

# Evaluation of World Bank Projects

## Marianne Bertrand

### Overall Assessment

*1. In your area of expertise, has the Bank made a significant contribution?*

A substantial share of the research I was asked to evaluate falls within a rather new but fast-growing subfield of corporate finance. Specifically, there has been over the last 15 years or so a strong interest in documenting cross-country differences in financial development and financial structure, studying the country-level determinants of financial development and financial structure (such as legal and institutional factors), and assessing the impact of financial development and financial structure on country-level economic outcomes (such as country-level growth). This cross-country research agenda has been quite successful from a publications standpoint, with many papers landing in top finance journals, such as the *Journal of Finance* and the *Journal of Financial Economics*. A non-negligible share of these publications are authored or co-authored by World Bank researchers. I can see two main contributions of the World Bank's research in this subfield of corporate finance. First, and most importantly, several of the cross-country indicators that are key ingredients to this type of analysis were constructed by the World Bank. Second, there has been, I think, a slightly stronger tendency in Bank research to relate these country-level indicators (financial development and structure, financial regulation, legal and institutional environment) to international firm-level data, a substantial share of which comes from World Bank surveys (such as the WBES).

*2. In your area of expertise, has Bank research focused on the most important policy issues for developing countries? Do you feel Bank researchers have appropriate incentives to allow identification of the most important issues?*

The general questions that have guided the Bank's research in this area are arguably fundamental ones: How important is financial development for economic growth and poverty alleviation? Are certain financial structures (bank versus market-based financial system, state-owned versus privately-owned versus foreign owned, more competitive versus more concentrated) more conducive to financial stability and growth? How important are the legal, institutional and regulatory environments in fostering a stronger financial system? Are there key interdependencies between the financial system and the legal, institutional and regulatory environments?

While (and maybe because) fundamental, these questions are also extremely difficult to answer convincingly. In particular, the cross-country approach that is adopted in much of the research I have reviewed suffers from serious limitations. While this research approach has established clear correlation patterns between many of the key variables of interest, the policy takeaways of this research are often quite limited due to obvious interpretational issues. And this research approach is often too "black-boxy" to provide practical guidelines for those in charge of policy design and implementation.

While I am certainly not advocating abandoning the cross-country research methodology, I was nevertheless surprised by how prevalent this research methodology was in the various projects I reviewed. In particular, I found detailed case studies, where one can delve deeper into the specific experiences of a given country (or a given financial institution within a country), remarkably scarce. My prior going into this evaluation was that Bank researchers had a strong comparative advantage in such case studies compared with researchers at academic institutions. This would be true not only given the huge amount of field experience in the Bank, but also given the many contacts the Bank has with financial institutions and financial agencies around the world. I was surprised not to see this comparative advantage more strongly reflected in the Bank's research.

To draw a (maybe extreme) comparison, McKinsey has been quite successful, I believe, in generating important business policy insights by leveraging its partners' and associates' consulting experiences, as well as its close contacts with business community leaders in many countries of the world. McKinsey has exploited this comparative advantage in the field to generate a differentiated research output that is of interest to business leaders, governments, as well as academics. My expectation was that the Bank's research would in part pursue a similar research approach, with the research being much more in synch with the operations side of the Bank's activities.

Of course, more of the knowledge that is generated under this alternative model might fall into the category of qualitative insights rather than hard statistical tests based on quantitative information. This may not be as suited for the top academic publications, and may therefore not line up with the incentive structure Bank researchers are currently facing. However, among the projects I reviewed, I found a few examples of country case studies that managed to successfully combine a deep contextual knowledge with corroborating quantitative information; in particular, I would highlight here some of the research on the political economy of bank privatization (see comments on individual research projects below). In addition, as earlier research has shown, a deep knowledge of a country's experiences may also lead to isolating unique research designs and rich databases that offer the possibility to address some of the questions at the core of this area of research in a more credible way. I would highlight here some work generated outside the Bank on the real effects of bank ownership structure in Italy and Pakistan, or on the real effects of banking deregulation in the United States.

