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World Bank Policy Research

A Historical Overview

Jean-Jacques Dethier

The World Bank
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Operations and Strategy Department
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Abstract

The World Bank is a leading intellectual institution on development. It is a world leader in analytical studies in areas including poverty measurement, delivery of social services, impact evaluation, measurement of development outcomes, international trade and migration. It is also a leader in development data, including the Living Standard Measurement Surveys; the enterprise surveys, and the International Price Comparison Project. World Bank research is resolutely empirical and policy oriented. By both learning from past policies and operations and thinking critically about future policies, research plays a critical role in the formulation of policy advice to developing countries.

This paper reviews the intellectual and institutional forces that have shaped research at the World Bank since the latter started lending to developing countries in the early 1950s. It provides an overview of the shifts in development economics that have influenced Bank research and briefly surveys the changes in research organization, structure and approach.

The first section, after a short introduction, examines the shifts in positive and normative views about development during the past half century that have influenced Bank thinking. The Bank itself has been an active participant in the rise and fall of long-lived development dogmas about the nature of development; the most appropriate policies and actions for achieving it; and the respective roles of government and markets.

The second section examines how the World Bank has adapted its organization to keep abreast of emerging issues and produce relevant policy research of good quality. On the one hand, the Bank has experienced several reorganizations that have affected the research unit(s) as well as its relationship with operational units. On the other hand, the Bank's research units themselves have been reorganized at several junctures, leading to new priorities and new means of achieving them.

This paper—a product of the Development Economics, Operations and Strategy Department—is part of a larger effort by the World Bank to strengthen the complementarities between research and operations and to disseminate high-quality research that is relevant for policymakers in developing countries. Policy Research Working Papers are also posted on the Web at <http://econ.worldbank.org>. For information, contact jdethier@worldbank.org.

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WORLD BANK POLICY RESEARCH: A HISTORICAL OVERVIEW

Jean-Jacques Dethier ¹

¹ Research Manager, the World Bank. An earlier version of this paper was issued as an annex to the Report on the FY06-08 World Bank Research Program. I am grateful to Michele Aleceovich, Rabia Ali, Anupa Bhaumik, François Bourguignon, Shiva Makki and particularly to Martin Ravallion for useful comments on various versions of this paper. All errors remain my own.

Table of Contents

1	Introduction.....	3
2	An Evolving Vision of the Development Process	4
2.1	Growth and Poverty Reduction	4
2.2	State vs. Markets	6
2.3	The Role of Institutions & Governance	7
2.4	From the “Washington Consensus” to Country Specific Approaches.....	8
2.5	Globalization & the Transmission of Financial Instability	9
2.6	Aid Effectiveness	10
3	The Organization of World Bank Research.....	12
3.1	The Early Years	14
3.2	The 1971-1982 Period.....	15
3.2.1	Organizational Change & Management of Research.....	16
3.2.2	Core Objectives of Bank Research & the Sectoral Review	17
3.2.3	The General Research Advisory Panel	17
3.2.3.1	Creation of Research Priorities	17
3.2.3.2	Improved Dissemination of Bank Research: The World Development Report	18
3.3	The 1982-1987 Period.....	19
3.3.1	Organizational Change.....	19
3.3.2	New Research Priorities.....	20
3.4	The 1987-1992 Period.....	22
3.4.1	Organizational Change.....	22
3.4.2	New Research Priorities.....	23
3.5	1992 to Present	24
3.5.1	Organizational Structure & Management	24
3.5.2	Research Dissemination.....	25
3.5.3	A Growing Emphasis on Policy-relevant Research.....	27
3.5.4	Resource Allocation & Funding	28
3.5.5	Focus of Research in the Past Decade	29
4	Concluding Remarks.....	32
	References.....	33

WORLD BANK POLICY RESEARCH: A HISTORICAL OVERVIEW

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1 Introduction

World Bank research has changed over time, both in terms of thematic emphasis and approach, to keep abreast of emerging issues. The general direction taken by Bank research has been shaped by a combination of forces, both intellectual and institutional. This paper reviews the shifts in mainstream development economics that have influenced Bank research, and briefly surveys the changes in organization, structure and approach that have been adopted to define the Bank's research priorities over time.

First, positive and normative views about development have gone through several shifts during the past half century. There have been changes in intellectual views regarding what development is and what are the most appropriate policies and actions for achieving development. The Bank, for instance, has been an active participant in the rise and fall of several long-lived development dogmas about the respective roles of government and markets.

Second, the Bank has experienced several reorganizations that have affected not only the administrative structure of research, but also the relationship between research and operations. In addition to Bankwide reorganizations, the Bank's Research Department has itself been reorganized at several junctures, leading to new priorities and new means of achieving them.

In terms of research priorities, there have been several major shifts. In the 1970s, there was a preoccupation with reducing the gap between rich and poor countries and the research focused on how to promote the redistribution of income in developing countries so as to reduce the crushing burden of absolute poverty. In the 1980s, the focus shifted toward market incentives, getting prices right and macroeconomic adjustment. Energy was also high on the agenda and energy research received increased funding. Gender issues and the environment appeared for the first time on the Bank's research agenda in 1988. The reform of socialist economies and AIDS was mentioned as special emphasis areas in 1989. During the 1990s, poverty and inequality reemerged as research topics and corruption and "going beyond the Washington consensus" was seen as a topic in need of special attention. In the mid-2000s, emerging economies, and in particular China and India and their impact on the world, as well as infrastructure—after years of neglect in lending—have been mentioned as research priorities.

The Bank also went through several phases in terms of its research approach. Empirical development economics began in earnest in the early 1970s.² An organized research program took shape at that time, the focus being on producing quantitative and data-heavy

2 This was the time (1971) when Simon Kuznets received the Nobel Prize in Economics "for his empirically founded interpretation of economic growth, which has led to new and deepened insight into the economic and social structure and process of development."

research, as well as making data on development accessible to the public. Bank research also produced quantitative forecasting and planning models (such as general equilibrium models). In the 1980s, Anne Krueger initiated a shift toward more operationally relevant research, away from formal models. There was also a focus on multi-country comparative studies. In the 1990s, there was an increasing trend toward empirical research and reliance on survey data, starting with household surveys. This was part of a growing trend in research in development economics that, as stated by Debraj Ray (2008), “has been almost entirely empirical. A veritable explosion in computing power, the expansion of institutional datasets and their increased availability in electronic form, and the growing ease of collecting one's own data have bred a new generation of development economists. Their empirical sensibilities are of a high order; they are extremely sensitive to issues of endogeneity, omitted variables, measurement error and biases induced by selection. They are constantly on the search for good instruments or natural experiments, and, when these are hard to find, they are adept at creating experiments of their own.” Researchers have greatly contributed, through cross-disciplinary approaches, sound analysis and empirical measurement, in moving the development agenda forward.

2 An Evolving Vision of the Development Process

The choice of strategy for research regarding developing countries has to rely on some vision of what economic development is, and what the basic mechanisms of the development process are.³ This vision changed over time, as developing countries adopted various policies and their results—successes or disappointments—were recorded.

2.1 Growth and Poverty Reduction

In the 1950s and 1960s, development was viewed, in practice, as a process of accumulating physical or human capital, with the goal of increasing national income. A break occurred in the mid-1960s under the intellectual influence of Singer, Seers and others. The idea of development became more identified with processes of social change and poverty reduction. At the World Bank, this change in focus came mainly after President McNamara's 1973 speech at the annual meetings in Nairobi, which emphasized poverty eradication as the true goal of development.⁴

During the long macroeconomic crisis that started at the end of the 1970s, poverty considerations were set aside. The neoliberal perspective that dominated the 1980s considered that growth was all that really mattered for welfare outcomes, and that poverty and inequality would take care of themselves. Proponents of that view downplayed distribution and poverty, and insisted on re-establishing market mechanisms to promote economic growth. Funding for research on poverty and income distribution peaked in 1975, then declined considerably, reaching almost zero between 1980 and 1985.

³ See World Bank 1984. This section summarizing changes in the Bank's vision of the development process borrows from Wolfensohn and Bourguignon 2004 to which I made a substantive contribution.

⁴ For an account of the history of the development concept, see Arndt 1987.

A renewed emphasis on poverty reduction began in 1990. The understanding of poverty, under the influence of Sen and others, broadened from a narrow focus on income and consumption to a more complex vision of the linkages between growth and poverty reduction. Richer countries tend to have better social indicators. From this undeniable fact, the Bank drew the conclusion that human development promotes income growth and income-poverty reduction. Not all economists share this view (For a dissenting view, see Anand and Ravallion 1993).

The emphasis on poverty in the 1990s was not new. What was new from the late 1980s onward was the articulation of a more complete strategy, combining growth with delivering social services (education, health and social protection) to the poor. In other words, it was the recognition that it was not growth alone that would do it—which was implicitly the view of the 1980s. At the World Bank, the change was spearheaded by the World Development Report on poverty in 1990, which included the first standardized global estimates of the prevalence of poverty, and by a strong shift in the institution’s emphasis after the arrival of James Wolfensohn as president in 1995. There was a vast expansion in analytic tools and capabilities, in both data and methods, linking micro data to aggregate outcomes, and with a view toward assessing policies and programs. This was built on the rapid expansion in household survey data production, which started in the mid 1980s.

Box 1. Changing Views of the Development Process since World War II

Assar Lindbeck, who carried out an evaluation of World Bank research in 1984, writes: “The dominant vision among economists [with regard to the basic mechanisms of the development process] has changed considerably during the course of the post-World War II period. The main visions during the 1940s, 1950s and early 1960s have usually been characterized as structuralist—ideas tied to names like Paul Rosenstein-Rodan, Ragnar Nurkse, Raul Prebisch, Hans Singer and Gunnar Myrdal. The term “structuralist” then refers to the notion that the developing countries are characterized by genuine inflexibility in the allocation of resources, due to inelasticities of supply and demand for goods, services and factors, as well as of productive effort in response to changes in economic incentives, such as relative price signals. Based on this vision of the development process was the idea of binding constraints on economic growth, like the “two-gap” theory of a savings and balance-of-payments constraint, due to asserted weaknesses in the response of saving to changes in income and interest rates, and of exports, imports and long-term capital movements to changes in exchange rates, relative prices and rates of return on productive assets.

