank role expansion

In recent years the World Bank has expanded its roles. It is best known as a bank – lending money for specific power, transport, health projects – and for its major influence on countries' economic policies through structural adjustment programmes. Less discussed are the Bank's growing roles as thinktank on a range of issues, from trade to the environment to post-conflict reconstruction, or its moves to tackle global issues such as climate change, communicable diseases and the digital divide.

The recent leaked memos from Bank staff and from the President admit that the Bank is overstretched and needs to prioritise. This raises the questions of who will judge what the Bank should and should not do and whether the Bank has the skills and legitimacy to play a larger role. Many argue that the Bank has been a major contributor to some of the problems it now claims to want to solve. Others welcome the Bank's recognition of issues like the environment and governance, but are convinced that it should take the lead from others, not try to dominate all areas.

Basic World Bank facts

The Bank has 8,000 staff, lends and guarantees around \$25 billion a year to 177 member countries, spends \$25 million on research per year. It is based in Washington DC and directed by representatives of the world's governments. Its Executive Board is dominated by Directors appointed by the world's richest countries and its president, currently James Wolfensohn, is always chosen by the US government.

"The idea of transforming the World Bank into a Knowledge Bank should be opposed"

*Yves Tavernier,
Rapporteur, Commission
des Finances, French
Parliament, 2000*

In her book on the World Bank, Catherine Caufield wrote: "In recent years the Bank has adopted – if only superficially – virtually every suggestion its supporters and critics have offered, with one exception: that the Bank practice self-restraint. It is now committed, at least on paper, to helping the private sector, women and the poor; to working with non-governmental organisations and the people directly affected by its projects;

to increasing its lending for education, health, nutrition, and micro-enterprises; to protecting or improving the environment; to reducing military expenditures and corruption; to promoting openness in government, the rule of law and equitable income distribution – and to doing it all 'sustainably'" (Caufield, C., 1997)

"As World Bank standards are an important point of reference for the private sector ... the Bank needs to adopt and develop much higher standards regarding socio-economic and environmental impacts of its activities."
Heffa Shücking, Urgewald

Current processes

The World Bank has produced a draft 'Strategic Framework' document outlining possible options. The G8 countries' MDB Reform group is preparing a set of proposals in time for the Bank's Spring meetings. Stakeholders such as civil society groups and parliamentarians are not able to obtain the background documents the Bank has

World Bank Cyber-Bank?

Since James Wolfensohn has become World Bank President, the World Bank has made major strategic investments in the internet. The Bank has a huge sprawling website of its own, which contains over 150 sub-sites of different departments and initiatives. It attracts over 4 million page hits per month.

Recently the World Bank has launched several other major web ventures. These include:

- the Global Development Network, aimed at linking researchers in many countries
- the Global Development Gateway, aimed at becoming 'the premier web entry point on poverty and sustainable development'
- B-Span: a web-based video streaming point with footage of Washington DC presentations on global issues.

Whilst the Bank's main website is a helpful transparency tool, the content of these initiatives, the threat to competing sites, and their huge costs are controversial.

different countries. The Bank is also not in a good position to point to the root causes of problems like climate change for fear of offending its Northern masters.

The tensions between the World Bank as a Bank, the World Bank as a social development agency, the World Bank as a Knowledge Bank and as a Global Issues Bank partly result from the actions of G8 governments. They often see the Bank as the best vehicle to take forward its agendas with new initiatives, often without adequate funding. Whilst the mantra of 'partnerships' is normally invoked, people in UN institutions and in NGOs feel that the Bank frequently dominates the sector and tries to achieve prominence for itself.

"The redirection of the World Bank focus must go hand in hand with the urgency to guarantee more accountability, compliance and re-positioning of its activities vis a vis the IMF, regional development banks and the UN system as a whole."
Francesco Martone, Campagna Banca Mondiale, Italy

produced to guide its forward planning (see list in Resources section, p.4). And there is no open process for outsiders to feed in views about what this public agency should and should not be doing.