*3. In your area of expertise, has Bank research reflected awareness of substantive knowledge from other research available and in progress and sufficient knowledge of subject countries?*

In general, I feel that the Bank's research is well aware of substantive knowledge from other research outside the Bank. In fact, a lot of the studies I reviewed were very much catering to recent research trends in corporate finance. As should also be clear from my comments above, I did not get a strong sense that the Bank's research was in general leveraging what I would have expected to be a strong comparative advantage in the knowledge of, and access to, subject countries.

*4. Has the Bank made appropriate selection of topics for data collection and surveys? Have data and surveys been well-maintained and disseminated?*

Given the main questions pursued under this research area, and the main research methodology followed (cross-country analysis), I think the Bank has been quite successful in its data collection efforts.

Many of the recent and ongoing data collection efforts are also quite promising. First, it appears that several of the key indicators summarizing the financial, legal and regulatory environments across countries are being updated. The availability of panel information will of course help in diagnosing important trends and changes; it may also help improve our understanding of the relationships between these various indicators and economic outcomes.

I am also enthusiastic about several recent and ongoing data collection efforts aimed at getting “inside the box” of the relationship between financial development and growth. For example, the construction of micro indicators of the reach of the financial sector could improve our understanding of the practical obstacles in accessing finance among the poor and among smaller-size enterprises. And I understand that the credit module in the LSMS might be (or is in process of being) updated and will potentially allow one to link a given household to a given financial institution. This could lead to a potentially very rich data set when combined with the new micro indicators of financial development mentioned above. For example, this data set may help in identifying certain banks that have been especially successful at reaching the poor, which could subsequently lead to informative case studies on these banks’ practices.

I do not know whether there is a systematic process in place at the Bank to determine whether a certain survey, which was say piloted in a given country for a specific research purpose, should be extended to other countries. However, in a few instances, I was surprised to see no apparent follow-up based on what I would regard as promising pilot projects. To refer to a specific example, I would mention here the survey work done in Uganda to study bribe payments in a random sample of firms. This survey has led to quite influential research and has shown that valuable information on the workings of corruption could be gleaned from self-reports by firm managers/owners. A priori, I would have thought that this survey instrument would have been a prime candidate for replication in other countries.

Finally, more effort may go into increasing the dissemination of the World Bank’s data and surveys. This will surely reflect my ignorance but I am not always sure which World Bank data sets are available to outside researchers, and which are not (if any). There might also be positive externalities generated by systematically keeping the research community outside the Bank aware of ongoing and planned data collection efforts, as well as approximate timelines for future data availability.

*5. In your area of expertise, how could future Bank research better serve developing country objectives?*

As I mentioned earlier, the main policy issues in this area have essentially been addressed with macro-type analysis. While this might be “the nature of the beast” in this specific research area, I do believe that other research methods might be worth considering. Recent efforts at “getting inside the box” and understanding the specific mechanisms by which finance or regulation affect individual and firm outcomes are promising developments. As I also mentioned earlier, more qualitative information, such as that coming from interviews of officials at local financial institutions or Bank task managers at regional offices, may help build a richer picture of a given country’s experience and constraints. This would complement the rather coarse indicators that are currently favored in the Bank’s research.

Future research may also consider getting more deeply involved in the design of better financial products for the poor and for small entrepreneurs. In this regard, a recent initiative in the microfinance context caught my attention. Under this initiative, microfinance institutions will propose new financial products and, in exchange for funding by the Bank, will agree to subject the evaluation of these new products to a rigorous treatment/control design. This is an exciting initiative that may help in the establishment of much needed best practices in the microfinance sector. More generally, it is theoretically possible to imagine similar collaborations to emerge between the Bank and more traditional financial institutions around the world.