From these views followed both a strong distrust of the price mechanism, and as a mirror image, considerable enthusiasm for comprehensive central planning of inputs, outputs and investment activity. Recommendations were prevalent regarding public regulations and interventions to increase public saving and investment, the latter often in the form of large-scale projects in basic industries in order to deal with indivisibilities and externalities. Heavy protection, via direct controls (i.e., licensing) and high tariff barriers were other important components of the package of policy recommendations. Although some of these policies could certainly be well defended in the early post-World War II period, many governments were not flexible enough to shift to more decentralized and less interventionist policies when the usefulness of the previous approaches eroded.

However, three decades of postwar development efforts, as well as accumulated empirical research, have gradually changed the predominant vision of the development process. The general thrust of new ideas reflects an increased respect for the importance of markets and economic incentives, combined with an increased skepticism about the usefulness of detailed government intervention and central planning of production and investment decisions, including large-scale public projects. First, the possibilities of substitution between labor and capital have come to be regarded as more important than earlier—a development in economic theory that is symbolized by the replacement of the Harrod-Domar growth equation with more flexible aggregate growth models a la Solow. Second, it has been increasingly asserted during the last one or two decades that the fine micro-structure of the economy does respond considerably to economic rewards and relative prices.

Source: World Bank 1984

Since then, development economics—moving away from macroeconomic explanations à la Keynes or Harrod/Domar—has increasingly emphasized the microeconomic foundations of development. Researchers and policymakers have realized how crucial micro-level decisions are for economic growth. Examples are the role of women in household decision-making; the effects of the proportion of household resources controlled by women on the health and nutrition of their children; the role of microeconomics in poorly functioning land, labor, and credit markets; and the role of informal networks and institutions in dealing with market failures. The aim of this micro development literature is to understand what institutions may arise at the micro level to cope with such failures and to structure policy to provide for them.

Recent research, both theoretical and empirical, has emphasized that there need not be a trade-off between growth and equity, and that inequality could slow the pace of poverty reduction.⁵ This has led to the view, now shared by most development economists, that the economy grows and develops best when the majority of the population can participate in and benefit from growth. This view is described at length in the *2006 World Development Report* on Equity. Development strategies should aim to reduce sharp inequalities and equalize opportunities, and would thus improve both efficiency and equity.

2.2 State vs. Markets

In most developing countries in the 1950s and 1960s the dogma of planning held sway, with its emphasis on pervasive market failure and the need for a highly interventionist state. By the 1980s, the neoliberal counterrevolution had taken hold. Where the planners saw market failure, the neoliberals saw massive government failure, and their response was to move developing-country economies toward unregulated markets. “Getting prices right” was the mantra—an important corrective to the planning ideas, but equally incomplete as an approach to development. These competing ideologies continued to drive decision-making in many countries even after deeper economic analysis and extensive evidence undermined their credibility. The polarization of development debates and the lack of rigor in policy analysis did little to further the cause of poverty reduction.

In the 1990s, the development community largely moved beyond the twin dogmas of pervasive state control (1960s–1970s) and unregulated markets (1980s–early 1990s). The latter half of the decade witnessed the gradual consolidation of a consensus that states and markets are in fact complementary. Private enterprise operating through the market is the main engine of sustained economic growth. But keeping that engine running and ensuring that it powers poverty reduction require a state that is active in two key areas. First,

⁵ Kuznets, Chenery and development economists in the 1970s posited that although inequality was undesirable as an end, it was a means to long-run growth, because wealthy people tended to save and invest more of their incomes. The central policy challenge for the Bank in the 1970s was to achieve as much growth as possible and then to redistribute. In the 1990s, the view—originating in research described in the World Bank’s *2006 World Development Report*—changed. Economists saw that there did not necessarily have to be a trade-off between growth and distribution of income. Policies aimed at reducing sharp inequalities and equalizing opportunities were having positive results for both efficiency and equity. For instance, ensuring access to education and health care improves the productivity of the poor, boosting their quality of life and potentially the dynamism of society. Access to work opportunities decreases the likelihood that people will resort to crime. Because economic power often translates into political power, greater equity can underpin a broader targeting of public policy. If well executed, measures to equalize opportunities for people to lead productive lives are good for consensus, social justice, political stability, and productivity.

government needs to ensure that the business climate is conducive to growth. Second, government needs to invest in and empower its people, particularly poor people who might otherwise be excluded, through education, health, social protection, and mechanisms for encouraging voice and participation. Without broad participation and more human capital, growth is unlikely to be fast and sustainable—because excluding large segments of society wastes potentially productive resources and breeds social conflict.

2.3 The Role of Institutions & Governance

In the 1980s, development approaches stressed improving policy, particularly in macroeconomics and trade, and “getting prices right” by removing government-imposed barriers to markets. But the 1990s awakened interest in institutions and governance—for four reasons.

First, the failure of structural adjustment programs to spark growth in many low-income countries in the 1980s focused attention on the role of institutions and governance in development. Second, and perhaps most important, the end of the Cold War removed self-imposed blinders from the eyes of donor countries. Until the early 1990s, the United States and its allies had refrained from scrutinizing the governance failings of proxy states, for fear of undermining what they saw as the bulwark against communist expansion. But with the demise of the Soviet Union, both developed-country donors and developing-country citizens decried poor governance as a hindrance to development. Third, the transition in the economies of Eastern Europe and former Soviet Union in the early and mid-1990s—which was far more difficult than many observers had expected—underlined the great importance of the institutional foundations for markets and for good policy. Fourth, the East Asian financial crisis of 1997–98 showed that even where policies had supported rapid growth and poverty reduction, weaknesses in institutional and governance foundations could threaten the whole edifice of development progress.

What is the core idea behind this new thinking about institutions and governance? Wealthy economies developed under a variety of policy regimes, from fairly liberal (Taiwan or the United States) to fairly statist (Japan, Sweden). But they all passed a threshold of institutional quality that ensured political and economic stability, reasonable state capacity, enforcement of property rights and contracts, sufficient provision of public goods, and limits on government predation and corruption.

In contrast, many countries with poor institutions and weak governance are beset by poorly designed and weakly implemented policies, shoddy infrastructure and public services, and state harassment of citizens and business. Legal systems are neither effective nor predictable. Contracts are only weakly enforceable. And crime is widespread. Police extract money from citizens they are supposed to protect. Public officials steal public funds rather than provide public goods. They distribute contracts, licenses, and jobs to their friends and political supporters—or sell them outright. And they demand bribes for services, denying the neediest.

Weak institutions are not only an inequitable burden on citizens—they also act as brake on economic growth by undermining incentives in the private sector. Businesses in poor countries face much larger regulatory burdens than those in rich countries. They face three times the administrative costs, and nearly twice as many bureaucratic procedures and longer delays. And they have fewer than half the protections of property rights of rich countries.

Most of these failings do not show up on standard macroeconomic measures of performance, yet they are deeply inimical to development. Societies with weak institutions have not developed the basis for complex economic interactions; they have neither the software nor the hardware for development. The result is dysfunctional markets, weak competitive pressures, and private sectors dependent on government cronyism and corruption. Incentives are misaligned, so that entrepreneurial individuals “invest” their time and resources in competing for rents from the political system. Social norms form around clientelism, rent-seeking, and factional competition, rather than social cohesion and progress. These destructive norms become rational for the individual, despite their negative collective effect, and they often prove difficult to unravel.

The breakdown in governance, erosion of institutions, and collapse of social cohesion are typically associated with a radical decline in living standards and rise in inequality—as in Moldova, the Caucasus, and Central Asia in the post-Soviet transition period. Heavy regulation and weak property rights exclude the poor from doing business.

The institutions of developed economies vary greatly, whether in regulation, social protection or labor markets. Even the meta-institution of democratic governance does not have unambiguous effects. The formal institutions of democracy do not always ensure checks on weak governance. Nor are these checks always absent in authoritarian regimes. Contrasting experiences in less democratic East Asian countries in the 1970s and more democratic African ones in the 1990s illustrate that mechanisms of accountability can take varying forms, defying a simple classification of formal political institutions. Not only are successful institutions highly varied in structure, but their origins are complex as well. Institutions are highly endogenous: they are not easily manipulated by governments as exogenous levers, but instead arise and evolve in historical contexts. These factors make the analysis of institutions a great challenge, one that development studies have just begun to grapple with seriously. But the recognition of the central role of institutions and governance itself marks a major advance in development thinking (Dethier 1999).

2.4 From the “Washington Consensus” to Country Specific Approaches

With the dogmas of the state-market debate came an insistence on “monocausal” explanations of development. This led to one-size-fits-all policy approaches, as the general models left little room for actual conditions. When mainstream development thinking discarded one model in favor of another, the result was too often major changes in policy recommendations without room for nuance. The most recent (although certainly not most simplistic) manifestation of this was the “Washington Consensus” at the beginning of the 1990s. Its list of preconditions for growth encapsulated many neoliberal precepts in what was often interpreted as a neat recipe for development. Perhaps unfairly, that Consensus came to stand for a package of measures aimed largely at getting the government out of the economy—and it was applied with excessive uniformity across countries.

Common sense tells us that no one approach will work everywhere, since the binding constraints to development are unlikely to be the same across countries. Development theory is catching up with this view. Even under the simpler earlier models, outcomes of policies depended on the parameters assumed for a given country. But the case for country specificity received a boost in the late 1980s and 1990s, as a flowering of theoretical work on new multiple-equilibrium and endogenous-growth models emphasized initial conditions.

