

Evaluation of World Bank Research

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General Comments

This brief report is based on the research projects assigned as part of the overall review process. It will respond to each research project in terms of the four categories laid out in the guidelines: objectives, design and implementation, accessibility and results. But given the disparate topics and style of the papers it is difficult to do this consistently.

The papers in my batch mostly fell in three categories: (i) academic articles targeted toward journal audiences (academics and graduate students); (ii) overviews that attempt to synthesize ideas and bring these to the attention of policy audiences; and (iii) reports on policy issues on specific issues and in specific countries. In the narrowest sense, only the first of these really qualifies as “research” as it is normally understood. But for internal Bank purposes, commissioning high-quality papers in the latter two categories is clearly important. Indeed, it is arguably more important to the World Bank than type (i) contributions. For the most part, and sensible in terms of any division of labor, contributions of type (ii) are best produced by those who are working in a field in an academic setting and have an up-to-date perspective on the frontier of the subject. Contributions in category (iii) are likely to benefit from the kind of detailed ground level experience that Bank staff are likely to acquire.

These three types of contributions illustrate immediately one of the difficulties in conducting this review. It is not entirely clear what basis the World Bank should use to assess whether the research that it is producing is of “high quality.” In a standard academic review, the main criterion would be how far a project moves the frontier of knowledge. Primary importance is

attached to detailed components of the research, which will often be quite narrow. A huge premium is generally placed on publication in a small number of widely read outlets that command the most prestige within the economics profession.

But rightly, the World Bank seems to demand more than this – in particular specific criteria of relevance to policy issues in developing countries. Indeed, the use of Bank resources to support research should surely place this high on the list. But there is some kind of natural tension with fulfilling the end of publishing in the top academic outlets. Additionally, there is a question of how well the project can contribute to specific Bank objectives in terms of policy or lending strategy.

In terms of incentives to do research inside the Bank, this must clearly pose a dilemma. The job of World Bank researchers would surely be close to impossible if they were constantly expected to serve all three objectives. The main incentive to produce work in top journals is surely to keep their career opportunities in academia open. Many of the projects are fairly conventional in the methods and data that they use, but there are some notable exceptions.

Another general question posed is how far the World Bank has made an appropriate selection of topics. It is hard to judge this from the materials provided. First, there is little information about why the projects that are reviewed here were selected. The extent to which the Bank takes a stance in trying to promote research topics and to encourage work in specific areas is also not clear. This is clearly a crucial issue. In academia, research is not directed and is generally down to the particular interests and proclivities of researchers – with a modest role of funding agencies to support particular kinds of work. It would be useful for this review process to understand the process of research direction better to form a view on whether the World Bank has a good system in place to encourage areas of research deemed to be

important for World Bank purposes or to address the policy concerns of the client countries. There is no evidence that either influence was at work in selecting the projects being reviewed here.

Reflecting broadly on the material under review, I am impressed on the occasions that the Bank has encouraged collection of primary micro data to study questions. There is still insufficient of this in development economics and it is an important role for the Bank to foster data collection with well-defined policy and intellectual ends. As much as possible the Bank should lever its resources in country offices around the world to do this. It is hard to judge to what extent this has been done with these projects. Many projects reviewed here simply use data that are widely available to researchers and the role of the Bank as facilitator in bringing new data is not evident.

Another role for Bank research that emerges overall is to encourage more effort to study topics that are motivated by important policy initiatives relevant to Bank operations. A good example is the study of public service delivery, which is an area of major policy concern. By taking a leading role and becoming a focal point for discussion of the issues, the Bank can potentially play a catalytic role in this area and there is some evidence that it has played this role.

Many of the research projects reviewed here involve the use of outside (academic) consultants. In general, it is impossible for the Bank to have broad-ranging expertise in-house on all major topics. One potential role for outside expertise is to offer a broad overview of issues of strategic and policy importance. This is useful when it is well done. It is frequently important to stand back and look at the bigger picture or the state of knowledge. If this is well done, I can see a role for this and some of the overviews here are useful in that respect. Outsiders here are more inclined to offer a fresh perspective and to have a better sense of the knowledge frontier in an area. Internally

written works of this kind are frequently too locked into Bank strategy and policy. However, it is unclear from the materials provided how these are disseminated internally. For this kind of commissioned work to be effective, it is imperative that there is a well-defined and effective dissemination strategy throughout the Bank.