Another area for future research might be to shift some of the focus from the supply of finance to the demand for finance. There might be strong informational, cultural and psychological barriers to the take-up of financial products by the poor. While some of these barriers might be country-specific, others might reflect on fairly stable and predictable behavioral tendencies in individual decision-making. Understanding these barriers may help in guiding financial institutions in the design of financial products that will be more attractive to poor households and small entrepreneurs.

*6. Particularly for ongoing projects that you have evaluated, please comment on the proposal review, revision and selection process.*

This is a difficult question for me to answer. There is essentially one ongoing project among the projects I was asked to evaluate. I read in detail the proposal for that project (titled “Program Research Proposal Financial Sector FY05-FY07”). The proposal summarizes past work and describes new priority areas for future research. The proposal does indicate that the new research areas were chosen in consultation with all the regions, based on meetings with the sector managers and their staff. However, I could not find any information in the proposal as to what was discussed in these meetings, how the proposal evolved over time, or how the new areas for research were eventually selected. I apologize if I misunderstood this question.

*7. What is your overall assessment of Bank research?*

Let me start by saying that it is difficult to make a rigorous assessment of how successful this research has been without further information on costs and budgets, which I was not provided. With this caveat in mind, my general assessment is that the research has been quite successful from an academic standpoint, with a large number of studies finding a home in good academic journals in finance and economics. However, I would characterize the bulk of the research as rather formulaic and deeply dependent on current trends in the corporate finance literature. While I am not entirely averse to cross-country studies, I also believe that the Bank's research team has a comparative advantage over academics when it comes to accessing relevant country-level knowledge. I did not feel that this comparative advantage was fully exploited in the research I reviewed. Several features of the ongoing and planned future research are however promising and testify to a widening of both the research questions and research methods.

## **Specific Comments on Individual Research Projects**

### **Project Title: Corruption**

This research project explores questions relating to the measurement and determinants of corruption. A first set of studies under this project relies on “off-the-shelf” measures of corruption, such as the popular *International Country Risk Guide's* corruption index, or *Transparency International's* corruption index. These indices are country-level indicators that typically capture perceptions of corruption from the perspective of various stakeholders in a country. In the studies I reviewed, these corruption measures are related to various country-level attributes (such as the fraction of women in parliament, fiscal decentralization, tariff structure, foreign direct investment). Interesting correlation patterns emerge (larger female representation in parliament, fiscal decentralization, and a more uniform tariff structure are each associated with less corruption). However, despite the authors' best efforts, these studies are subject to the well-known limitations of cross-country analysis and hence offer only limited guidance for the design of policy interventions.

Another set of studies relies on a rather unique World Bank database that contains detailed information on corruption-related activities for a sample of Ugandan firms. Some of the findings emerging from this new database suggest that firms' ability to pay is associated with higher bribe payments; in addition, firms whose capital stock is more sunk also make higher bribe payments. The data also suggest that there is substantial variation in bribe payments across firms that are subject to a fairly uniform set of regulations, hinting at the possibility that corruption might not simply be a side effect of benevolent regulation. Overall, I believe this database has delivered very valuable insights on a topic where measurement has been a primary constraint. The overall success of the Ugandan survey would warrant considering the replication of similar surveys in other parts of the world.

All in all, I think the takeaways of this project for World Bank managers or country-level policymakers are rather limited. Admittedly difficult questions—such as where and when corruption is especially disruptive and what approaches are most effective in combating corruption—must be of primary importance for practitioners in the field. The research completed under this project offers only very partial answers to these questions. A few recent studies (such as papers by Ben Olken) have demonstrated that the World Bank’s experience on the field could be better leveraged to further our understanding of corruption.

### **Project Title: Micro Indicators of Financial Development**

The objective of this ongoing research project is to develop measures of the reach of the financial sector. In particular, a survey of bank regulatory agencies was conducted in 99 countries in 2003-2004. The survey collected “reach” information based on (among other things) number of bank branches, number of ATM machines, number of loans and number of deposit accounts, all of which can be normalized to country-level population. Another survey of banks is currently being developed, whose goal is to collect information from banks on the requirements they impose on both firms and individuals looking to obtain various financial services.