Take trade restrictions and import-substituting industrialization. The new pragmatic consensus now justifiably advocates more liberal trade regimes for most countries—but recognizes that the costs of following an import-substitution industrialization strategy varied with the country’s characteristics. In large economies with access to foreign technology and equipment, competition and economies of scale moderated the inefficiency cost of trade restrictions. At least in earlier decades, India, China, and Brazil were able to develop manufacturing with fairly closed domestic economies, and some became internationally competitive. But in small countries such as Jamaica, Sri Lanka, and Uruguay in the 1960s and 1970s, the market was too small, and any benefits of inward-looking industrialization were swamped by the costs. Sri Lanka began to grow only after it turned toward export-oriented policies in 1977.

Institutional variation also shapes policy outcomes. In Japan during the Meiji period, and more recently in Korea, public institutions narrowed interest-group pressures, at least enough that they did not block development. Public enterprises were run efficiently and built capacity in sectors that paved the way for private investment. While governments played a role in allocating credit and foreign exchange, they did so more heavily on the basis of performance than is typical in other countries. But in Bolivia, Zambia, and other countries, where public enterprises and allocations were captured and used for patronage, the same strategies undermined industrialization.

Country specificity means that the key is addressing the binding constraints for growth at the right time in the right way, not adopting any one-size-fits-all policy packages. Identifying the most binding constraints and the best policy mechanisms to overcome them certainly is not obvious, putting a premium on sound analysis and the ability to experiment. Much remains to be done in this area.

2.5 Globalization & the Transmission of Financial Instability

The 1980s are known as the “lost development decade” because a number of developing countries affected by the oil shocks of the 1970s then the debt crisis experienced major setbacks. The crises of the 1990s and 2000s highlight the importance of prudent macroeconomic management, whether to control booms or to reduce vulnerabilities. Development policy has had to adapt to the deepening of cross-country interdependencies—to what is usually called “globalization.” Economic integration on a grand scale is nothing new: cross-border flows of labor and capital in the 19th and early 20th centuries were impressively large, with European bond investors financing much of the railroad infrastructure in the Americas, to take one example. But the recent globalization trends are exceptional in three main ways. First, the costs of transporting goods across borders are now far lower, which thanks to trade liberalization has boosted trade flows at rates far faster than global income growth. Second, information, including new technologies, now flows instantaneously around the globe, in quantities unimagined in earlier decades. Third, as demonstrated during the present global crisis, portfolio capital can now move extremely rapidly into and out of a larger number of emerging markets, in response to changes in local conditions or investor sentiment.

These changes offer new opportunities to developing countries, for example by allowing them to become integrated into global production chains. But they also bring new risks and vulnerabilities, particularly to poor countries. Stronger links between economies mean that

shocks in industrialized or rapidly growing countries can be transmitted to smaller countries less well-equipped to cope with them. The ripple effects of the East Asian and Russian crises of the late 1990s and the financial crisis of 2008-2009 demonstrated this all too well. Similarly, trade and aid can benefit poor countries, but unexpected drops in either—perhaps caused by economic decline in rich countries or new waves of protectionism—will have destabilizing effects on their economies. Such shocks could drag many poor countries back below the threshold of sustainable debt. Poor countries also suffer from migration barriers and credit constraints that keep unskilled labor from flowing out, while highly educated people exit freely and in large numbers.

Globalization brings other public ills. Among them is the damage that economic growth inflicts on the environment, both in developed and developing countries, particularly through greenhouse gas emissions. Breaches in security are also being felt as a global public bad, and the imbalance of global development has been blamed for it. It is certainly difficult to trace all international security problems directly to economic development issues, but the links are obvious in several instances: national conflicts spilling over to neighbors and forcing foreign intervention, and failed states threatening global stability.

2.6 Aid Effectiveness

Does aid promote development, and if so, under what circumstances? The large literature on these questions before the mid-1990s (which consisted mostly in cross-country regression-based assessments of the role of aid) was particularly inconclusive: while some studies found no impact, others found that aid generally fostered growth. But since the late 1990s, empirical studies by researchers from the World Bank and elsewhere have laid out a more nuanced position. On average, aid spurs growth and poverty reduction in countries with better institutions and policies, but it is squandered in poor policy and institutional environments.

In 1998 the Bank published its influential Policy Research Report, *Assessing Aid*, which developed this logic and argued that foreign aid would have a greater impact on poverty reduction if it were focused on poor countries with stronger economic institutions and policies. The recognition that the effects of aid depended heavily on the environment was a major step forward. While this empirical judgment has not gone unchallenged by other researchers, new studies also tend to find a beneficial effect of aid, differing primarily on how much the beneficial results depend on the environment. On this point, case-study evidence seems more consistent with the *Assessing Aid* argument.

A second major advance has been the recognition that successful development assistance requires a conducive political economy in the recipient country. The failure of many structural adjustment programs in the 1980s, whether because of flawed design or poor implementation, underlined the country ownership of reforms. Empirical evidence suggested strongly that conditions on loans—that is, promises of future reforms—were far less reliable as guides to the borrower's reform commitment than past actions. As a result, the extensive use of conditionality fell out of favor with development thinkers. New studies provided evidence that aid was highly fungible: foreign aid to one sector often had the effect of financing investments in another sector on the margin, because the recipient government could redeploy its own resources from the first sector to the second, undermining the intent of the donor. For development assistance to make a positive contribution, therefore, it was

necessary that the broader public expenditure program be consistent with development aims. It no longer sufficed to ensure that a single project was well designed and implemented.

Both advances in thinking would have the effect of shifting development resources from countries with poor policies, institutions, and governance to those with better environments for growth. While this strategy had strong economic justification, it raised a troubling question: what could the development community do to help the hundreds of millions of people living in the countries with the poorest aid environments? More recent work has begun to address that question, and while it is too early to assess whether that work will bear fruit, merely putting the question squarely on the development research agenda is a major advance.

One reason why aid is often not effective is because the donor community has no evidence about which policies really work in a given economic, social and political setting. “Donors are shooting in the dark because they refuse to collect solid evidence on what works,” says Angus Deaton. Impact evaluation is aimed at changing that. For many academic researchers, aid effectiveness is synonymous with randomized evaluation or evaluation using quasi-experimental methods. Impact evaluation differs from the internal evaluation efforts carried out at the World Bank by various units, including QAG (quality at entry) and IEG (ex post evaluation).⁶ While the latter evaluate processes, assess whether projects have reached their intended objectives and document changes in specific outcomes, impact evaluations carried out in other parts of the Bank evaluate the development impact of the project on the population (e.g., on poverty or health outcomes) by comparing the observed outcomes to a counterfactual (i.e., what the situation would have been if the program had not been undertaken). Impact evaluations are a scientific means of establishing causal links between interventions and outcomes and constitute a key input to determining cost-effective approaches to development. Aid can be much more effective if we base our policies on such rigorous methods.

Box 2. The Chinese Approach to Development: Pragmatism and Gradual Reform

In the Marshall lectures he delivered at Cambridge University, the Chief Economist of the World Bank states that “political wisdom derived from Chinese culture—*shishi qiushi* (finding truth from the facts), *jiefang sixiang* (freeing one’s mind from dogmatism) and *yushijujin* (adapting to the changing environment)—can be relevant to reform-minded governments in other developing and transitional countries.” The experience of China convincingly demonstrates that during a gradual reform process, “the government should not have a predetermined, grand blueprint. Instead, it should follow a diagnostic approach, finding out the most crucial binding constraints on incentives and resource allocation and introducing reform measures that are effective but which can be regarded as ‘half-way measures’ by market fundamentalists. In the process, the government should encourage and pay attention to local and private initiatives in institutional innovations—as demonstrated convincingly by the experiences in China.”

Source: Justin Yifu Lin 2009.

Development involves know-how and practical knowledge that borrows from universal forms of knowledge (like economics and the social sciences) but depends heavily on local experience and history. It is not knowledge that can be reproduced at will by the state or a technical agency as emphasized by social scientists like Jim Scott (1998) or Charles Sabel (2005). The more successful development experiences (Japan, Korea, South East Asia,

⁶ QAG stands for Quality Assurance Group and IEG for Independent Evaluation Group.

China) and the more successful transition experiences (Eastern Europe, China again) have involved importing and transplanting useful policy lessons from the West, adapting them to local circumstances and undergoing a learning process in which the experience of the local population was critical.

3 The Organization of World Bank Research

Throughout its history, the Bank has gone through several reorganizations that have affected not only the administrative structure of research, but also the relationship between research and operations, and the way research priorities are set. In addition to institutional reorganizations, the Bank's research program has itself been reviewed and reorganized at several other junctures leading to new priorities and new means of achieving them (World Bank 1990).

The basic nature and direction of research at the Bank is set by the overall institutional mandate and by the institutional structure established to manage research. The clearest articulation of the Bank's research (and policy) priorities is the departmental and divisional structure in those parts of the institution responsible for research. For instance, the fact that the Bank created an Environmental Department in 1987 does not mean that, prior to 1987, the Bank had no interest in environmental issues; but it means that senior management decided in 1987 to heighten the Bank's commitment to such issues. A key lesson from Bank experience is that setting research priorities in the absence of an administrative mechanism to serve those priorities seldom produces results.

There are important exceptions to the notion that departmental and divisional structures dictate the Bank's research agenda. Many issues faced by the Bank and its member countries do not easily lend themselves to compartmentalization. Poverty is a clear example, private sector development another. For these cross-cutting issues, Bank research management must coordinate the activities of several departmental or divisional units through its senior management structure. Improving the Bank's ability to undertake such "matrix management" was one of the central rationales for the formation of the Policy, Planning and Research (which became the Policy, Research and External Affairs) complex at the time of the 1987 reorganization, and for the creation of the Networks during the 1997 reorganization.

The amount of research undertaken in broad subject areas at the Bank depends in large part on the resources the institution chooses to devote to those areas. However, within each subject area there remains considerable leeway in terms of what topics will be researched. Even the Bank can undertake research on only a fraction of all interesting and potentially high payoff research areas. Some mechanism is, therefore, needed to ensure that divisional and departmental research efforts are devoted to areas with the highest potential policy payoff. This is not an easy matter because research is by its nature a highly uncertain undertaking.

