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The World Bank and The Poor

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1. INTRODUCTION

In contrast to many other symposia that have been sponsored by the Bank since its research programme became more firmly established nearly a decade ago, the current seminar attempts to assess the Bank's own lending practices. In the past, the Bank has too often and too long maintained an external posture as if it knew what it was doing and where it was going. The Bank's word had to be taken for granted, as little opportunity for review of what it was doing existed. With much of the Bank's relevant outputs classified as 'restricted, confidential or secret', informed discussion on its detailed activities has been almost impossible. Moreover, serious evaluative literature on the Bank is remarkably limited. This seminar provides a rare opportunity to learn about the Bank's own learning process in response to the changing needs of the 1970s. The Bank is to be congratulated on opening-up its kitchen in this way, and we can but hope that the experience will not cause it to conclude that such initiatives are to be avoided in future.

Since the Pearson Commission 'grand assize' Report recommended basically that 'development agencies do more of the same', a number of new, competing and sometimes contradictory development strategies have been proposed that may be labelled, in shorthand fashion, as Redistribution *from/with/before* and *without* Growth. Though these strategies have not been elaborated in the necessary detail to permit adequate assessment, most seem to have in common that more explicit attention should be focused on the poor and that special efforts should be oriented towards improving their earning capacity. The proposed strategies appear to be addressed to the world at large, but their implications for the activities of development agencies have been insufficiently explored. The World Bank has evolved as the major single agency to mediate in the transfer of financial resources between rich and poor countries; it is therefore appropriate to explore these implications for the Bank in some detail. The remarks and comments that follow have been grouped under three headings: resource re-allocation by countries; resource re-allocation to target groups; and implications of the professed new orientation of Bank lending for the internal organisation of the World Bank. That this paper takes a 'devil's advocate' position is due to some extent to the structure of this seminar, where Bank papers are in the majority and a paper from a Third World perspective, i.e. the borrowers, is regrettably absent.

2. RE-ALLOCATION TO POOR COUNTRIES?

In announcing his plans for the Bank during his second term of office, President McNamara stressed *overall* expansion. Contrary to the plans announced in 1968, however, *no* new specific regional targets were mentioned in the 1973 Nairobi speech. From this one might infer that the country allocation of Bank Group lending, as evolved in the period 1969-73, was satisfactory or at least not contrary to the new focus on problems of absolute poverty. Similarly, in the Bank sponsored publication *Redistribution with Growth* (1974) strident calls are made for national redistribution, but there is relative silence on issues of international redistribution.[1]

Both the World Bank[2] and the ILO[3] have calculated the numbers of people who subsist below arbitrarily fixed poverty lines. They find most of the absolute poor in South and Southeast Asia and in Subsahara Africa. The Bank's introduction of the concept of *relative poverty*,[4] comprising those who receive less than one third of the national average per capita income, appears to have been motivated by the desire to include Latin America as a region for continued Bank lending. To mix the absolute and the relative poor in this way, however, has the undesirable effect that people at income levels under $50 are lumped together with people with much higher incomes in other parts of the world: up to $540 in Argentina, $335 in Yugoslavia, $295 in Mexico, $290 in Iran and $250 in Brazil, on the basis of 1973 national average incomes (1975 *World Bank Atlas*).

Use of the size distribution of incomes and poverty lines yields results not widely different as regards the statistical location of the poor to the rank order obtained by using GNP per capita, population weighted, as the usual proxy variable for more broadly defined development level indicators. We shall use GNP per capita in the remainder of this paper.

To underpin a major new long-term thrust in the direction of future Bank Group lending it would seem necessary that it should be focused, at *any given* level of lending 'overall', towards a narrower range of countries. Basically, a number of other countries need to be declared 'developed', thus allowing the Bank to gradually phase out its lending to them and to concentrate its efforts in the form of resources, money and staff, on the remainder.

It may be argued that, to avoid having to make hard choices of priorities between countries, continued lending to higher income countries can be justified if it is directed to their poorer regions, or to the poorer strata of their populations.

Structural bottlenecks and regional disparities can, of course, always be cited to continue past country patterns of lending. Nobody would deny that some 'past borrowers' continue to face serious balance of payments difficulties and structural and regional problems. Yet Bank lending to them has been phased-out, and the Bank now has to make a similar decision for a group of other countries.

At issue is where to draw the line for inter-country priorities. Are regional income disparities in higher income countries judged to be more intractable than national development problems in countries with lower average incomes which may also face severe regional and sectoral problems? Countries with higher average incomes have attained a broader resource base which may enable them to pursue redistributive policies than have countries with lower average incomes and much less to redistribute. To the extent that Bank Group assistance is usually marginal, when measured against total national investment, this marginal contribution can probably be better used to help increase the national cake in poorer countries than to back up redistributive policies in richer countries.

