

Reforming Foreign Aid: Reinvent the World Bank (and more)

*Lessons in Global Poverty Alleviation
From 40 Years of Adventures (and Misadventures)
In International Development*

Inder Sud

Presentation to the UAA
DACOR Bacon House
October 23, 2017

Organization of the Talk

- I. Lessons from experience
- II. Some evidence of World Bank effectiveness
- III. Recommendations for Reform of the World Bank
- IV. Some reflections about USAID

I. Lessons from Personal Experiences

Lesson 1: Social change takes place slowly and endogenously

- Sorry we cannot rent a room to unmarried couples – Washington DC 1971
- Legalization of gay marriage 2012

Lesson 2: Supremacy of the knowledge bank

- Jamaica and Ghana water projects

I. Lessons from Personal Experiences

Lesson 3: Only economic and not political considerations define effective development

- Gabon railways
- Clamor for lending for international shipping by developing countries

Lesson 4: Committed and pragmatic country leadership critical for effective development

- East Asia Miracle – with Philippines as the laggard
- Middle East – the impossible dream

I. Lessons from Personal Experiences

Lesson 5: World Bank effective in countries that know what they want, and seek Bank advice selectively (and are not aid dependent)

- Korea – Annual list of project borrowing; politely resisting fancy Bank initiatives; car industry
- China – Listened to all, but implemented what they considered the best; Pudong development

Lesson 6: Too much aid reduces development effectiveness

- Aid (IDA) entitlement in South Asia 1970s and 1980s
- Africa today?

I. Lessons from Personal Experiences

Lesson 7: Not all NGOs are friends of development

- Thailand Pak Mun Project episode
- Advocacy vs. development NGOs

I. Lessons from Personal Experiences

Lesson 8: Poor quality of Bank leadership since mid-1990s has made it less effective

- From focus (Preston) to diffusion (Wolfensohn)
- Politicization of the Bank (Wolfensohn, continued by Wolfowitz and Zoelick)
- Men who sought the job instead of those who were “asked to serve”

I. Lessons from Personal Experiences

Lesson 9: No magic bullet to turn around failed and fragile states

- Pouring money is not the answer
- Understanding institution building still an elusive goal
- Quest for quick results actually delegitimize government