Over the years, the Bank has used a number of mechanisms to set research priorities, or, more accurately, to ensure that research is serving institutional priorities. Key actors in this process have been the Vice Presidents responsible for research, the Research Committee in its various avatars, and the Bank's Research Administrator, again in various guises.

Box 3. Development Research at the World Bank: Brief Chronology

1946	Eugene Meyer becomes President of the World Bank and the Bank begins its Operations. Leonard Rist is appointed Research Director, and Paul Rosenstein-Rodan Assistant Director.
1952	First major reorganization of the Bank.
1960	The International Development Association (IDA) is established.
1963	George Woods becomes President and Irving Friedman Economic Advisor to the President with the rank of Vice President.
1968	Robert McNamara becomes President.
1971	Central research program formally established and Research Committee created. Since then (except during 1982-87), the RC sets research priorities—through sectoral reviews—and channels resources to research activities.
1972	Major reorganization of the World Bank. Vice Presidency for Development Policy created, headed by Hollis Chenery. Research comes under the aegis of the Development Policy Staff.
1977	External evaluation of research by Sir Arthur Lewis.
1982	A.W. Clausen becomes President. Development Policy Staff becomes Economics Research Staff, with Anne Krueger as VP for Research. Resources for research are shifted toward operations. Funding decisions made by REPAC, chaired by the Research Administrator.
1983	External evaluation of research by Assar Lindbeck.
1987	Barber Conable becomes President. Reorganization: David Hopper is Senior VP, Policy Planning and Research (later Policy, Research and External Affairs) followed by Wilfried Thalwitz in 1989; V. Rajagopalan is VP for Policy Research & External Affairs (now Operations Policy Staff). Stanley Fischer is Chief Economist and VP for Research (until 1990).
1988	REPAC is replaced by a reconstituted Research Committee.
1991	Lewis Preston becomes President. Lawrence Summers becomes Chief Economist.
1992	Nancy Birdsall creates a Research Department combining all sectors (and mirroring the Networks created later).
1993	Michael Bruno becomes Chief Economist (He passes away in 1996) and Lyn Squire Research Director.
1995	James Wolfensohn becomes President.
1997	The Bank is reorganized and adopts a matrix structure. The Networks are created. Joe Stiglitz becomes Chief Economist.
1998	Paul Collier becomes Research Director.
2000	Nicholas Stern becomes Chief Economist and Senior VP.
2003	François Bourguignon succeeds Nick Stern in October 2003, and Alan Winters Research Director.
2005	Paul Wolfowitz becomes President.
2006	External evaluation of research by a panel chaired by Angus Deaton.
2007	Robert Zoellick becomes President in July 2007, Wolfowitz having resigned. François Bourguignon retires in October 2007. Martin Ravallion becomes Research Director.
2008	Justin Lin becomes the Bank's first Chief Economist and Senior VP from a developing country.

3.1 The Early Years ⁷

In the early days, the Economics or Research Department was responsible for conducting financial feasibility studies of proposed projects. It was an operational department, co-equal with the Loan Department, which negotiated directly with borrowing governments. Soon the Loan Department was conducting its own feasibility studies. This left the economists out of operations altogether, particularly since the President is said to have paid little attention to their economic reports.⁸

Conflicts within the Bank between operations and research arose almost as soon as the institution was created. Top management was concerned about establishing the Bank's reputation on Wall Street and the rating of its bonds, and followed conservative financial policies. For instance it rejected the idea of housing loans and other "social' loans"⁹, in spite of the thinking emerging intellectual circles regarding causal relationships between developmental and social change and equity. It maintained this position until the second half of the 1960s but it was faced with a growing disappointment within the development community with the dominant model of development that the Bank had embraced. In 1952, a major reorganization created three area departments and a new technical Operations or Project Department responsible for conducting feasibility studies. The Economics Department as such disappeared, although a small staff of economists continued to do general research, among other things, about creditworthiness.

The Economics Department was recreated during the presidency of George Woods (1963-68) and substantially increased in size and importance. Irving Friedman was brought to the Bank from the International Monetary Fund as Economic Advisor to the President with the rank of Vice President, and Andrew Kamarck became Director of the Economics Department. Friedman and Kamarck had worked on the Bretton Woods proposals at one time or another within the United States government, and had expertise in both theoretical and applied economics.¹⁰

⁷ Research at the World Bank before 1971 is analyzed in Michele Alacevich 2009; Louis Galambos and David Milobsky 1995; and Edward S. Mason and Robert E. Asher 1973.

⁸ This account follows Oliver 1975 which tells the story of Paul Rosenstein-Rodan, Assistant Director of the Economics Department at that time (Leonard Rist was Director). One of the "founding fathers" of development economics, he enunciated the theory of the Big Push: no single project in a low-income country is likely to be profitable by itself, for the domestic market is too small, the suppliers too backward, the transportation and communication facilities too costly. Only if many projects are put in place more or less simultaneously can an economy leap from underdeveloped to developing. Rosenstein-Rodan argued that it is useless for the Bank to be preoccupied with creditworthiness and individual projects. It should calculate the aid necessary to sustain a desired growth rate calculated from an assumed capital-output ratio and make massive loans on a continuing basis. This advice seemed like nonsense to bankers and lawyers in the Bank. Rosenstein-Rodan lost the battle and retreated to the Massachusetts Institute of Technology, where his influence expanded greatly: he became an adviser to the Alliance for Progress, to the governments of India, Italy, Chile, and the United States and to various Presidents of the World Bank since that time. Many of his ideas came eventually to be accepted in the Bank, but not for some time.

⁹ See Alacevich 2009.

¹⁰ According to Oliver (1975), Woods was eager to transform the Bank from a bank to a development finance agency and felt that he needed the assistance of an economics staff in order to do that. He is reported to have

In four years, Friedman and Kamarck recruited over 200 social scientists, mainly Ph.D. economists, and sought additionally to have economic analysis carried out within area departments as well as the Economics Department. This practice was also followed after the reorganization of 1971 and is ongoing today. Friedman was not only Director of the Economic Research Department, but also Economic Adviser to the President—indeed he was George Woods’ principal adviser—and these have been the combined duties of the Bank’s Chief Economist since that time.

3.2 The 1971-1982 Period

In 1970 Friedman was succeeded by Hollis Chenery, a leading Harvard economist who had been assistant administrator for the program of the United States Agency for International Development, and the work of the research economists in the Bank turned more toward quantitative analysis.

Chenery was particularly influential in advising McNamara on how to promote the redistribution of income in developing countries so as to reduce the crushing burden of absolute poverty and that, “in general, Bank economists have become leading contributors to development research, and the Bank is better able on that account to deal with the development priorities of the world.” (Oliver 1975). In particular, writes Oliver, “the work of the Bank today is measured more in terms of the successful development of member countries than of the number of projects approved, the lack of defaults on past loans, or the rate of return on equity. And development itself is measured not only in terms of rising real gross national product but in improved public health, more equitable income distribution, declining rates of population growth, and greater political stability.”

The Bank’s current approach to research began in the early 1970s when the Bank’s central research program was formally established—around the time when President McNamara sharpened the Bank’s focus on poverty reduction. In his 1970 speech to the Board of Governors in Copenhagen, the President of the Bank addressed the question of what needed to be known to be able to do good lending and advisory work in developing countries: ¹¹

We do not want simply to say that rising unemployment is a “bad thing,” and something must be done about it. We want to know its scale, its causes, its impact and the range of policies and options which are open to governments, international agencies and the private sector to deal with it. We do not want simply to sense that the “green revolution” requires a comparable social revolution in the organization and education of the smaller farmer. We want to know what evidence or working models are available on methods of cooperative enterprise, of decentralized credit systems, of smaller-scale technology, and of price and market guarantees. We do not want simply to deplore over-rapid urbanization in the primary cities. We want the most accurate and careful studies of internal migration, town-formation, decentralized urbanism and regional balance.

said, “I don't think you can have a development agency unless it has as its fuselage the loans which are being made, but one wing has to be project work and the other wing has to be economics.”

¹¹ As recorded in Mason and Asher (1973), p. 476-477.

3.2.1 *Organizational Change & Management of Research*

In the fall of 1972, the Bank underwent a major reorganization. It created a new administrative structure for the Bank, dividing operations into 15 areas of specialization. Most sectoral issues related to the 15 areas of specialization were the responsibility of the Central Projects Staff (CPS), while most broad questions of development policy were to be addressed by the Development Policy Staff (DPS), known as the “Economics Department,” which was given responsibility for macroeconomic research. A senior vice presidency of operations was created with five regional vice presidents and a vice president for project staff. Vice presidencies were also created for Development Policy; Finance; Organization Planning and Personnel Management; and General Counsel. Hollis Chenery became the first Vice President for Development Policy.¹²

A Research Committee was established in April 1971 to advise the President in shaping the Bank’s research program (following a comprehensive review of the Bank’s research program by Bela Balassa). The 15 sectoral operational units and other divisions of the Bank were to submit research priorities annually to the Research Committee. A separate budget for research was introduced in the Bank in FY72. It was described as the External Research Budget and later became known as the Research Support Budget.

The External Research Budget was managed by a Research Adviser (later called Administrator), assisted by the Secretary to the Research Committee, from the Office of the Vice President, Development Policy.¹³ The first annual report on research sent to the Board was issued in 1973 (World Bank 1973). This report, which for the first time identifies the four objectives of the Bank’s research program, informs about the External Research Budget.

Thus, during the 1972-82 period, the Bank’s Research Committee served as an advisory panel to Hollis Chenery, who, as Vice President for Development Policy, directed the Bank’s economic research. Substantial authority rested with Mr. Chenery, who worked closely with then President Robert McNamara to shape the Bank’s research program.