Countries where pockets of the population live in absolute or relative poverty, say the Northeast of Brazil or the southern states of Yugoslavia, often display strong political, social and cultural cleavages that may exclude minority groups from the political process that decides on resource allocations. The notion that international donors should step in in cases where the national body politic is either unable or unwilling to do much for its own poor, assumes that international solidarity should be greater than national solidarity. This is likely to run into very serious political opposition in at least some donor countries.[5] The experience which such minority groups have had in continuous confrontation with the prevailing power structure may have led them to subsequently withdraw to regions and activities where that confrontation could be evaded. Under such conditions it is difficult to imagine that external official assistance, which has to operate through national government and prevailing power structures, could be an effective lever with which to improve the terms of incorporating such minority groups within the wider national society.

Moreover, during the 1970s a considerable number of higher income countries obtained access to alternative sources of external finance on an unprecedented scale. Thus, the leverage which may be associated with Bank lending, the terms of which were considerably hardened in 1976,[6] will be much reduced in such countries as compared to the leverage in lower income countries which do not have access to alternative sources of external funds to the same degree. A reduced future role of the Bank in the higher income countries fits its charter purpose as a lender of last resort.

It seems, therefore, that on balance a re-allocation of lending by country is preferable and more promising than a re-allocation to poorer regions within a relatively more developed country. This is not to say that the Bank's studies and policy advices to the higher income countries should also cease. It may still be worthwhile to study whether, for instance, the nature of adopted new technologies might diminish the chances that lagging population groups will ever be able to catch up in a modernisation process that benefits them. But the 'carrot and stick' approach, combining policy advice and lending, will then no longer be possible.

A second argument for avoiding the issue of establishing priorities between countries is that poorer countries may not have enough bankable projects to permit a rapid expansion of Bank lending. In the past, the dearth of well-prepared projects has been said to have been the main constraint on the volume of Bank lending.[7] Over time, the absorptive capacity to prepare projects has undoubtedly increased in most countries, and there is no obvious reason why a shift in lending to lower income countries would not necessarily mean that quantitative lending targets could not be met, though it may hamper the Bank's search for small and difficult projects which might be of direct benefit to the poor. Lending could continue for traditional projects and sectors in which the Bank has acquired a comparative advantage, because such projects would still be required in the future. But it would then have to be proved that the country in question had shifted its national policies in such a way as to increase the chances for improvement of lagging population groups. In the absence of specific knowledge about the nature of the growth process and of the effects of policies on different population groups, however, this is a tall order.

A third argument against a refocusing of Bank Group lending may be the fear of problems of limited creditworthiness of lower income countries. Risks of lack of creditworthiness are not confined to poorer countries, however; some rich countries also have limited external creditworthiness. Moreover, the assumption would then be that Bank lending over 1969-1974 has not been risky and has not met constraints stemming from limited creditworthiness of recipient countries. The Bank made almost half of its new loans in 1969-74 to countries which the 1971 Bank External Debt Study had judged vulnerable in this respect.

A final argument against a major re-allocation of resources towards the poorer nations is to assert that the very poor are beyond being helped, that assisting them will merely prolong their misery without providing any hope that conditions may be improved in the long run. Such harsh implied condemnation of the 'Fourth World' may be softened somewhat by blaming 'unjust' ruling structures for the misery, and is sometimes rationalised by saying that any support for those structures will only perpetuate human misery. On the contrary, so runs the argument, external aid should remain focused on those who have a real likelihood of developing under their own power in due course. Aid should not be dissipated to those beyond relief, particularly since available aid is insufficient to help everyone.

There are several factors to consider. A withdrawal of aid may indeed hasten the downfall of an 'unjust' regime. There is, however, no guarantee whatsoever that it would be succeeded by one which would prove less 'unjust' and oppressive than its predecessor. Confronted with the same stubborn problems of hunger and poverty, new regimes are likely to forget their campaign promises once they are in power; or, in the many instances where changes in government merely reflect intra-elite exchanges, election promises for broad-based reforms are not even made *ex-ante*, let alone implemented *ex-post*.

Neglect by aid donors of the Fourth World does not mean that the Fourth World will cease to exist, and an argument to the effect that the rich cannot afford more aid is not tenable when we consider the resources which they waste on useless armaments. Total world military expenditure in 1976, for instance, was more than the GNP of Africa and South America combined.[8]

2.1 IBRD: the 'losers'

What, then, are the possibilities for making room in future IBRD lending capacity to do *relatively* more for the poorer countries? Several options may be pursued seriatim.

Advance repayments of debts of 'past borrowers' would provide the Bank with an extra margin of lending capacity of about $1 billion. Such advance repayments can only be requested, however, and objections may be made when pressure is exerted because 'contracts are contracts'. About 40% of the $1 billion outstanding from Part I countries is due from Japan.

An 'easy' way for the Bank to narrow its list of future clients is to harmonise the various definitions of LDCs which are in current use. The Bank, prior to its new orientation to the poor, still lent to a number of member countries which, according to the UN classification, should not be on the list of developing countries. This lending is summarised in Table 1.

Lending to this group is now negligible to all countries but Greece. A further reduction would not give the Bank much scope for a major reorientation to poorer countries. Lending to Greece may perhaps cease if and when Greece joins the European Economic Community (EEC).