The study that has been completed so far under this research project investigates the country-level correlation between financial reach and financial depth. Financial depth (such as measured by the ratio of private sector credit to GDP) has been mostly used in the literature so far relating financial development to economic outcomes. The hypothesis being tested in this paper is that measures of financial reach might provide important additional information on the workings of a banking system compared with the more commonly used depth measures. Preliminary findings suggest that, despite a strong positive correlation between depth and reach, there might indeed be additional information in the reach measures that might be relevant in understanding the financing obstacles faced by small and medium-size firms, as well as by poorer households.

It is too early to assess what the impact of this research project will be. In general, the data that are being collected could potentially lead to a more informed perspective on the mechanisms through which financial development and financial sector reforms (such as banking deregulation) matter for poverty alleviation and economic development.

### **Project Title: Finance and the Sources of Growth**

This highlighted research paper studies the relationship between the level of banking sector development in a given country and country-level rates of capital accumulation, private saving rates, productivity and eventually economic growth. The main innovations of this paper in comparison with earlier research are twofold. First, the paper directly addresses the issue of causality. One approach consists in instrumenting banking sector development with legal origin. As is now well understood, however, legal origin cannot be a valid instrument for banking sector development because legal origin has been shown to be correlated with many other aspects of the financial and regulatory

environments in a country that may also directly affect economic outcomes. Another approach consists in exploiting within-country variation over time. The second main innovation of this paper lies in its rich information on saving rates, capital accumulation, productivity and banking sector development for a broad panel of countries; this information is the result of a World Bank data collection effort. The findings indicate a strong relationship between banking sector development and productivity and growth, supporting a Schumpeterian view of the role of a stronger and more efficient banking sector. In contrast, the paper finds no robust relationship between banking sector development and physical capital growth and savings.

### **Project Title: Law, Finance and Firm Growth**

Using a sample of about 30 countries, this highlighted research paper relates the fraction of publicly traded firms in these countries that use long-term external finance to a set of country-level characteristics including stock market development, stock market activity, law and order, and government subsidies to industry. The findings indicate that in countries with more active stock markets and a higher level of compliance with legal norms, a larger fraction of firms are able to obtain external financing and hence grow faster. This paper directly complements earlier work relating country-level growth rates to stock market activity and the quality of the legal environment. The small sample and cross-sectional nature of the analysis of course leave the door open for possible alternative interpretations of these findings.

### **Project Title: Deposit Insurance around the Globe**

This highlighted research paper mainly summarizes prior completed work on the effects of deposit insurance around the world. The study of deposit insurance was made possible due to the World Bank's data collection on the existence of explicit deposit insurance schemes in a cross-section of countries, as well as on the specific design features of these schemes when applicable (such as coverage limits). The paper documents that there has been a strong rise in the prevalence of explicit deposit insurance systems across countries over time. The main objective of this paper, however, is to highlight that deposit insurance schemes, while being a priori appealing to policymakers, can also theoretically lead to excessive risk-taking by financial institutions (moral hazard problems). Cross-country analysis suggests that the existence of explicit deposit insurance schemes, and especially more generous such schemes, is positively correlated with the likelihood of financial crises and reduces market discipline. These relationships are mainly driven by a subset of countries with a low level of institutional development and weak contracting environment. While the findings are, as usual with this type of analysis, subject to serious interpretational issues regarding causality, the paper does serve the purpose of reminding policymakers that care should go into the design of explicit deposit insurance schemes.

### **Project Title: Financial Sector Research Proposal**

This is a vast and ongoing research project, covering multiple research agendas. Some of the studies covered here were included under other projects I was also asked to evaluate

(in particular: bank concentration – see below, bank privatization – see below, micro indicators of financial development – see above) and I will therefore not comment on these specific studies in this section. I will instead focus on the main additional questions addressed under this research project.