One of the most important forces driving research during the 1970s was the institutional mandate, outlined in Mr. McNamara’s 1973 Nairobi address, to reduce absolute poverty worldwide. This Bankwide goal pressured the Research Committee to promote research projects aimed at improving understanding of the causes of poverty and the search for policy options for poverty reduction.

¹² A year before this reorganization, in 1971, the Central Economics Staff, reporting to Hollis Chenery, had been reorganized into three units: the Economics Department (with David Henderson as Director, and Alexander Stevenson as Deputy Director); the Economic Program Department; and the Development Research Center. The new Economic Program Department was to support and review the area departments’ country economic analyses and programs, and to advise on the policy issues that emerge from them. The department encompassed five divisions: Domestic Finance, Socio-Economic Data, International Finance, Program Review, and the Comparative Analysis and Projections Division. Benjamin King was appointed as Senior Adviser to the Economic Program Department. The Development Research Center (formerly the Basic Research Center) was to undertake economic research closely linked to Bank Group activities, and to coordinate with the work of other research organizations in the field of development outside the Bank. Louis Goreux continued as Director of the Center.

¹³ Operational Manual 1.50 of August 1974.

3.2.2 Core Objectives of Bank Research & the Sectoral Review

When the research program was formalized in 1971, senior management gave it several basic objectives which remain intact to this day:

- (a) To support all aspects of the Bank's operations, including the assessment of development progress in member countries
- (b) To broaden understanding of the development process
- (c) To improve the Bank's capacity to provide advice to member countries
- (d) To assist in developing indigenous research capacity in member countries.

Although these goals underscore the philosophy of Bank Research, they were, and remain, broad objectives that provide limited guidance at the program and project level. A number of mechanisms evolved over time to move from these broad objectives to specific work programs and projects and it is to these that we now turn.

Between 1971 and 1979, the 15 departments (operational units) of the Bank submitted research priorities to the Research Committee, which served as an advisory panel to Hollis Chenery who, as Vice President for Development Policy, directed economic research and, working closely with President McNamara, shaped the Bank's research program.

The specific mechanism used during this era to set priorities was the sectoral review. Each sector was required to submit to the Research Committee a plan indicating its priorities and overall agenda for research. These plans and reviews were carried out on an ad hoc basis. Periodically, the Research Committee would pull together the results of all the sectoral reviews and use them as a basis for preparing guidelines for Bank research.

3.2.3 The General Research Advisory Panel

By 1975-1977, the process of having each sector division create annual plans had become a cumbersome and time-consuming way for the Research Committee to set priorities. Some annual plans were well done and objective. Many, however, became little more than rationalizations by which divisions competed for funding from the central research budget. As a consequence, in 1977 an external review of the research program undertaken by Sir Arthur Lewis was organized to help the Committee and Mr. Chenery develop a defensible and cohesive work program for the future.

Six panels conducted reviews of Bank research on topics ranging from agriculture and rural development to industrial development and trade. The work of the panels became the input into the deliberations of the General Research Advisory Panel (GRAP), whose report went to the Board in 1979.

3.2.3.1 Creation of Research Priorities

The GRAP shifted responsibility for identifying research priorities from departments to the Research Committee, adding RC "steering committees" to guide the design and direction of proposals; inform research divisions of the plans, and direct proposals to institutional priorities. The GRAP shifted Bank research toward multi-country comparative studies (which

was, in a way, the Bank's comparative advantage) and collaborative research with member countries to "stimulate indigenous research capability" and encourage more active research dissemination.

The GRAP changed the process by which research priorities were set by eliminating the annual divisional planning but continued the role of the Research Committee as an advisory group for Mr. Chenery. The GRAP also reaffirmed the Bank research mandates outlined in 1971 but suggested a change in areas of emphasis for Bank-sponsored research. For example, it argued that the Bank should more actively exploit its comparative advantage in undertaking multi-country comparative studies. The GRAP report also encouraged Bank research managers to promote collaborative research with member countries in an effort to stimulate indigenous research capability. In addition, it argued that the Bank should pursue a more active dissemination strategy for the results of Bank research both inside and outside the Bank.

In an effort to increase the effectiveness of the Research Committee in shaping Bank research, the GRAP also recommended that the Research Committee establish a series of sub-committees to help guide project sponsors in the preparation and presentation of their projects to the full Committee. In principle, a major objective of these "steering committees," as they were called, was to help those submitting projects to the Research Committee tailor those projects to the institution's research priorities of that program. Steering committees often held several hearings on a project before it reached the full Committee to provide managers with guidance on the design and direction of their projects and to inform divisional researchers of the Research Committee's goals. From 1979 to 1982, the steering committees replaced sectoral reviews as the key mechanism for directing research toward priority areas.

3.2.3.2 Improved Dissemination of Bank Research: The World Development Report

The most important vehicle to disseminate the Bank's views on development, to mobilize official development assistance and to win adherence for a renewed push for development is the annual World Development Report, which appeared for the first time in 1978. As described by Shahid Yusuf (2008), the intense interest aroused by a paper on global trends and the prospects for developing countries issued in 1974 by Hollis Chenery encouraged McNamara to pursue the idea of an annual publication that took the pulse of the international economy, stimulated the search for answers, and synthesized the consensus view. A team comprised of the Bank's "best and brightest" led by Chenery was assigned the task of assessing the state of the world economy and, in broad strokes, indicating the essentials of a strategy for growth that was equitably shared. The first World Development Report, a slim volume with just 68 pages of text, appeared in August 1978. In McNamara's words, the purpose of the WDR was to provide "a comprehensive assessment of the global development issues." It was a vehicle for dealing "with a number of fundamental problems confronting developing countries and explor[ing] their relationship to the underlying trends in the international economy."

3.3 The 1982-1987 Period

In 1982, as A.W. Clausen replaced R. McNamara as President, the Bank was reorganized. The Development Policy Staff became the Economics Research Staff (ERS) and, shortly thereafter, Anne Krueger became the new Vice President, Economics and Research. Research on basic development issues was concentrated within ERS in the Development Research Department (DRD). Simultaneously, the Central Projects Staff was reshaped as the Operational Policy Staff (OPS) whose mandate was, among other things, to conduct applied policy research in close collaboration with operational staff.

3.3.1 *Organizational Change*

Within OPS, the Country Policy Department was to act as the “applied counterpart” of the Development Research Department. Within the Economic Research Staff (ERS), the Development Research Department (DRD) was responsible for macroeconomic research. The Central Projects Staff became known as Operations Policy Staff (OPS) with responsibility for research on sectoral and micro topics.

The new Vice President and her team reorganized research at the Bank. Prior to the reorganization, the “economics department” (DPS) accounted for 70 percent of Bank research expenditures with the remaining 30 percent being in Operations. The reorganization would change this balance radically: after the reorganization, more than one-half of Bank research would be located in and managed by departments in Operations. By fiscal 1983, research resources were shifted toward operations: research resources controlled by ERS dropped to slightly below 50 percent.

Major reforms were also introduced in how research was administered. The research program was managed from the Office of the Vice President. The responsibilities of the Research Committee were shifted to two entities: a Research Policy Council at the VP level, which set policies and considered the large Comparative Studies proposals, and a Research Proposal Review Committee, which reviewed the other, smaller proposals. The Research Committee was soon replaced by the Research Projects Approval Committee and the Bank Research Advisory Group (OM 3.50 and 3.51 of March 12, 1984). A new Office of the Research Administrator was established and instructions from the Vice President went out that all matters relating to RPC, REPAC, BRAG and the management of the external research budget would henceforth be dealt with by the Research Administrator, Deepak Lall (July 6, 1984 memo from Anne Krueger).

Research funds were concentrated in a few large cross-country comparative research projects with several small projects. The Research Policy Council also established the Research News Bulletin, and the two journals, the *World Bank Research Observer* and the *World Bank Economic Review*—the news bulletin and the WBRO targeted a wide range of readers interested in development, while the WBER was intended for economists.

Box 4. Research Reform under Anne Krueger

“The reorganization of research in the Bank [which was ongoing in March 1982] is taking place in a broader context of the realignment of economic analysis, research and policy activities. The Managing Committee recommended a 15 percent reduction in the volume of resources allocated to research, and a major shift in the locus of management of research. Prior to the reorganization by far the largest share of research was conducted within DPS [i.e., the “economics department”]. [...] The DPS accounted for about 70 percent of total Bank research expenditures during FY81, with the remaining 30 percent being in Operations. The reorganization will change this balance radically: after the reorganization, over one half of Bank research will be located in and managed by departments in Operations.” By fiscal 1983, research resources were shifted toward operations: research resources controlled by ERS dropped to slightly below 50 percent.

The March 1983 report states that “...there are three main considerations underlying the present reassessment of research priorities. The first is that which motivated the reorganization: the need to adjust the portfolio of research towards applied research containing more research projects which have relatively rapid applications to policy and operations. The second consideration underlying reassessment is a growing perception of the importance of a better understanding of the context within which development and economic activity occur. This leads in turn to increased emphasis on research on the international economy as the context for domestic economic policy, to increased emphasis on sectoral and national economy interactions, and to the study of sectoral policies which provide the setting for efficient project operations. A third consideration is that the Bank’s comparative advantage in multi-country comparative studies of development policy [...] has not been fully exploited.”

Sources: World Bank 1982 (p.21) and World Bank 1983 (p.11)

3.3.2 New Research Priorities

Under Ms. Krueger, new mechanisms were developed to set research priorities and to carry out research in the selected areas. To set research priorities for the Bank Ms. Krueger established the Research Policy Council (RPC), a vice-presidential level committee which she chaired. The RPC met several times each year to decide on the general direction and guidelines for Bank research and to recommend research on specific topics.