A future major concentration of effort and funds on the poorer countries would seem to call for drastic curtailment of the number of countries eligible for future Bank lending. Let us consider the implications of lowering the upper limit for Bank lending to twice the upper eligibility limit for IDA lending, or above $1000 GNP per capita in 1975 dollars. To take a broader range, say, up to three times the IDA limit, or about $1600, would not yield enough in terms of lending volume or numbers of countries for which one might consider a possible stabilisation and longer-term phasing-out of Bank lending. This gives rise to the countries listed in Table 2.

Lending to the seven countries whose per capita incomes are over $1600 has declined from 8.3% of total in 1969-74 to 0.6% in 1975-78, a very sizable reduction which may be sustained in future; i.e. these countries may be able to fend for themselves in future. The decrease in lending is largely due to Iran which no longer borrows from the Bank.

There are 13 countries whose per capita GNP was between $1000 and $1570 in 1975.

Lending to Argentina is clearly the most controversial since heavy Bank lending will tend to legitimise the military regime. Whilst the latter took measures to restore the external creditworthiness of the country, few would rate the regime as being deeply concerned with improving the lot of the poor. On country grounds it would thus be difficult to justify this lending. On project grounds, however, some projects would seem to be defensible. It is noted that the US abstained twice in 1977 (IBRD, and IFC) and voted against three loans to Argentina proposed by the IADB, on human rights considerations, thereby stressing its view that the mere restoration of creditworthiness was insufficient justification for a resumption of lending by international financial institutions.[9]

Lending to Portugal is almost the contrary. An unpopular military dictatorship was overthrown and Bank lending may be seen as assisting the country to develop along more democratic lines. Portugal may also ask assistance from the EEC.

Lending to Mexico has barely kept up with inflation. The future availability of oil revenues for Mexico makes it likely that Bank lending to that country could be gradually reduced, in relative terms. But Mexico's GNP per capita is at the lower end of the scale, as is Brazil's.

Lending to Yugoslavia and Romania has clear political significance in that both countries are trying to reorient themselves away from Soviet Russia. For this reason it seems unlikely that the Bank will pressurise these countries to reduce their borrowings from the Bank. Lending to Romania, a Bank member only since 1973, has developed remarkably fast. The scope for 'savings' in this group to be diverted to poorer countries is thus likely to remain limited.

While lending to these countries may continue at high absolute levels, it is obvious that the Bank's leverage to persuade them to pursue policy goals of better income distribution has been diminished. It may be questioned whether the Bank had much leverage in the past, in view of the size and sophistication of these countries in setting their own priorities, but it has in any case been reduced due to the fact that Brazil, Mexico, Yugoslavia and Argentina have been among the largest borrowers in the Eurodollar market.[10]

If pressure increases on the Bank to phase-out lending to the higher income countries in order to do relatively more for those with lower average per capita incomes, this will accelerate its withdrawal from large parts of Latin America. The Bank, on its own saying, will need considerable time to develop projects and policies that will benefit the poorer strata of society, and it may well be that, say by the mid to late-1980s, such expertise will no longer be thought relevant as many Latin American countries will by then have become independent of Bank tutelage. Although the need for a poverty orientation may continue in large parts of Latin America, the Bank will then no longer be in a position to assist implementation through direct lending activities.

One argument sometimes used for prudence in 'declaring' countries 'developed' rather than 'developing' is that past borrowers may evolve into contributors to IDA. This argument may not have much appeal for Latin America where several countries are not even members of IDA and the volume of IDA credits is very limited, given IDA eligibility criteria. Cultural and social affinity may be important forces in instigating aid programmes, and one would have to believe that Latin American contributors would be willing to contribute through IDA to countries in Africa and Asia. It is likely that preference will be given to bilateral programmes and to the IADB's Fund for Special Operations in a regional context rather than to IDA, US domination of which is resented even more by Latin American countries than the US role in the IADB; Venezuela has not contributed, for instance, to the Fifth IDA replenishment.

2.2 IBRD: 'Winners': the poorest?

Let us first look at IBRD lending to the group of 'poorest countries', as in the classification used by the

Bank.[11] It must be kept in mind that poor countries may receive considerable amounts of IDA credits in addition to (limited) amounts of Bank loans. Two countries have been added, Indonesia and Nigeria, which, though at present with somewhat higher average per capita incomes, are in a special category because they are major exporters (Table 3).

Of the Least Developed Countries (LDCs), 17 receive no IBRD loans at all; of the remainder Tanzania is the largest current recipient. Altogether this group received 2.8% of IBRD loans in 1969-74 against only 1.4% in 1975-78. The latter figure is even exaggerated because it includes some Third Window loans; when those are subtracted, the percentage of straight Bank loans in 1975-78 is reduced to 0.9%.

Prospects for IBRD lending in this group are bleak. IBRD lending to the 'other poorest' rose from 6.1% of total commitments in 1969-74 to 8.2% in 1975-78. If we exclude loans from the Third Window, commitments were only 7% of total new loans.