Key tensions

The Bank's Strategic Framework draft recognises, belatedly at the end, that "our institution is under great strain, with some key activities underfunded and tremendous stress and overload on staff". It entirely fails to specify how these tensions have arisen and what are their root causes. The World Bank's founders had largely good intentions, in establishing an inter-governmental institution, which could make credit and expertise available for post-war Europe. But the institution's outputs (mainly hard currency loans) are not so suitable for the long-term development of poorer countries or the public goods issues that the Bank has become involved in as part of its continual reinvention. And politically the Bank - intended to be a genuinely multilateral organisation - has become too dominated by the US government and US universities. This is a particular problem in its guise as Knowledge Bank, as Bank analysis often seems economic and universal, overlooking the varied dynamics operating in

Limits for the Bank: some suggestions

World Bank spokespeople often tell critics that the Bank is not as powerful as outsiders think. But on the other hand the Bank seems determined to take an interest in and responsibility for a vast range of issues. It has been suggested that now is an excellent time for interested commentators to suggest what the World Bank should NOT do or should do less of. Of course there are a number of commentators who argue that the Bank should be entirely shut down because its poverty speak is entirely a smokescreen for pursuing Northern economic interests. As others do not share that objective or do not think it feasible, the list below contains a few specific suggestions people have made on what the Bank could cut back on:

- public relations and consultant speak;
- Economic and Sector analysis in each country (often from international consultants);
- leadership on the Global Public Goods agenda;
- trying to solve the digital divide;
- trying to become the leading global thinktank on every issue;
- structural adjustment lending and conditions
- talking good governance/institutional reform whilst having governance problems of its own;
- lending in hard currency for social sector programmes.

SELECTED OFFICIAL STATISTICS ON WORLD BANK PERFORMANCE: FISCAL YEAR 1998-99

- ◆ fewer than half the evaluated projects are likely to have sustained results, a performance similar to that throughout the 1990s.
- ◆ only 39 percent of the exiting projects show substantial institutional development impact
- ◆ only 34% of exiting evaluated projects for the Africa region were of likely sustainability, and only 26% of likely Institutional Development impact.

From the World Bank Operations Evaluation Department Annual Review of Development Effectiveness 1999, see www.worldbank.org/html/oed/evaluation/html/arde.

Note: Sustainability refers here to the likelihood that project benefits will be maintained after the Bank's loan ends.

Conclusion

The World Bank should take immediate steps to release the documents it has produced about its recent performance and the reforms initiated by Wolfensohn, its president. Then it should actively encourage an open debate about the roles it should play. In line with its own recent analysis that public institutions must encourage citizens to speak up about them in order to maintain their legitimacy the Bank must be more frank and open about its current internal deliberations.

"The World Bank is the key institution which has brought about the poverty situation in many developing countries, so I think it does not have any moral authority nor the expertise to solve the problem"

Victoria Tauli-Corpuz, Executive Director, Tebtebba Foundation, The Philippines, February

BANK STRATEGY PAPERS AND MEMOS

The Strategic Compact (1997 Reform Strategy)

The Compact aimed to improve poverty impact, hire new staff and train existing staff, conduct more evaluations, move staff to country offices and take on new initiatives such as to become a Knowledge Bank. The Bank's Board, after heavy persuasion from the President, granted budget supplements of \$250 million for this change process over a 2 year period. A Compact Assessment document has recently been produced inside the Bank, but is not publicly available.

Memo from Bank staff in Middle East and North Africa Department (January 2001)

On mission creep/overstretch: "The Bank today has no focus and is driven by an ever growing list of mandates imposed on it through a variety of means...President's favorite subjects as mentioned above, Board sentiments as discerned from time to time, public pressures, ideas generated by internal constituencies, and even fads. These are all cumulative with nothing ever taken off." Examples given include the Comprehensive Development Framework, Global Development Gateway, Global Distance Learning Initiative and World Faiths and Development Dialogue

On staff fear of the President: "The President does not welcome criticism or tolerate dissent, be it from the Board, or the managers or the Staff Association. Managers at all levels live under fear. Many have learnt that it serves them to agree with him. He is thus isolated from reality." The matrix management internal market system introduced within the Bank has failed to work and caused confusion.

The Bank's draft strategy

The Bretton Woods Project has obtained the late November draft of the Bank's Strategic Framework planning document. It says that one of the Framework's main objectives is "to sharpen focus", but proceeds to set out a vast range of areas which the Bank will continue to work in. It says "the transfer of financial resources remains of fundamental importance to our clients. And we are increasingly leveraging our other assets – our cross-country experience and relationships, and capacity to connect clients with additional sources of finance, technical expertise and the best worldwide knowledge on development".