To help in the task of providing guidance to the Bank’s research program, Krueger commissioned another assessment of Bank research, this one undertaken by Assar Lindbeck, Director of the Institute of International Economics in Stockholm. Professor Lindbeck’s report, presented to the Board as part of the 1984 Annual Report on the World Bank Research Program, recommended a change in the basic approach and philosophy underlying Bank research. In particular, Professor Lindbeck recommended a move away from what he characterized as “engineering economics” with its emphasis on large-scale quantitative forecasting and planning models, toward studies that emphasized “factual behavioral patterns.” Krueger and the RPC endorsed this recommendation and its adoption is evident in much of the research funded through the Research Support Budget between 1983 and 1986.

This shift in orientation mirrored the evolving understanding of the development process that took place in the 1980’s more broadly with a heightening sensitivity among policymakers regarding implications of government failures faced under highly interventionist regimes, and a resulting trend towards policy prescriptions favoring unregulated markets. In FY84, the Research Policy Council, under Ms. Krueger’s chairmanship, recommended that research be encouraged in five areas:

1. Costs and benefits of government intervention
2. Interrelationships between institutional structures and incentives
3. The international economic environment
4. The relationship of short-to-medium-term stabilization measures to long-term economic development
5. Economic planning.

In November 1986, the report on research submitted to the Board states (p.ii), “As the last two years’ Annual Reports have noted, there has been a shift in perceptions about the development process...These changing perceptions have informed the guidelines for research that the RPC issued three years ago. This shift has implied greater emphasis on research oriented more to making policy and less to understanding what would happen in an optimizing society where all regulations could be exogenously imposed and costlessly enforced; it represents a departure from big modeling enterprises for planning and forecasting and a reorientation towards studies of how individuals, institutions and governments behave in different economic environments.”

Just as research during the 1970s had been driven by the institutional mandate to reduce world poverty, this new program responded to the Bank’s rapidly growing involvement in policy-based lending with its emphasis on macroeconomic adjustment and trade considerations. Ms. Krueger chose to disseminate the new priorities for Bank research to the staff through the Annual Report on the World Bank Research Program—a practice that remains in effect to this day.

To implement the Lindbeck recommendations, Krueger established the Comparative Studies Program, a series of large-scale studies of major development issues, each built on an in-depth comparative analysis of 20 or so country experiences. The Comparative Studies Program dominated the course of centrally funded research for most of the 1983 through 1987 period and was the principal mechanism used by the RPC to translate research priorities into action. Funding decisions on the Comparative Studies Program were made by the RPC for the first comparative studies and by the RPC and REPAC (see below) for the fourth and last study.

Other aspects of the Bank’s research program were supported for the most part through a series of small grants (generally under \$50,000). Funding decisions for projects that fell outside the comparative studies program were the responsibility of the Research Proposal Approval Committee (REPAC), a committee chaired by the Research Administrator, which served in an advisory capacity to Krueger. REPAC’s mandate was narrower than that of its predecessor committee (the Research Committee) in that it was not concerned with priority setting even in an advisory role but rather with technical review and the implementation of RPC-established priorities.

Reviewing the changes that took place in the Bank’s research agenda during this period, the first research report sent by Stanley Fischer to the Board states “The Bank’s research program continues to evolve as priorities change and as old projects are completed and new ones initiated. During the late 1960s and the 1970s, concern about distributional issues and poverty strongly influenced the direction of Bank research. In the early 1980s the Bank found itself with a new president, a new vice president for research, a new set of global economic

conditions, and a new role in meeting the needs of its members. As interest in policy-based lending increased, so too did the demand for research on macroeconomic and international issues. Although a large component of the research program continued to be devoted to analyzing the problems of the poor and the ways of alleviating poverty, the problems of structural adjustment and stabilization generally overtook distributional concerns to become the dominant issues facing many of the Bank's clients. Four patterns in the makeup of the research budget since the early 1980s are noteworthy: (1) the rising share of departmentally approved research, (2) the rising share of research on macroeconomic and international issues, (3) the move toward small and very large projects, and (4) the scant involvement of the regional staff in research." (World Bank 1988, p.7).

3.4 The 1987-1992 Period

3.4.1 *Organizational Change*

In 1987, as Barber Conable succeeded A.W. Clausen as President, the Bank underwent yet another major reorganization. It produced both a new research management structure and an almost completely new research management team.¹⁴ The Policy, Planning & Research (PPR) complex was created to integrate policy and research. It encompassed, *inter alia*, Development Economics (DEC), Sector Policy & Research, and Strategic Planning & Review, both of which existed prior to 1987. It also reshaped the structure and size of the research program by reintegrating the decentralized structure of the 1982-1987 period in the Policy, Planning, and Research (PPR) complex.

The Research Policy Council was replaced by a Research and Publications Policy Council (RPPC), chaired by the Senior Vice President for PPR and the Bank's Chief Economist. The RPPC's membership was drawn from the ranks of Bank senior managers, principally vice presidents, and its mandate was much the same as what the RPC's had been—to set broad priority guidelines for Bank-supported research. The RPPC established a list of non-restrictive research priorities.

In 1987, the research program was managed by the Office of the Research Administrator, which was renamed Research Advisory Staff (RAD) in 1988.¹⁵ A reconstituted Research Committee, chaired by Stan Fischer, replaced the REPAC. The Research Committee's membership was expanded to include broader institutional representation, especially from Operations, and its role in setting research priorities was reestablished. It was the main operational body for directing and managing research and its mandate was to carry out the RPPC's program for research. The Committee's main responsibilities were (1) to assess and rule on requests for funding from the centrally administered Research Support Budget; (2) to

¹⁴ David Hopper was named Senior VP, Policy Planning and Research, followed, in 1989, by Wilfried Thalwitz. V. Rajagopalan became VP for Policy Research & External Affairs (later called Operations Policy Staff) and Stanley Fischer, VP for Research. PPR was restructured in FY90 and became Policy, Research and External Affairs.

¹⁵ The Research Administrator was Dennis de Tray. He was followed by Gregory Ingram (and Shahid Yusuf in 1993/94 while Greg Ingram was WDR Director). Prior to 1987, the Research Administrators were, successively, Benjamin King, Bela Balassa, Shankar Acharya, John Duloy and Deepak Lall.

establish specific research priorities based on guidelines set by the Research and Publications Policy Council; and (3) to evaluate existing research by the Bank and others on major policy areas in order to identify gaps that future research might fill.

During this period, three new instruments were created: the Annual Bank Conference on Development Economics (ABCDE), the Visiting Research Fellows program and the Research Capacity-Building Grants to research institutes in developing countries.

3.4.2 *New Research Priorities*

An informal review of the Bank's research portfolio and research program was conducted at the time of the reorganization by Bela Balassa (who had written the report leading to the creation of the Research Committee in 1971).¹⁶ It included a critical evaluation of the outcome of the large Comparative Studies Program, as well as recommendations that the RSB research project portfolio be "rebalanced" to include fewer very small (under \$50,000) and very large (over \$1,000,000) projects and more medium-size projects in the \$200,000-\$400,000 range.

Based on Balassa's review and their own assessment of the program, RPPC members instructed the Bank's research managers—mainly PPR directors and division chiefs—to launch a program to strengthen Bank research in both traditional and new priority areas. For FY88, on the advice of Stanley Fischer, who had by then become Vice President, Development Economics and Chief Economist, and the Research Committee, the Council established a list of non-restrictive research priorities designed to broaden and deepen the foundation of research in the Bank and especially to promote research in "special operational emphasis" areas. These research priorities were:¹⁷

1. Human capital and development, including the role of women in development
2. Institutional and capacity building for the private and public sectors
3. Poverty
4. Environment
5. Macroeconomic policies
6. International and domestic trade policies
7. International and domestic fluctuations
8. Agriculture and industrialization.

By 1989, a solid base of research in most areas of Bank interest had been reestablished and the RPPC and the Research Committee decided to focus the Bank's research building efforts on a more limited set of priorities. To provide input into the process of narrowing research priorities, the Research Administrator's Office organized a retreat on Bank research in May 1989 involving a wide spectrum of regional and PRE staff, as well as selected policy researchers from outside the institution. Based on the retreat's discussions and on its own deliberations, the RPPC chose three topics to receive special emphasis by Bank research managers during FY90 and beyond: (1) the environment; (2) the role of private sector

¹⁶ Another audit of the Bank's centrally funded research projects was carried out in FY94.

¹⁷ See the FY88 Annual Report on the World Bank Research Program.

activities in economic development; and (3) socialist economies. In addition, the RPPC reaffirmed the Bank’s long-standing commitment to building indigenous capacity for policy research in member developing countries.

3.5 1992 to Present

3.5.1 *Organizational Structure & Management*

In October 1992, thematic Vice Presidencies for policy guidance, operational support and dissemination of best practice to operations—the forerunners of the Networks—were established.¹⁸ Regional Technical Departments were made smaller and the sector operations divisions were strengthened. In 1997, there was a major reorganization and the Bank adopted its current “matrix structure.” Six Networks were established to bring sectoral expertise, multi-country experience and research to bear on operations and policies. In 2006, the Bank consolidated the six Networks into four.

Research was consolidated under the Chief Economist and Vice President for Development Economics and the new Vice Presidency became known as Development Economics (abbreviated “DEC”). Michael Bruno was appointed Vice President in September 1993, replacing Lawrence Summers, who left the Bank in January 1993. DEC had responsibility for micro and macro-economic research and conducted a significant share of sectoral studies, and the Policy Research Department became the principal research arm of the Bank.

During Nancy Birdsall’s tenure, the Country Economics Department became the principal research arm of the World Bank covering the full range of macroeconomic, sectoral and microeconomic issues relevant to development policy in the Bank’s member countries. As of February 1993, the department’s name was changed to the Policy Research Department (PRD) to reflect this expanded research mandate. As part of the Bank’s reorganization, PRD received responsibility for sectoral research, which was previously carried out by departments of the former Sector and Operations Policy Vice Presidency. That led to several changes in the department’s organization – three divisions in charge of macro-oriented research remained in place (the transition and macro-adjustment division, public economics and trade policy), and three new thematically organized divisions were created (poverty and human resources, finance and private sector development, and environment, infrastructure and agriculture) to take care of the sectoral research.¹⁹ Thus was born the Research Department, which combined all aspects of development and—after 1997—mirrored the Networks that would be created in

¹⁸ In 1992, the Vice Presidency for Sector and Operations Policy (OSP) was replaced by three new vice presidencies: Human Resources Development and Operations Policy (HRO), headed by Armeane Choksi; Finance and Private Sector Development (FPD), headed by Jean-Francois Rischard; and Environmentally Sustainable Development (ESD), headed by Ismail Serageldin.