In sum, IBRD lending to 33 countries, with a combined population in 1975 of 1 billion people, and all belonging to the group of countries with the lowest average per capita incomes, increased from 8.9% of total new lending in 1969-74 to 9.6% in 1975-78. But the share declined to 7.9% if we exclude loans on Third Window terms. A sizable share of IBRD lending to these countries is directly linked to projects of an enclave type character. Lending for such purposes tends to accentuate dualism in the development of the countries. There were projects in support of bauxite in Guinea ($65 million), copper and nickel in Botswana ($32 million), copper and cobalt in Zaire ($100 million), and petroleum and natural gas in India ($150 million).

Lending to Indonesia and Nigeria has been stepped up from 3.7% of total in 1969-74 to 9.7% in 1975-78. Both are major petroleum exporters; they thus have much improved creditworthiness prospects for other foreign financiers, which reduces Bank influence.

2.3 IBRD: 'Gainers': the not-so-poor

IBRD lending to countries with per capita GNP in 1975 between $250 and $520 is detailed in Table 4.

Together, this group received 10.9% of new Bank loans in 1969-74 and 17.4% in 1975-78, or 16.3% excluding loans on Third Window terms.

The whole relative increase was due to three countries: Egypt, the Philippines and Bolivia. Egypt, which had not received a Bank loan since 1959, received no less than $675 million in 1975-78, a very remarkable change in the Bank's creditworthiness judgement of the country.

Lending to the Philippines accelerated sharply from an annual level of $48 million in 1969-74 to $301 million in 1975-78, despite serious balance of payments deficits and terms of trade losses. Lending to Bolivia has increased considerably from a single loan in 1969 for a gas pipeline to no less than 12 operations in 1975-78. Have country policies changed much to the benefit of the poor in recent years?

2.4 *The future allocation of IBRD resources*

The Bank states that its current regional distribution of lending is not the direct result of any overall regional policy considerations, but rather emerges from the programmes of lending to individual countries. The question is whether this adding up of individual programmes leads to acceptable results overall. The more so because IBRD accounts for about 70% of Bank Group financial resources available for developing countries.

The rapid expansion of Bank lending in the early 1970s has been absorbed by very few countries: Brazil, Iran, Turkey and Korea increased their share from 10.4% in 1963-68 to 27.3% in 1969-74; while that of India, Pakistan and Bangladesh decreased from 9.8 to 4.2 percent.

Since the Bank became concerned with the poor there has been no major change in lending towards the poorer countries. As was noted in an evaluation of the World Bank and the Inter American Development Bank, the 'World Bank was not successful in increasing its share of total lending to the poorest countries'.[12] This conclusion is largely confirmed by our analysis. Now that the Board takes much more direct interest in the scope of Bank activities, it seems logical that in future it should not only review the overall volume of IBRD lending but also the distribution by country and income levels. Strenuous efforts should then be made to redirect IBRD lending towards the poorer countries. IDA credits to this group of countries are diminishing, and they may well have to rely heavily on IBRD and other public foreign financing until such time as their economic structure has been sufficiently diversified and strengthened to attract external funds from a broader spectrum of financiers. Inasfar as limited creditworthiness is raised as an issue, Bank lending in the early 1970s has also been risky. Questions of limited absorptive capacity can be resolved given some time.

2.5 *Re-allocation of IDA resources*

Geographical distribution of IDA resources and allocation by income levels has received much more attention in the past than specific allocation problems of IBRD resources.

Table 5 shows that, during the last few years in particular, a considerable shift in lending has occurred towards the least developed countries. Both groups 'marginal' and 'other poorest' have had to give way. In 1975-78, lending to the group of 'marginal' countries was confined to four only. The trend towards lending to the poorer countries was firmly established in the late 1960s however, and thus predated the new orientation of Bank Group lending.

Lending to countries whose per capita incomes were between $266-520 in 1975-78 amounted to only 11.3% of the total, and went to 18 countries. Further reduction of lending to this group by lowering the upper eligibility limit for IDA is thus likely to meet resistance in the Board and would not free any considerable funds for redistribution to poorer countries.

If the allocation of IDA were to be redirected according to weight of population, we should obtain the following. Among countries with more than 20 million inhabitants, Ethiopia, Egypt, Bangladesh, Burma, India and Pakistan accounted in mid-1975 for 77% of the population of all countries which received IDA credits under the Fourth Replenishment period. They received 61.4% of total IDA commitments in 1975-78. From this perspective it could be argued that further concentration on those countries would be justified even if one discounted somewhat for the relatively higher per capita income of Egypt. Thus a little 'improvement' in the allocation pattern could be achieved. Current attempts by the Board to reduce the IDA share for India should be resisted.

If poor countries are to be helped materially, the overall bilateral allocation of Official Development Assistance (ODA) should be examined, since it appears to be much less focused on the poor countries than the current IDA allocation. If DAC countries would be willing to focus their ODA on the poor countries, a substantially increased flow of resources could thus be made available.