The document signals that the Bank plans to increase lending to health and education, deepen its analysis of governance and institutions. It also suggests that the Bank needs to provide more high quality knowledge services, more adjustment/programme lending based on "streamlined conditionality" on a few core policy areas. Relatedly, the Bank document expresses concern about the rising cost of implementing environmental and social safeguard policies for projects. It says that fewer resources will go on projects in future and that projects must be more innovative. The Bank also plans to increase its involvement in global programmes, building on the strategic shift that has already started over the last 5 years. The Bank has identified 5 areas for its involvement: promoting improved economic governance, trade integration, communicable diseases, protecting the environmental commons, and information and knowledge. Further work will be done by the Spring meetings to hone down precise work areas.

"...The Bank must do more to learn and listen. The [Comprehensive Development Framework] points to the pivotal role of knowledge and learning in development. Too often, it is assumed that the Bank has the answers, and that the only problem is to sell the preferred solution to clients. But the Bank is not a storehouse of universally applicable knowledge just waiting to be transferred. That is why it should empower its clients to tap global knowledge, connect clients to one another and to other sources of experience, and learn with them about what works.

Bank management has initiated many changes under the Strategic Compact. More change will be needed to sharpen the Bank's focus and improve the development effectiveness of its operations. That will involve new skills, new approaches, new incentive, and new attitudes – to make room for genuine partnerships. Above all, the Bank will have to be realistic and strategic about its evolving comparative advantage in a fast-changing environment."

World Bank Annual Review of Development Effectiveness, 1999

Selected resources

There is a vast literature on the roles of the World Bank, on global governance, foreign aid and other related topics. This is just a brief selection, in three categories. The Bretton Woods Project welcomes suggestions of other documents to include in future versions of this briefing, and on our web edition.

1. Official World Bank documents (not officially available, contact Bretton Woods Project to enquire about copies):
Middle East and North Africa Region staff memo, Jan 2001
Wolfensohn memo on strategy process, 29 Jan 2001
Strategic Framework Paper, a Discussion Draft 30 Nov, 2000
Poverty Reduction and Global Public Goods, Note to Development Committee, Sept 2000.
The Strategic Compact, Renewing the Bank's Effectiveness to Fight Poverty, 1997.
2. World Bank Background reports for current strategy discussions (not available)
Strategic Compact Assessment Task Force
Middle Income Task Force
Knowledge Task Force
Strengthening Partnership Selectivity and Oversight
Cost of Doing Business Task Force
Measurement of Products and Services Task Force
Integrated Resource Framework Task Force
3. Other documents and websites
The World Bank, its First Half Century, Devesh Kapur et al (eds.), Brookings Institution, 1997.
A Foresight and Policy Study of Multilateral Development Banks, prepared for the Ministry of Foreign Affairs, Sweden, by Institute for Development Studies, UK,
Governance-Related Conditionalities of the IFIs, 2000 Devesh Kapur and Richard Webb, July 2000, www.g24.org/publicat.htm
Dinosaurs or Dynamos? The UN and the World Bank at the Turn of the Century, Helge Ole Bergesen, Leiv Lunde, Earthscan, 1999
Fonds monetaire internationale, Banque mondiale, vers une nuit du 4 aout?, Yves Tavernier, Commission des Finances, France, 2000. www.assemblee-nationale.fr/2/rap-info/i2801.htm
Meltzer Report on Bretton Woods Twins Builds Case for Abolition but Hesitates, Walden Bello, FOCUS on the Global South, 2000
The End of Imagination: The World Bank, the International Monetary Fund and Poverty Reduction, Shalmali Guttal, www.focusweb.org
From Resistance to Alternatives, Dakar Conference declaration, 2000 – www.jubileesouth.net
Reimagining the Future, Towards Democratic Governance, Global Governance Reform Project/La Trobe University, 2000.
Beyond Meltzer: where next on IMF and World Bank reform?, Angela Wood, Bretton Woods Project, Apr, 00
New Leaf or Fig Leaf? The Challenge of the New Washington Consensus, Brendan Martin, Bretton Woods Project, 2000.
Multilateral Development Bank (MDB) Taskforce Report, 1996.
Mortgaging the Earth, Bruce Rich, Earthscan, 1994



Bretton Woods Project

**Hamlyn House
Macdonald Road
London N19 5PG
UK**

Tel: +44 (0)20 7561 7546

Fax: +44 (0)20 7281 5146

E-m: info@brettonwoodsproject.org

Web: www.brettonwoodsproject.org

The Bretton Woods Project works with NGOs and researchers to monitor and change the World Bank and IMF.

The Project is supported financially by the CS Mott and the John T. and Catherine A. MacArthur Foundations.

This briefing received helpful inputs from Charlotte Carlsson, Victoria Tauli-Corpuz, Francesco Martone, Heffa Schuecking and several officials.