¹⁹ At the end of FY92, the Socialist Economies Reform Unit was merged with the Macroeconomics and Growth Division to create a stronger focus for both macroeconomic and microeconomic work on socialist transformation. Two further organizational changes took place in PRD during FY94. In May 1994 the Trade Policy division moved from PRD to the International Economics Department, and the Transition and Macro-Adjustment Division was split into two units, the Macroeconomics and Growth division and the Transition Economics division.

the operational side of the Bank. The share of DEC in total research expenditures increased sharply.

Research Directors in PRD/DECRG since 1992

Nancy Birdsall	(PRD)	1991-1993
Lyn Squire	(PRD)	1993-1996
Paul Collier	(DECRG)	1998-2003
Alan Winters	(DECRG)	2004-2007
Martin Ravallion	(DECRG)	since Sept 2007

The Vice Presidency, headed by the Chief Economist, had five departments. The Research Group (DECRG)—with 86 full-time researchers in 2005 but only 75 in 2008—is by far the largest one. DECRG is the Bank’s only department dedicated to research, with a mandate covering all regions and sectors. It carries out empirical and evaluative studies, collects and analyzes primary data and develops operational tools. DECRG is organized by themes and currently consists of six teams (poverty; public services; macroeconomics & growth; trade policy; environment; rural development). The other five departments are the Data Group which produces the *World Development Indicators* and manages the Bank’s Development Data Platform; the Prospects Group, in charge of economic forecasts (which publishes annually *Global Economic Prospects* and *Global Development Finance*); the *World Development Report* Group (changing every year, based on the new WDR topic) and the Operations and Strategy Group (DECOS), created in 2009, which combines policy review and various research services. DECOS combines the functions of the Policy Review Group and the Research Advisory Staff—both now extinct. The Policy Review Group was established in DEC in FY94 with designated staff from PRD and IEC to review adjustment operations and country review papers. The Research Advisory Staff (which was a separate unit, at the same level as IEC, the International Economics, and PRD, the Policy Research Department, before 1997) was subsumed under DEC and changes were made in the management of the Research Support Budget. Until 1999, the RSB was independent from the rest of DEC in the sense that DEC managers did not participate in RSB discussions and the budget was managed separately from DEC’s budget—although, of course, the Research Administrator had frequent direct communications with the Chief Economist. Starting in 1999, the RSB was integrated into DEC’s budget and DECRA (successor to the Research Administrator’s Office) relied on DEC for budget reporting and analysis.²⁰

3.5.2 Research Dissemination

Dissemination and outreach efforts began in earnest in the late 1980s. The Policy Research Working Paper series, intended to encourage the exchange of ideas on development and quickly disseminate the findings of research in progress, started in March 1988. CEC continued to publish CEC Outreach targeted to regional staff and to invite staff from outside DEC to spend 6 to 18 months as CEC fellows (this was the forerunner of the Visiting Research Fellowship program). A Transition Newsletter was started during Nancy Birdsall’s

²⁰ A management audit of DECRA and the Research Support Budget (called “review of the efficiency and effectiveness of the process to achieve RSB’s objective of supporting research by staff”) was commissioned by Nick Stern in the fall of 2002. Subsequently DECRA was split into two new units responsible, respectively, for the RSB (DECRS) and partnerships and conferences (DECPO).

tenure. Lyn Squire, who was the team leader for the 1990 World Development Report on poverty and had become PRD Director in October 1993, stated (in the FY94 PRD Annual Report) that his priority as director was to improve dissemination of its findings to Bank staff and the wider development community.

Several promising research dissemination and outreach initiatives were launched. PRD launched its own Internet homepage (what later became www.econ.worldbank.org) in 1994. It also established a telephone referral service for Bank staff seeking the department's operational support (with Klaus Deininger answering the phone); although this service was consuming too much skilled staff time and had to be discontinued. PRD also organized in 1994 a "research fair," which gave Bank staff an opportunity to discuss with PRD researchers areas of common interest and concern. Similar fairs were organized at the Annual Meetings in 1995 and in Japan, in cooperation with Japanese development institutions. Other dissemination initiatives followed, with major extensions of DEC's web presence with regular online stories with research themes and a "web-alert system" for notable Policy Research Working Papers introduced in 2005. In 2005, Alan Winters resumed the practice (dropped during Paul Collier's tenure) of reporting annually on DECRG's activities with the publication of Research Highlights. In 2006, François Bourguignon created the World Bank Research Digest reporting on Bank research findings on a quarterly basis. In response to demand for support to economic research institutions in transition countries, the Research Committee expanded its research capacity-building activities during the 1990s. A number of Research Capacity Building Grants were financed using RSB funds (which were not originally intended for that purpose).

Policy Research Reports published by PRD / DEC

1992	The East Asian Miracle
1993	Adjustment in Africa: Reforms, Results and the Road Ahead
1994	Averting the Old Age Crisis
1995	Bureaucrats in Business: The Economics and Politics of Government Ownership
1996	Private Capital Flows
1997	Confronting AIDS: Public Priorities in a Global Epidemic
1998	Assessing Aid: What Works, What Doesn't and Why?
1999	Greening Industry: New Roles for Communities, Markets and Governments
2000	Trade Blocs
2000	Engendering Development
2001	Finance for Growth: Policy Choices in a Volatile World
2001	Globalization, Growth and Poverty: Building an Inclusive World Economy
2003	Breaking the Conflict Trap: Civil War and Development Policy
2003	Land Policies for Growth and Poverty Reduction
2004	Reforming Infrastructure: Privatization, Regulation, and Competition
2005	At Loggerheads? Agricultural Expansion, Poverty and Environment in the Tropical Forests
2007	Finance for All? Policies and Pitfalls in Expanding Access
2009	Conditional Cash Transfers

The practice of publishing synthetic reports aimed at summarizing research findings to provide the basis for sound policy advice on specific topics—in due course, these reports became known as Policy Research Reports (PRRs)—started in FY92 in the Country Economics Department. The first two reports were *The East Asian Miracle* and *Adjustment in Africa: Reforms, Results and the Road Ahead*, both carried out under the general direction of Nancy Birdsall. The third report, *Averting the Old Age Crisis*, was initiated by Lawrence Summers and Nancy Birdsall and carried out under the general direction of Michael Bruno and Lyn Squire. Since then, fourteen more reports have been published.

3.5.3 *A Growing Emphasis on Policy-relevant Research*

As far as the “marching orders” of the PRD/DEC researchers are concerned, in 1995 already, Lyn Squire had insisted that every research program should meet two crucial tests. First, each program must be rigorous and achieve the highest analytical and empirical standards. Second, each program must have the potential for significant development impact: it must seek answers that can be incorporated into the Bank’s lending strategies, project design and implementation, and, ultimately, in the policies of client countries. Also, PRD research became increasingly interdisciplinary, drawing on the insights and methods of social sciences other than economics – particularly political science and sociology – in analyzing policy design and implementation.

Around that time, PRD and the Africa region jointly developed a work program aimed at improving policy outcomes in Africa. The program identified six separate but related topics that are important for Africa but were under-studied. A case study approach was planned to take place in ten countries. Lyn Squire and Shanta Devarajan were the project coordinators.

Research managers, in assessing relevance, consider the needs and priorities of both Bank operations and the development community. They may, for example, judge that insufficient evidence is available on a given topic—for instance, on the likely impact of WTO reforms, or of epidemics like the avian flu or the H1N1 flu—and decide to invest in those topics. Identifying those needs and the research necessary to meet them relies partly on the judgment of researchers and managers—all of whom are experts in their field—and partly on many other people. Operational staff suggests topics, so research often grows out of joint work between DEC and operations. Every researcher is expected to spend 30 percent of his or her time working with operations, and operational staff is often involved directly or indirectly with research projects. In addition, DEC managers frequently meet their counterparts in operations—for example, to discuss specific projects or in formal Network and Sector board meetings. Interactions with policymakers and researchers outside the Bank are also a constant source of stimulus. Finally, of course, the Senior Vice President and Chief Economist is heavily involved in guiding research priorities.

One of the challenges of research management is to anticipate topics sufficiently early to have research ready to address them when it is required. Although it is difficult and risky, research management also needs to create initiative for researchers to explore “blue sky” issues before any demand for them has been expressed.

A key tool for assessing the quality and relevance of research is through independent evaluations of Bank research. During the 1990s and 2000s, there were constant efforts to

enhance the relevance of Bank research by undertaking assessments and surveys of operational (internal) and policymaker (external) clients.²¹ In 2005, the Chief Economist, François Bourguignon, commissioned such an evaluation, covering the period 1998-2005. A panel headed by Angus Deaton and comprising some 25 world-renowned development economists was asked to assess the relevance and quality of Bank research. The evaluation report, presented in 2006, was generally favorable, confirming that a strong in-house research capacity is necessary for the Bank, that much of the Bank's research is of leading quality and that Bank researchers have delivered much more value added to the institution than the very small share of the budget that they command. There were some detailed criticisms, however, in response to which a staff working party was constituted that weighed staff reactions to the evaluation and made recommendations to DECRG management.

3.5.4 Resource Allocation & Funding

Under the new matrix structure created in 1997, the Research Support Budget became the main vehicle to allow economists in the Regions and Networks to participate in research activities in addition to their operational work. For instance, in March 2000, Joe Stiglitz—Chief Economist, then Advisor to the President—in an email to the Managing Directors mentioned that “RSB funds are allocated through a comprehensive review process that considers both quality and relevance to the Bank's operations and clients. The RSB is the only source of competitively-allocated funding for research. Experience in other institutions confirms that the quality of competitively-funded research is considerably higher than that of research produced under dedicated funds. The fact that these funds are not committed to particular units also provides flexibility, allowing Bank research to quickly address newly emerging problems.”