One area where the World Bank has historically played a major role is policy analysis – in particular applied welfare analysis. This area is at the heart of cost-benefit analysis and a case could be made that there is a major role for the World Bank to be engaged on the frontier of this approach and to have an in-house team both refining and disseminating best practice. I saw little evidence that such research is part of the World Bank's portfolio of research. This seems to be something of a change from the past when such approaches did figure in the research output of the Bank and there were major projects in this area pulling together knowledge in the area. Whether this is a major gap in the current portfolio is debatable. But it does get to the wider issue of whether the Bank ought to define areas where its core competence in research would have a direct impact on its lending strategy. One could certainly provide a compelling case that policy evaluation linked to data collection and applied welfare analysis would provide an important basis for a major part of the research agenda of the Bank, which would provide both shape and direction for the research portfolio.

Another issue that needs addressing is the way in which research is affected by career incentives within the Bank. Right now, it is not clear how producing research that fits the World Bank's needs is rewarded and to what extent there is a trade-off between achieving this goal and producing research with an eye to the outside market.

The remainder of my remarks go through the specific research outputs that I was asked to evaluate.

Decentralization (7)

Decentralization is an issue of immense importance and the World Bank has been influential on policy in this area. Given how much impact this is having on the lives of people around the world, there is a need for good research.

The two papers under review here are only loosely related. Indeed, it is hard to see how they were generated by a single research project. Both papers are journal articles that could have been written in any research environment and do not seem to reflect anything distinctive given that they are produced as World Bank outputs. They are both published in good refereed outlets.

Davoodi and Zou. "Fiscal Decentralization and Economic Growth: A Cross-Country Study." *Journal of Urban Economics*.

This paper looks at the link between measures of fiscal decentralization and aggregate economic performance in cross-country data. There are significant methodological problems in the work that cannot easily be addressed – for example, measuring decentralization the way that the authors do, the lack of being able to map the coefficients back to anything that could be interpreted and the difficulty of establishing causality in this kind of data. This paper is mainly targeted toward and accessible to professional economists and would likely be read by academics and graduate students. It is certainly a useful contribution to debates about decentralization viewed from a macro perspective.

Ravallion and van de Walle. 2006. "Land Reallocation in an Agrarian Transition." *The Economic Journal*, forthcoming.

This paper takes a country-specific policy issue and brings data to bear on it after having discussed the theoretical context. The result is a paper that

comes out in a good journal. The topic and context are quite narrow and focused. But we do learn something at the end, although it is not clear how one could broaden the context to make the paper speak to policy concerns either in Vietnam or elsewhere. The link to the overall research project theme of decentralization is also tenuous at best. This is a paper about land reform and its consequences. This is largely an academic paper targeted toward an academic audience with some policy relevance. It is mainly targeted toward and accessible to professional economists.

Africa in the International Economy (8)

This is a largely data-driven exercise that tries to look carefully at international trade issues in Sub-Saharan Africa. It aims to examine the state of trade policy of African countries and the kinds of barriers imposed by OECD countries on African exports. There is also some effort to discuss comparative advantage of African economies. The project strikes me as useful and it makes a lot of sense for the Bank to be engaged in this kind of exercise. There is little here that is analytical in the normal academic sense of that term. This reviewer is also not competent enough in the field of international trade to know how much of a contribution to knowledge this project constitutes. I would have liked to see a better integration of the data collection work with some of the analytical issues and the literature on international trade. This work is targeted more toward policy economists and those engaged in discussions about trade policy in international organizations. The results of this project would not likely end up in a professional journal. In its current format, it is more suited to a project report format than any other. One key issue, which is unclear, is how this kind of work contributes toward a cumulative process of knowledge creation in the Bank. And there is an issue of how dissemination of such research is effected when it is plainly unsuitable for conventional research outlets. This would be

an important part of evaluating the usefulness of such research in a Bank context.

Yeats et al. "Did Domestic Policies Marginalize Africa in International Trade?" World Bank Directions in Development, 1997.

Yeats. "What Can Be Expected from African Regional Trade Arrangements? Some Empirical Evidence," World Bank PRD Working Paper Series, # 2004, 1998.

African Politics and African Development (10)

Bates, Robert. "Ethnicity, Capital Formation and Conflict."