Within the framework of a basic needs strategy, Streeten and Ul Haq[13] of the World Bank have argued for a $2 billion annual increase (at constant prices) over the 1980-2000 period to be allocated 80% to the poorest countries and 20% to those in the middle income countries, a dramatic reversal of the current 40:60 ratio.

The use of an average per capita income limit, as is done by the Bank for IDA allocations, effectively discriminates against most of Latin America and countries in North Africa and the Middle East. Many countries would strenuously object to even more widespread and effective use of this yardstick for the future allocation of ODA. Many would like to maintain privileges and benefits under prevailing 'special relationships'. Others would want to apply poor-oriented project criteria and the *relative* poverty concept in order that they might continue to receive ODA. The decision taken by 12 European countries in 1976 to join the Inter-American Development Bank, whereby they are also expected to contribute to its Fund for Special Operations, is regrettable from the perspective of redistributing scarce ODA to the poorest countries.

3. REACHING TARGET GROUPS

If re-allocation by countries proves politically difficult for an institution with as wide a membership and clientele as the World Bank, its reorientation to the poor should be seen mainly in the effectiveness with which it can reach target groups. The Bank has chosen as its main target group the small farmer. His productivity is to be increased through the introduction of improved technological packages and through better access to land, water, credit and extension facilities.[14] Some indications of this shift in Bank lending are given in Table 6.

Other evidence corroborates the changing emphasis in Bank lending in *all* sectors towards the poor. On the basis of appraisal reports for 1972 and 1977, Weaver *et al* attempted to determine the intended beneficiaries of projects in all sectors of the World Bank and the Inter-American Development Bank. They find that the increase in poor-oriented IADB loans has been less than that in the World Bank, but this can be partially explained by the fact that in 1972 a much higher portion of IADB projects were already directed toward the poor.[15] The irony is that the rationale for setting up the IADB in 1959 was that it could lend in the 'innovative' social sectors which the World Bank then considered beyond its scope. Thus, the Bank is now catching up rather than leading the way!

The shift in Bank lending has not been without its costs. Disbursements in certain major sectors, particularly agriculture, will for several years be somewhat lower than would be expected on the basis of past disbursement experience.[16] But previous experience shows that disbursements in agriculture substantially lagged behind other sectors. In the early 1970s five years after signing the loans, average disbursement rates were 60% for Agriculture, against 84% for Electric Power, 78% for Transportation and 80% for Industrial projects.[17] While these differences may be due to sector characteristics, they may also be related to major problems which the Bank encountered with 'old style' agricultural projects. Yudelman has noted that of the several hundred agricultural projects underway in 1973 only 23% were judged to be trouble-free when measured against appraisal report agreements. At the other end of the spectrum, 38% were deemed to be plagued by major problems.[18] In contrast, Baum mentions a Bank-wide share of 'problem projects' of only 10%.[19]

To the extent that the Bank succeeds through co-financing arrangements to link foreign and domestic resources to its 'new style' agricultural and rural development projects, scarce investment funds are put in high risk sectors under institutional arrangements which shift the burden of such risks entirely onto the recipient governments as donors are unwilling to write off loans for risky and failed projects which they themselves have promoted.

Disbursement rates and adherence to appraisal report agreements are not necessarily related to the impact of projects. With poor-oriented sector policies clarified in 1974 and 1975, and project leadtimes of about 2½ years from identification to Board presentation, impact assessments cannot meaningfully be undertaken until several years after disbursements, i.e. by the early to mid-1980s. Whether or not donors would be prepared to give development agencies the benefit of the doubt for such a relatively long period, politically speaking, remains to be seen.

Impact studies of past development projects supported by the Bank are few. Assessment of the IDA-supported farm mechanisation programme in Pakistan in the second half of the 1960s estimated the *ex post* social rate of return at 24%, which would seem satisfactory for mechanising farmers in the area. However, the *net* destruction of jobs was estimated at five per tractor and 'there is little indication that the labour displaced from agriculture had any significant employment opportunities or productive value elsewhere in the Pakistan economy'.[20] The Bank refused further funding when these results became known, but the country borrowed elsewhere and continued the project without Bank support.[21] Prior Bank support had helped to create vested interests which are now able to fend for themselves! The Muda irrigation study found that the 'increase in income at the farm level, has not been evenly distributed across the already unequal pattern of income distribution and has, therefore, served to worsen that distribution'.[22]

The broad sectoral classification of Bank lending given in the Annual Reports is not very useful for gauging the nature, width and depth of changing emphasis in Bank lending towards the benefit of small farmers. A more useful classification is to be found in the 1975 Sector Policy Paper on Agricultural Credit, which shows a modest share for 'small farmer' projects. The tables in that paper might usefully be updated.