In 2000 and 2001, available resources for research had decreased—as had the willingness of managers in the Regions and Networks to support research.²² The production of research was concentrated in DEC. There was an unmet demand for funds, reflected in nearly 100 research prospectuses on critical issues submitted by Regions and Networks in response to a request by the Chief Economist. Presented with these regional and network research plans, the Managing Directors approved an increase of 30 percent in the RSB for FY02. A “Regional and Network Research Initiative” was established to support DEC consultations with regions and networks to determine their research priorities and to provide funding for regional and network research on those topics.

Following the 30 percent rise in the RSB, with continuing disincentives to do research in the Regions and Networks, demand for RSB funds from these Bank departments stagnated. Low

²¹ In July 2000, Paul Collier approached the Research Committee for ex-post rating of research pertinence, as part of a broader strategy of building four quarterly indicators of DECRG performance. In a first round, the Research Committee members were requested to evaluate 33 DECRG outputs published in the last quarter of 1999. He asked the Committee to assess each product based on its pertinence to the Bank's operational mission, using the QAG scale (1 = highly satisfactory, 2 = fully satisfactory, 3 = marginally satisfactory, 4 = unsatisfactory). In May 2001, another 76 reports were sent to the Committee. However, since Research Committee members were already burdened with a heavy workload, the scoring was never completed and the process was stopped (see May 2001 RC Meeting minutes).

²² As recorded in surveys, focus groups and informal discussions carried out by DECRS in 2003-04.

demand for RSB funds coming from the Regions and Networks has persisted but coexisted with high demand for research funds from DEC itself. A new type of grant—called Program grants—was created in FY01-02.²³ Large discretionary allocations were also granted for the World Development Report, the ABCDE meetings, the Development Impact Evaluation Initiative (DIME) and other initiatives of the Chief Economist.

In the past decade, a major feature of the financing of Bank research has been the growth of Trust Funds. The share of Trust Funds financing research increased from less than 10 percent of the total in 1997 to around 30 percent in recent years. About one-third comes from the Knowledge for Change Program (KCP), a large multi-donor trust fund providing much larger grants with a much less stringent review process than the RSB funds.

3.5.5 Focus of Research in the Past Decade

In terms of substance, the emphasis of World Bank research has focused on two broad areas in recent years. First, considering country-level work, there has been a move away from macroeconomic studies and toward more emphasis on the country-specific microfoundations of growth and development. The aim is to better understand poorly functioning markets and market failures, how institutions arise at the micro-level to cope with such failures, and the implications for policy. Research programs on the investment climate and on mechanisms of delivering public services are core components of this work.²⁴ There has also been a growing interest in the role of institutions in shaping governance. Research continues on aid effectiveness and on policies to achieve the Millennium Development Goals (MDGs). This work focuses on the consistency between public expenditure programs and development goals, on scaling up assistance to meet the MDGs, and on the political economy of development assistance.

Second, the Bank has long been undertaking research on global issues, including trade policy reform, the impact of World Trade Organization (WTO) and regional trade arrangements, agricultural trade, and the abolition of the textile quotas and the Doha Round. In addition, a major research program on the role of international migration and remittances in development started in 2004. Research on important global externalities, such as climate change and conflicts, has also been initiated. The latter focuses on fragile low-income states and also examines new approaches to aid in post-conflict countries.

²³ Program grants—first requested by Paul Collier, Director of the DEC Research Group, in 2001—are intended to support a program of research in a particular development field and to allow the Research Committee to provide strategic directions on Bank research. The issues studied under such grants must relate to critical problems facing Bank client countries and operations. Each program should have a central integrative theme that gives cohesion to the research and its outputs. Twelve Program Grants have been funded so far (on finance, poverty and investment climate) and all were given to DECRG. An overall evaluation of the benefits of such Program Grants was requested by the Research Committee at its September 2004 and January 2006 meetings, but has never been carried out.

²⁴ For more details on the research program by sector in recent years, see World Bank 2009 and World Bank 2007.

Over the past decade the Bank research program has increasingly been involved in two broad cross-cutting types of research: evaluative research and methodological research.²⁵

Evaluative Research

Evaluative research aims at rigorously assessing whether development policies are effective, and the circumstances under which their effectiveness could be improved. This type of research is broader than impact evaluation and embraces both “micro” interventions in specific sectors and macro policies. It includes both *ex ante* and *ex post* evaluation. The Bank’s potential for evaluative research is a unique feature of the institution within the development community. Operational staff in the Bank continually search for operational solutions to pressing development problems. Bank researchers have the training and skills needed to provide the conceptual and technical tools to support that search, and to help learn from the institution’s successes and failures.

Evaluative research starts with a clear understanding of the problem that a policy or project is addressing. Researchers can often help in identifying the policy objectives (properly weighing gains across different sub-groups of a population, and different generations) and the relevant constraints, which include resource, information, incentives and political economy constraints. This role for research can be important when development policy making is captured by lobby groups, advocating narrow sectoral interests. The existence of trade-offs between sectors (such as due to governmental budget constraints), spillover effects across sectors (costs and benefits to one sector from policies in another) and interaction effects (whereby attainments in one dimension influence the impacts of policies in another) beg for a broader perspective on the normative foundations of policy.

As is now widely appreciated, evaluative research must always assess impacts against explicit and relevant counterfactuals, such as the absence of the policy in question or some policy option. This requires sound evaluation designs, using good data and credible strategies for identifying causal impacts from those data (see Ravallion 2005; Deaton 2009). A major program of impact evaluation responding to the increasing demand to improve development effectiveness and assess results on the ground was launched in 2005: it is called the Development Impact Evaluation (DIME) initiative, a concerted effort throughout the Bank which supports and coordinates evaluations of Bank-financed programs for different types of development interventions. This program also monitors the performance of projects and identifies what works and when.

Evaluative research has been driven by important development questions (unlike what too often happens, in this case it is the question that is driving the research agenda and not a preference for certain data or certain methods). For example, DECRG researchers trying to understand persistent poverty and the impacts of antipoverty programs have been drawn into the theories and methods favored in sociology and psychology.

Evaluative research has also recognized the importance of context, which is key to scaling up lessons from research. Since the impact of development interventions is expected to vary across beneficiaries, any research would have weak external validity if the contextual

²⁵ See Ravallion 2007.

factors—including the circumstances of participants, the cultural and political environment, and the administrative context—were not taken into account. For example, a recent evaluation by DECRG of a large World Bank lending operation found low overall impact but also found considerable heterogeneity, with some types of households benefiting more than others. The policy implication is that choosing different beneficiaries would have greatly increased the project’s overall impact. Furthermore, not all sources of heterogeneity are observable, and participants and stakeholders often react to factors unobserved by the researcher, confounding efforts to identify true impacts using standard methods.

Evaluative research must be feasible in the contexts in which the policies and programs are introduced. Since we are typically dealing with the policies of governments, the ethics and political economy of feasibility inevitably constrain research options. For example, in evaluating public safety net programs it is sometimes impossible to set up a baseline survey, since one cannot reasonably delay the program for such a purpose; data collection methods must adapt accordingly, and this can be costly. There is also a potential, but under-explored, role for “evaluative monitoring” of development projects, whereby the tools of project monitoring are modified or extended to allow more rapid feedback to operational staff on the impacts of the program.

Methodological Research

The second type of cross-cutting research that has increasingly occupied Bank research in the past decade can be termed methodological research. Practitioners carry a set of tools to policies and projects, including data, measures and models. Researchers have played a useful role assessing those tools and helping improve them. They have assessed whether data are sound. They have also assessed whether the measures have a clear theoretical foundation and are the most relevant ones for specific policy problems (i.e., whether the measures used are adapted to the objectives and constraints relevant to each policy problem—which is not as common as one might think). Finally they have also examined whether the assumptions made in modeling are both realistic and internally consistent.

Methodological research can help expand the tool kit routinely employed by policymakers and analysts. This includes the data collected and the methods used to analyze those data, including software. The Bank has become a major producer of development data, and researchers have played a crucial role. A number of the Bank’s most successful data initiatives started as research projects. The best example is probably the Living Standards Measurement Study, which started as a research project in the mid-1980s with the aim of greatly improving household survey data in developing countries. The LSMS database houses over 75 survey datasets with all the relevant documentation. The more recent research projects are designed to improve data collection methods and develop suitable welfare measures to assess poverty.

Researchers have also added a lot of value to the Bank’s operational work by developing useful analytic tools in real applications, often working with colleagues in Operations. For example, DECRG has developed software programs that have facilitated data analysis in client countries, such as the widely used Povcal. Recently-developed software to estimate poverty maps combines household survey data and population census data, a procedure so computationally intensive that standard statistical software packages such as STATA, SAS or SPSS often become unwieldy and sometimes even nonfunctional.

4 Concluding Remarks

The World Bank remains the leading intellectual institution in development and has been a world leader in a number of important areas, including poverty measurement, delivery of social services, impact evaluation, measurement of development outcomes, international trade and migration. It has also been a leader in generating survey data on important dimensions of development including Living Standard Measurement Surveys (LSMS); enterprise surveys (also known as Investment Climate surveys), and Purchasing Power Parity measurement through the International Price Comparison Project.

Bank research is resolutely oriented toward policy. Researchers play a crucial role in both learning from past policies and thinking critically about future policies. Without research, the conceptual foundations for policy making would be weak; there would be very little new knowledge or data to inform policy decisions; there would be little or no innovation; and we would know too little about what succeeds and what fails in the fight for development and against poverty. Without research and critical inspection to measure failure and success, deeply flawed policy orthodoxies would persist and successful policies would be dropped for the wrong reasons.

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