One set of studies focuses on issues related to bank regulation and supervision. In particular, a survey of government officials was conducted by the World Bank to build a database of banking regulation and supervision practices in more than 100 countries. Studies were then conducted to relate these practices to banking sector efficiency and development in cross-country analyses. The main finding from these studies is that policies that force accurate information disclosure and empower private sector corporate control are beneficial to the functioning of the banking sector; in contrast, the existence of powerful supervisory agencies is not beneficial. While these findings might have policy implications for the formulation of best practices in bank regulation and supervision, one should be cautious because they are simply based on cross-sectional correlations. In particular, there is no credible attempt at dealing with endogeneity and omitted variables problems in these studies. It is my understanding that additional surveys are currently being conducted to update this database; the availability of a panel data set will help in at least partially addressing the limitations of the current work.

A substantial share of the ongoing research under this project focuses on small and medium enterprises (SMEs) and their financing. A research focus on SMEs is well-founded from a policy perspective. It has often been argued that SMEs might be the engine of growth and might play an important role in poverty alleviation. Some of the completed studies aim to test this assertion. Specifically, country-level growth is related to the share of the SME sector in a country. The findings indicate no clear relationship between growth and size of the SME sector in specifications that attempt to deal with the endogeneity of the SME sector; however, the approaches used to deal with endogeneity (such as instrumenting the size of the SME sector with ethnic fragmentation) are clearly unsatisfying.

Other studies are more specifically concerned with how the institutional and legal environments, as well as the level of financial development in a country, affect SMEs. The main research approach here has been to combine the WBES data, which offer firm-level information (including among other things information on firm size, growth and self-reports on financing constraints), with country-level indicators of the institutional, legal and financial environments. The main finding that emerges from these studies is that SMEs are particularly affected by weaknesses in the institutional and legal environment, as well by financial under-development, for their financing and growth. Older, larger, and foreign-owned firms operating in the same environment face less financing and growth obstacles.

Overall, these analyses make it difficult, I believe, to pinpoint the specific environmental factors that are especially constraining for small and medium firms, and hence to make specific policy recommendations. More detailed case studies of SMEs, some of which I understand are currently in progress, would be very much warranted at this stage.

Another large ongoing research agenda under this project deals with access to financial services and financing for the poor, including studies of microfinance institutions. Several research approaches have been considered here. First, some studies pursue the cross-country approach and relate poverty and income inequality to financial development; the findings suggest that higher levels of financial development are associated with faster decline in poverty and income inequality. And some cross-country analysis relates the size and performance of microfinance institutions to various government policies. These studies share the limitations of other cross-country work discussed before.

The microfinance agenda offers some more innovative research approaches. In particular, some of the current and future research aims at evaluating the impact of new financial products offered by microfinance institutions. Microfinance institutions will receive World Bank funding for the implementation of innovative practices; these innovations will then be subject to rigorous evaluation in a treatment/control design. Some of the first studies following this approach (including a study on the relative merits of group versus individual liability) appear promising; such future work may help in much needed fine-tuning of best practices in the microfinance domain.

Another potentially exciting development is the addition of more finance access and financing questions to the credit module in the LSMS, and the possibility of linking a given household in the LSMS to a specific financial institution. This could make for a very rich data set once combined with the micro-indicators of financial reach described above.

Finally, a last major research area within this project relates to the determinants of entrepreneurship. Various existing surveys (Amadeus, WVS, WBES, LSMS) have been leveraged or will be leveraged for this research. Rates of entrepreneurship are being related to various country-level indicators of government policies and regulation.

### **Project Title: Bank Privatization**

The main objective of this research project is to summarize the experience of various countries that have privatized their banking system. Particular attention is paid to describing the specific privatization methods followed, and how those have varied based on the economic and political context in a country at the time of privatization. The project also assesses how different privatization methods have translated into change in economic outcomes. The questions addressed are of direct policy relevance, as many countries often need specific advice on how to design a successful privatization of their banking system.