Relatively large numbers of small farmers are reached through smallholder projects for tea, oil palm or cocoa, Bank support for which appears to be based on production characteristics which require a central processing unit to act as a natural marketing monopoly through which financial discipline can be more readily established and enforced. As regards food crops, farmers often avail themselves of subsidised inputs but prefer outside private sales if they judge the marketing agency to be inefficient and thus not in their interest. Two points are in order. In 1973, the Executive Directors decided to follow a restrictive policy in new tea planting so as not to increase competition between South Asia and East Africa or to weaken world market prices. In 1974, however, this led to a mere substitution among traditional donor roles in Kenya, with the Bank financing tea factories and the Commonwealth Development Corporation the new plantings.[23]

Secondly, the US Congress has been pushing hard for amendments in its Foreign Assistance legislation to restrict use of funds to establish or expand the production of palm oil, sugar or citrus crops. In face of this pressure and to forestall negative reactions from the US Congress, it seems that many of the more recent nucleus estates and outgrowers projects are presently justified primarily as 'rehabilitation projects' which involve no new production.

The assessment of rural projects 'new style' must be confined to the nature of the design features incorporated in new projects. What is meant, for instance, by the statement that 'about 70% of the Bank's agricultural loans might contain a component for the small Farmer'?[24]

Insofar as the Bank's sector policy papers specify a number of design criteria, Bank representatives might like to comment specifically on the following:

(a) Have production packages been found that have been sufficiently field-tested in terms of technical, social and ecological constraints? While a number of crops can be grown under a wide range of plausible inputs, could it be that, say, as a result of the 1974-75 international fertiliser crisis, initial soil fertility is being exhausted in a number of projects? In a review of 18 pre-1973 rural development projects, the Bank's Operations Evaluation Department found that in only four out of 18 cases were production targets achieved or surpassed. Severe problems or uncertainties were associated with technical packages recommended for certain projects. Some of them had not been properly tested at farm level or did not fit local ecological or socio-economic conditions.[25]

As pressure increases on donor agencies to implement rural projects, there is a grave danger that more insufficiently tested packages will be introduced, with corresponding grave risks for the farmers concerned.

(b) How have countries responded to Bank proposed credit policies involving a shift towards a positive real interest rate, a tough policy on default, and the substitution of earning capacity for land title as a basis for collateral? Most studies on rural credit point to the very poor performance in reaching the small farmers. Has the Bank been able to advise on improved institutional arrangements, in view of Willoughby's (the first OED director during 1970-75) judgement that 'among the Bank's relative weaknesses, one might mention its frequent difficulties in participating effectively at the level of borrower's institutional arrangements, training and staffing issues'?[26] Yudelman notes that most of the project problems related to management issues. No less than 47% of all projects underway in 1973 had some managerial problems. These tend to occur in the third year of project implementation.[27] Are these problems related to the turnover of initial (often expatriate) project staff?

(c) What sort of new institutions does the Bank envisage should be created to assist poor farmers in view of the somewhat negative evaluation of the effectiveness of, for instance, rural cooperatives,[28] agricultural extension services,[29] and settlement agency staff.[30] Bunting's comments may also be relevant in questioning the specificity of the Bank's institution building activities. 'Our experience of attempts to change agriculture during the last 25 years has shown not only that it is dangerous to transplant ideas about institutions, but also that effective results may be achieved in what appear to be similar circumstances by widely differing institutional and administrative arrangements'.[31]

(d) Insofar as the Bank's 1975 Rural Development paper recognises that few countries conceive of rural development efforts in an overall coherent policy framework, to what extent do impact evaluations of past projects confirm or contradict the thrust of UNRISD's main conclusions about the social and economic consequences of the large-scale introduction of Green Revolution-type technologies in developing countries?[32]

4. INSTITUTIONAL ASPECTS

To the extent that donors are sincere and consistent in requiring that their aid benefits the poor - and not all major donors agree about its desirability - donor institutions should make efforts to experiment with novel approaches.

As long as 'modernisation thinking' remained the main mode of development thinking, donor agencies saw themselves as mediating in the 'transfer' of those attributes or 'missing ingredients' which were apparently in short supply in developing countries.

Realisation has fallen short of expectation and it is increasingly recognised that development knowledge is not a stock with transferable properties, that the task of a development agency is not only to do but also to learn. Knowledge yet to be discovered cannot, by definition, be more abundant in one part of the world than another. Technical assistance provided by the Bank is thus not necessarily superior to that of other agencies, as the Bank often tends to believe. When learning is an essential part of a task, it behoves to be modest. But modesty is not the main characteristic of the Bank as an institution, or of its staff.

If learning is essential, the institution must be set up to facilitate it. Although the need for learning now seems to be recognised, it has become difficult for the Bank to readjust its organisational structure and operational style. Its future performance may thus fall short of expectations.

The Bank has grown enormously over the past decade, and internal bureaucratisation and the need for external accountability have increased considerably. The 1972 reorganisation stressed *efficiency* in handling the larger lending flow and *accountability* for work done, and manpower budgeting techniques were introduced since. Output is defined as total reports and studies produced and number and dollar value of projects prepared, and the Bank is not able to predict future output levels with great accuracy. The use of such manpower techniques unfortunately tends to give staff the wrong signals. While the need for more in-depth research and more circumspect project preparation is evident, it is thwarted by the introduction of severe time constraints on the production of output. This leads to widespread risk-avoiding behaviour. Research requires a venture into the unknown and output is unpredictable. To avoid 'overdue notice' staff will tend to tread familiar paths in order to avoid any uncertainty which might arise if they strayed.