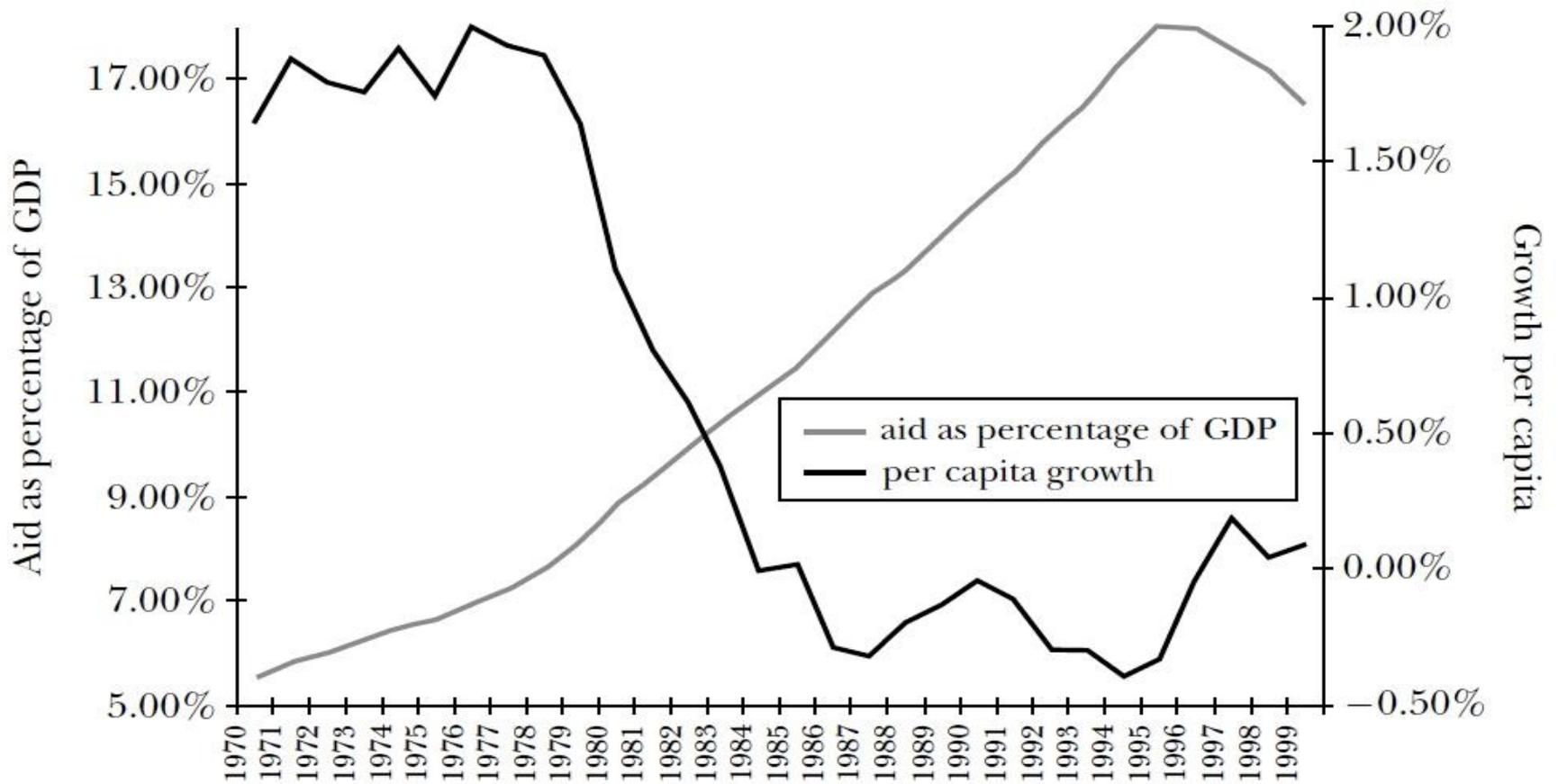
II. Does Aid Work?

Conclusion 1: Mixed outcome of projects

- 70 percent success goal; probably between 50-70 percent
- But 50-70 percent could still be considered “OK”

Does Aid Work?

Conclusion 2: Missing aid growth linkage



II. Does Aid Work?

Conclusion 3: Overload of good intentions major cause of project failure

- Whither Wapenhans and OED findings

Conclusion 4: Successful projects do not necessarily lead to successful development

Conclusion 5: Projects succeed in “successful countries”

Summing Up – The Big Picture

1. Aid cannot make development happen. It can only be a catalyst when there is country ownership
2. Amount of foreign aid bears no relationship to development. Too much aid can be harmful.
3. Increasing politicization and volume focus has reduced World Bank effectiveness
4. World Bank aid linked to projects has not been particularly successful
5. Needed access to finance not concessional finance

III. Reform Agenda for the World Bank

*World Bank still the pre-eminent institution that can bring about change, **provided:***

Recommendation 1: Strengthen governance

- A Board sharply focused on results and outcomes

Recommendation 2: A transparent qualification-driven selection process for the World Bank president

Recommendation 3: Support success instead of trying to turn around failures

III. Reform Agenda for the World Bank

Recommendation 4: A truly independent and timely evaluation function

Recommendation 5: Less IDA more IBRD

Recommendation 6: Performance-based budget support with highly selective project lending

Recommendation 7: A leaner Bank as the true knowledge Bank

Implementing the Reforms

“Confident though I am about my recommendations, I am not at all sanguine about whether any of these will ever be implemented”

- Absence of an “interested” shareholder
- Needed a ‘Disrupter’

Some Reflections on USAID

- Adjusted to much smaller size and thus influence?
- Political vs development aid and implications?
- Contractor-domination?
- Working outside of governments
- USAID vs MCC
- The 535 member board of directors!

Thank You!