The research method followed in this project is somewhat distinctive compared with the other projects I was asked to evaluate. In particular, while there are a few cross-country studies, most of the work completed under the project consists of country-level case studies. The evidence that emerges from these case studies is then summarized in a very

informative meta-analysis piece that draws general lessons. Overall, there are a lot of detailed facts and findings emerging from this project that should be of practical relevance for World Bank task managers involved in the design of privatization programs.

The most interesting findings relate, I believe, to identifying specific economic, political and institutional factors that are related to the timing, methods and eventual success of banks' privatization. Some of these findings provide very valuable information to task managers as to when it might be politically easiest to push a privatization program, what types of distortions the political and fiscal contexts might introduce in the privatization process, and what additional institutional factors might interfere with the success of banks' privatization. The case studies of Mexico and Argentina are particularly enlightening in this regard.

Another set of findings consists in identifying systematic factors that appear to affect the success of a bank's privatization. The share of ownership the government retains is associated with lower performance improvement post-privatization. In general, share-issue privatizations lead to lower performance gains than sales to strategic investors; performance gains are typically larger when foreign investors are invited to participate in the privatization. Of course, the robustness of these findings should be evaluated in light of the earlier discussed evidence on the endogeneity of privatization methods to the political-economic context.

### **Project Title: Bank Efficiency and Stability**

There are several themes covered under this research project. A couple of papers study the nature, severity and causes of financial crises, as well as how specific features of crisis management policies affect the fiscal costs of these crises. While I am not an expert on financial crises (but certainly understand the importance of these questions), the obvious sample size constraints should make any policy recommendations emerging from these analyses quite fragile.

The most compelling study under this project makes use of a very detailed panel data set of bank-level information for Argentina, Chile and Mexico, which was obtained from the agencies that oversee banks in each of these countries. The study asks whether the market disciplines risk-taking behavior by banks, by relating deposit withdrawal and interest rate change to bank-level measures of risk-taking. Because the data contain information on both insured and uninsured deposits, the study can also ask whether explicit deposit insurance interferes with such market discipline. The paper finds evidence that the market disciplines banks; interestingly (and somewhat in contrast with the cross-country findings discussed above), there is no robust evidence that explicit deposit insurance reduces the extent of market discipline.

## **Project Title: Bank Concentration**

This research project takes a cross-country perspective to study the effect of banking concentration, regulation and ownership structure on financial stability, firms' access to credit and bank net margins. The research is grounded in a theoretical debate on the implications of banking concentration. On the one hand, there is a view that higher market power in more concentrated banking sectors will have negative efficiency implications (higher interest rates, lower credit supply). On the other hand, a more concentrated banking sector may increase financial stability; in addition the level of concentration may simply be an endogenous outcome, with the more efficient banks gaining access to larger market shares.

The studies in this project are part of a very large and rapidly growing literature on the economic implications of banking structure (e.g., concentration, state ownership, foreign ownership, size, location, etc.). The studies somewhat differentiate themselves from earlier work by their reliance on a large set of countries (and in particular the inclusion of many developing countries). As far as I understand, no new database was collected for this project, with most of the banking structure variables being constructed from BankScope.

Overall, the research methodologies are adequate. But given the cross-country approach, many of the findings are difficult to interpret due to standard identification issues (omitted variable biases mainly, but also reverse causality and reliance on proxies of varying quality). This is in contrast with several recent studies that have been able to achieve identification on similar questions either by focusing on richer bank-level data in a given country or by exploiting episodes of banking deregulation in a country as a source of variation.

One of the findings of the project is that banking concentration may not be a relevant measure of banking competition, in part due to the endogeneity of that measure; instead, measures of regulation of the banking sector or of general institutional development may provide better predictors of banking efficiency. I do not find this finding particularly surprising; earlier research was already aware of the potential endogeneity of banking concentration (and hence the reliance on alternative identification strategies).