The 1972 Bank reorganisation stressed the appraisal part of the project cycle. Much energy has been spent on designing procedures and on incorporating income distribution weights, etc., but by the appraisal stage it is much too late to do anything about projects.

King, in reviewing the Bank reorganisation, rightly notes that it is in the early stages of the project cycle that concern about employment and income distribution can most adequately be considered: 'The emphasis of the

Reorganization exercise did not contribute to the development of procedures and methods for more effective project generation and design'.[33]

The Bank has not received sufficient well-prepared projects, and has thus had to organise its project flow by drawing upon UNDP Reports, by financing technical assistance, and by active involvement of its own staff in project preparation.[34]

The new emphasis is likely to increase that involvement, putting a heavy burden on project officers who must deal with counterparts in developing countries, and whose project designs must be screened within the Bank by ever more supervisory staff, none of whom have been present during discussions with counterparts in borrowing countries.

The further that the Bank penetrates into earlier stages of the project cycle and the more it streamlines its internal teamwork and procedures in Washington, the greater the risk that dialogue with the developing country will fail. But insofar as grassroots efforts require local involvement and participation, a conflict may develop between the crystallisation of local initiatives, a time-consuming process that is also erratic, and the Bank's needs for clarity, speed and arrangements that suit its internal bureaucratic structure. The most disturbing result (for donor agencies) of the study by Morss *et al*[35] of 36 projects aimed at small farmers in Africa and Latin America, is that projects that have had a large dose of foreign government funding in their early years scored significantly *lower* than average of other projects in terms of three composite indicators pertaining to 'overall success', 'overall local action', and 'prospects of self-sufficiency'.

The logic of 'new style' projects is that they require greater care and broader participatory dialogue with developing countries at the early identification stage. In this light it is disturbing to read in the 1978 Administrative Budget that the ratio of total lending cost to number of operations approved *declined* by 13% between 1973 and 1977. 'The reduction in this use of manpower suggests that nowadays staff efforts, particularly in the early stages of identification and preparation, are better focused on projects which are *likely to materialize in due course as approved loans*' (my emphasis).[36] Projects which promise smooth sailing up the Bank's increasing hierarchy are not likely to be the experimental, 'new style' projects which may be required, in that higher levels in the hierarchy must compensate their lack of involvement at the level of face-to-face country contacts with formal rules of precedents and bureaucratic routines. Though the Agriculture and Rural Development Department is younger, and thus likely to be less 'bureaucratic', pressure on it to 'produce' is even stronger, as its projects are made the test of the Bank's 'new style'.

The apparent squeeze on the Administrative Budget of the Bank forces Bank staff to find alternatives to escape from excesses of its own manpower planning and budgetary control techniques, which are more appropriate for organisations which produce off-the-rack rather than tailor-made outputs.

One tendency may be that insufficiently or inadequately prepared projects will be presented to the Board. Since 1968 when quantitative lending targets became important for the Bank, over 40% of all loan operations have been bunched in the final quarter of the fiscal year. 'Loose ends', which otherwise would have been investigated and cleared up, may be presented as problems for project management to resolve *after* approval of the loan, thus increasing the possibility that major problems will emerge during implementation.

A second tendency may call for placing a number of activities outside the purview of management and Board. Although the Bank's research activities have grown considerably since 1969 - much of it not relevant for the Bank as a project lending agency - total technical assistance included in IBRD loans and IDA credits has also increased, from 70% of total IBRD/IDA administrative expenses in 1969/71 to slightly over 100% of that budget in 1976/77. Could it be that apparent Bank efforts to economise on project design are being compensated by including more technical assistance in its loans, to be repaid by borrowers? One would like to see a breakdown of this incorporated technical assistance.

Table 1: *IBRD lending to high income countries*

Country	Per capita GNP in 1975	1969-74	1975-78
Iceland	5620 *	11	-
Finland	4710	75	20
New Zealand	4680 *	24	-
Israel	3469	140	35
Spain	2750	240	51
Ireland	2390	123	30
Greece	2340	152	301
TOTAL		765	437
Annual average		127	109
as % of new commitments		6.3	2.1

* 1976 *World Bank Atlas*, Annex

Source: *Annual Reports*

Table 2: *IBRD lending to countries with per capita GNP over $1600 and $1000 (1975) respectively ($ million)*

Country	GNP p.c. 1975 ($)	Population 1975 (mln)	new IBRD commitments[b] 1969-74	1975-78
Bahamas	3110	0.2	-	10
Gabon	2540	0.5	16	5
Singapore	2450	2.3	84	25
Venezuela	2220[a]	12.0	136	-
Oman	2100	0.8	8	17
Trinidad and Tobago	2000	1.1	56	12
Iran	1660	33.4	823	53
Total		50.3	1123	122
Annual average			187	41
As % of new commitments			9.3	0.6
Portugal	1570	9.6	-	241
Argentina	1550	25.4	319	485
Yugoslavia	1550	21.4	548	1073
Uruguay	1300	2.8	53	62
Panama	1290	1.7	100	106
Iraq	1280[a]	11.1	120	-
Cyprus	1240	0.6	53	35
Romania	1240	21.1	60	823
Jamaica	1110	2.0	54	131
Fiji	1090	0.6	18	17
Lebanon	1070[c]	3.2	40	50
Mexico	1050	60.0	1073	1302
Brazil	1030	107.0	1307	2055
Total		266.6	3745	6380
Annual average			624	1595
As % of new commitments			30.9	30.2

a) 1976 *World Bank Atlas*, Annex.

b) Totals may not add up due to rounding off.

c) 1974.

Table 3: *IBRD lending to poorest countries ($ million)*

Country	Population 1975 (mln)	GNP p.c. 1975 ($)	IBRD new commitments 1969-74	IBRD new commitments 1975-78	Of which Third Window 1976-77
Least Developed					
Bangladesh	78.6	90	18	-	-
Ethiopia	28.0	100	38	-	-
Guinea	5.5	130	74	-	-
Malawi	5.0	130	-	26	17
Tanzania	14.7	170	115	184	42
Uganda	11.6	250	52	-	-
Sudan	15.6	270	5	32	32
Botswana	0.7	350	42	51	4
17 others[a]	79.6	-	-	-	-
Total	239.3		343	293	94
Annual average			57	73	47
As % of new loans			2.8	1.4	13.4
Other Poorest					
Burma	30.2	110	-	-	-
India	608.0	140	263	1018	159
Zaire	24.7	140	-	100	-
Sri Lanka	13.6	150	48	-	-
Pakistan	69.2	160	215	235	60
Madagascar	8.8	200	21	7	-
Sierra Leone	3.0	200	8	7	-
Kenya	13.4	220	182	364	32
Total	770.9		737	1731	251
Annual average			123	433	126
As % of new loans			6.1	8.2	35.9
Petroleum exporters					
Indonesia	132.1	220	48	1724	-
Nigeria	75.0	340	402	325	-
Total	207.1		450	2049	-
Annual average			75	512	-
As % of new loans			3.7	9.7	-

a) Rwanda, Upper Volta, Mali, Burundi, Somalia, Nepal, Chad, Afghanistan, Niger, Benin, Haiti, Lesotho, The Gambia, Yemen, A.R. Central African Empire, Yemen PDR, W. Samoa.

Source: *Annual Reports*.

Table 4: *IBRD lending to low income countries ($ million) (GNP p.c. between $ 250-520 in 1975)*

Country	GNP p.c. 1975 ($)	Population 1975 (mln)	IBRD new commitments 1969-74	IBRD new commitments 1975-78	of which Third Window 1976-77
Togo	250	2.2	-	60	-
Egypt	260	37.2	-	675	62
Cameroon	290	7.3	83	118	24
Mauritania	320	1.3	-	-	-
Eq. Guinea	320	0.3	-	-	-
Thailand	350	41.9	347	534	26
Bolivia	360	5.6	23	226	10
Honduras	360	2.9	46	96	12
Senegal	360	5.0	23	63	21
Philippines	380	42.2	291	1204	35
Liberia	410	1.5	23	82	4
Swaziland	440	0.5	-	24	-
El Salvador	460	4.0	59	80	9
Papua New Guinea	470	2.8	49	16	-
Morocco	470	16.7	375	450	25
Jordan	480	2.7	-	-	-
Congo P.R.	510	1.3	-	46	-
Total		175.4	1319	3674	228
Annual average			220	919	114
As % of new loans			10.9	17.4	32.6

Table 5: *Distribution of IDA credits by country and income classes, 1961-78*

No. of countries	Type of Countries	(in $ mln) 1961 -68	1969 -74	1975 -78	(in %) 1961 -68	1969 -74	1975 -78
25	Least Developed	382.5	1041.9	1516.5	20.9	20.7	32.9
10	Other Poorest	1079.0	3021.5	2515.2	58.9	60.1	55.2
21	Intermediate ($266-520 p.c.)	139.6	594.0	476.0	7.6	11.8	11.3
14	Marginal (above $520 p.c.)	230.7	369.6	31.3	12.6	7.4	0.6
70	Total	1831.8	5027.0	4539.0	100.0	100.0	100.0

Source: IDA, 1978, and 1978 *Annual Report.*

Table 6: *Agriculture & Rural Development Lending, FY 1969-78*

	1969-73	1974-78
*Rural Development**		
No. of projects	48	206
Loan amounts ($ mln)	540	5206
Other agriculture		
No. of projects	128	152
Loan amounts ($ mln)	2035	4814
Total for Agriculture and Rural Development		
No. of projects	176	358
Loan amounts ($ mln)	2575	10020
As a % of World Bank Totals		
No. of projects	27	34
Loan amounts ($ mln)	20	31

* Projects for which it is anticipated that 50% or more of direct benefits will accrue to the rural poor.

Source: World Bank, RORSU, October 1978.

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