Overall, the findings of the project seem to support the view that a banking sector that is less regulated (less regulation of entry and less state ownership) is associated with better access to credit and higher efficiency. Based on my knowledge of the rest of the literature, this is a reasonable policy recommendation.

## **Project Title: Financial Structure and Economic Development**

The main objective of this research project is to compare the merits of bank-based versus market-based financial systems for long-run economic growth. The question is well motivated given a large theoretical literature on the relative benefits of bank versus market-based finance.

At the core of this research project is the construction of a new database that measures key indicators of financial structure in a country-year panel. In particular, the indicators include measures of the size and market structure of financial intermediaries, as well as measures of the size of the stock and bond markets. The database was constructed by combining IMF and IFC data, as well as a few other data sources.

Most of the studies completed under this project rely on exploiting this new database to study the relationship between financial structure and economic performance. The research designs are very similar to those that have been used over the past 10 to 20 years in the finance literature to study the impact of financial development on economic performance. In particular, some of the studies mainly exploit the cross-country panel and relate GDP growth to various measures of financial structure. Other studies in the project propose to get around some of the limitations of the cross-country approach by relying on industry-level variation; specifically, these studies use the research framework made popular by Rajan and Zingales to assess the effect of financial structure on industry-level growth (the idea being that financial structure should matter more for industries that are more dependent on external finance).

A recurrent theme in all of the studies under this project is that financial structure per se does not matter for economic growth. In particular, while several of the studies confirm the strong association between financial development and economic development, they find no systematic association between financial structure and economic development. Hence, the policy recommendation made in several of the completed papers is that policymakers should not be concerned about developing tools to tip their financial system toward banks or markets; instead they should simply focus on the overall development of their financial markets.

I am concerned that this policy recommendation is too strong given the research findings. There is a strong tendency here to associate a lack of statistical significance with a lack of economic relevance. However, in many of the studies I reviewed, there are very large standard errors around the estimated effect of financial structure on economic performance. A lack of statistical significance may reflect on the noisiness of the country-level measures of financial structure; one may also expect a lot of heterogeneity across countries in the relative quality of their bank-based and market-based financial systems, which may not be easily captured by the measures developed in the new database. Based on all this, I think a conclusion stressing inconclusive results (and the need for further research) rather than the irrelevance of financial structure might have been more appropriate.

### **Project Title: Finance for Growth**

There are two outputs under this project. First is a voluminous World Bank Policy Research Report that summarizes for a non-technical audience the main findings of most of the research discussed above, as well as some other research studies produced outside the Bank on related topics.

The other study summarizes the World Bank's experience in financial sector lending operations from 1985 to 1996. This is the only study I read in the redaction of this report that focused on an evaluation of the Bank's lending operations. The study summarizes the types of loans that were issued between 1985 and 1996, as well the specific reforms that were covered under the loans' conditionalities. The study also shows that countries that start with a more underdeveloped financial sector experience stronger financial sector growth in the three years after the inception of a World Bank loan tailored for the purpose of financial development. There are clear methodological issues in attempting such a study (non-random timing of the loans, missing counterfactuals, etc.) that are not adequately taken into account in the empirical analysis. However, the question is of great importance and I am guessing that other related studies summarizing and evaluating the World Bank's lending operations will be discussed by other reviewers.

### Annex 3: Research Quality Indicator Form - Corruption

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives			X		
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources		x			
<b>Data</b>					
Awareness of other data sources		x			
Data compilation, cleaning and cataloging		x			
Survey design and sampling		x			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		x			
Clarity of conclusions and recommendations		x			
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		x			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues		x			
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form – Micro Indicators of Financial Development

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		X			
Clarity of the project focus and stated objectives		X			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources		x			
Data compilation, cleaning and cataloging		x			
Survey design and sampling		x			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		x			
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences			X		
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues		x			
Provides a sound basis for policy		x			
<b>Actual or likely impact of research on:</b>					
Government policy		x			
Future analysis		x			
The development community in general		x			
<b>Overall Quality of Research</b>		x			

### Annex 3: Research Quality Indicator Form – Finance and the Sources of Growth

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		X			
Clarity of the project focus and stated objectives		X			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources		X			
<b>Data</b>					
Awareness of other data sources		X			
Data compilation, cleaning and cataloging		X			
Survey design and sampling		X			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		X			
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		X			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form - Law, Finance and Firm Growth

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		X			
Clarity of the project focus and stated objectives		X			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources		X			
Data compilation, cleaning and cataloging		X			
Survey design and sampling		X			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		X			
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		X			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form – Deposit Insurance around the Globe

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives		x			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources		x			
Data compilation, cleaning and cataloging		x			
Survey design and sampling		x			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		x			
Clarity of conclusions and recommendations		x			
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		x			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form – Financial Sector Research Proposal

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives		x			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources		x			
Data compilation, cleaning and cataloging		x			
Survey design and sampling		x			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		x			
Clarity of conclusions and recommendations		x			
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		x			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form – Bank Privatization

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives		x			
<b>Analysis</b>					
Theoretical/conceptual framework		x			
Empirical application		x			
Statistical and econometric methods		x			
Use of existing knowledge and resources		x			
<b>Data</b>					
Awareness of other data sources		x			
Data compilation, cleaning and cataloging		x			
Survey design and sampling		x			
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		x			
Clarity of conclusions and recommendations		x			
Extent to which conclusions are based on analytic evidence		x			
Appropriateness of the recommendations		x			
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		x			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues		x			
Provides a sound basis for policy		x			
<b>Actual or likely impact of research on:</b>					
Government policy		x			
Future analysis		x			
The development community in general		x			
<b>Overall Quality of Research</b>		x			

### Annex 3: Research Quality Indicator Form – Bank Efficiency and Stability

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives		x			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources			X		
Data compilation, cleaning and cataloging			X		
Survey design and sampling			X		
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)			X		
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences			X		
Availability of translated outputs where appropriate			X		
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form – Bank Concentration

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives			X		
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources			X		
Data compilation, cleaning and cataloging			X		
Survey design and sampling			X		
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)			X		
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences			X		
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		

### Annex 3: Research Quality Indicator Form – Financial Structure and Economic Development

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed			X		
Clarity of the project focus and stated objectives			X		
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application				x	
Statistical and econometric methods				x	
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources		x			
Data compilation, cleaning and cataloging			X		
Survey design and sampling			X		
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)			X		
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence				x	
Appropriateness of the recommendations				x	
Appropriateness of output form (working paper, book, database, etc.) for intended audiences			X		
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues				x	
Provides a sound basis for policy				x	
<b>Actual or likely impact of research on:</b>					
Government policy				x	
Future analysis				x	
The development community in general				x	
<b>Overall Quality of Research</b>				x	

### Annex 3: Research Quality Indicator Form – Finance for Growth -Total

	S	AA	A	BA	U
<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
<b>Topics</b>					
Importance of the issues addressed		x			
Clarity of the project focus and stated objectives		x			
<b>Analysis</b>					
Theoretical/conceptual framework			X		
Empirical application			X		
Statistical and econometric methods			X		
Use of existing knowledge and resources			X		
<b>Data</b>					
Awareness of other data sources			X		
Data compilation, cleaning and cataloging			X		
Survey design and sampling					
<b>Output Quality</b>					
Writing quality (clarity, organization, etc.)		x			
Clarity of conclusions and recommendations		x			
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		x			
Availability of translated outputs where appropriate					
<b>Extent to which research:</b>					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy			X		
<b>Actual or likely impact of research on:</b>					
Government policy			X		
Future analysis			X		
The development community in general			X		
<b>Overall Quality of Research</b>			X		