This paper is more a synthetic piece bringing together ideas in economics and political science. It is the kind of review piece that the Bank ought to commission from expert outsiders. It is very unlikely that the Bank would be able to recruit somebody with the kind of expertise of a world leader like Bates into the World Bank's Research Department. Anybody who wanted a primer on the issues dealt with here would find it in Bates' lucid discussion. That is not say that the reviewer believes that this is anything close to the last word on the topic and he might quibble with a number of the arguments and the way in which inferences are drawn. But this is the kind of piece that would surely be useful as a piece of intellectual capital that could inform the operational side of the Bank about some important background issues. I would be keen to understand better how a piece of research of this kind is used in the Bank - who is encouraged to read it and how the ideas in it are debated. This is not clear from the materials provided.

Chinese State-owned Enterprises in the 1980s (13)

Lixin, Colin Xu, and Mary Shirley. "The Empirical Effects of Performance Contracts." *Journal of Law, Economics, and Organization*, 17(1), 168-200, April 2001.

There is clearly a lot of interest in the development of the Chinese economy. The general issues raised by examining the consequences of programs to improve the performance of state-owned enterprises are also interesting. This project is rather backward looking. It examines the consequences of performance compacts by state-owned enterprises in the period 1988-94. The authors develop a firm-level panel data set to look at the impact on firm performance of signing such compacts. The main finding is that the effect of PCs is not statistically significantly different from zero. The authors use this to explain why the Chinese government abandoned the use of such compacts after 1994. The paper is published in a decent outlet. It is broadly well done. But the strategy to deal with endogeneity of PCs is not entirely convincing. And the paper does not worry about the possible endogeneity of other variables that are included on the right-hand side (such as K/L). So there are certainly methodological issues. However, it provides an assault on some important issues using interesting data.

Making Services Work - Various Issues (14)

Public service delivery is a highly important topic and was the topic of the 2004 WDR. This research project yields a number of outputs. They are mostly targeted toward journal outlets. They are linked only loosely. This is an impressive research project. It combines original data collection and high policy relevance. It also deals with issues that have been relatively neglected. It blends in-house and outside expertise, is distinctive and makes a lot of sense for the Bank to be engaged in it. Moreover, one can see it leading to a larger-scale set of research in the area.

Svensson, Jakob, and Ritva Reinikka. "Fighting corruption to improve schooling: Evidence from a newspaper campaign in Uganda." *Journal of the European Economic Association*, 2005.

The issue of whether information improves public services is key. But just how to create data and to test hypotheses in this context is difficult to assess. This paper belongs to a well-known research project by these authors.

Svensson, Jakob, and Ritva Reinikka. "Using Micro Surveys to Measure and Explain Corruption."

Svensson, Jakob, and Ritva Reinikka. "Efficiency of Public Spending: New Microeconomic Tools to Assess Service Delivery."

This paper discusses the use of two different kinds of survey tools to assess public service delivery. It is largely motivated by the authors' work in Uganda, but the discussion stretches further afield. The use of innovative survey instruments to monitor service delivery is important and it is an area where the World Bank Research Department could play a major role both in promoting consistent practice and in refining the instruments. This article reviews two possibilities, but it could be seen as a precursor to a wider project on these issues.

Svensson, Jakob, and Ritva Reinikka. "How corruption affects service delivery and what can be done about it."

Chaudhury, Nazmul, Jeffrey Hammer, Michael Kremer, Karthik Muralidharan, and F. Halsey Rogers. "Missing in Action: Teacher and Health Worker Absence in Developing Countries." *Journal of Economic Perspectives*.

This is a short but very informative and useful paper on the problem of absence of teachers and health workers based on a World Bank data collection exercise. The numbers are themselves striking and should surely influence policy making in this area – bringing the issue to greater public attention. This is mainly policy relevant work that should feed into policy. It will interest the broader academic community. However, it is not generally the kind of work that would come out in a standard economic journal. Among the work reviewed here, this presents a template for the kind of work that the Bank can do using its contacts and resources. By being targeted toward the *Journal of Economic Perspectives*, the paper is written in an accessible style, which make it readable by any competently trained economist. This guarantees that the widest possible audience will appreciate its message.

Crises (16)

These papers are in an area that this reviewer is poorly equipped to assess. There are two completed papers, both published in leading outlets. Moreover, as far as I can tell, the papers use state of the art methods in macro-economics and offer plausible discussion on the issues in question. How influential these papers have been in the extensive debates that have taken place on the causes of the Asian currency crises, I cannot judge. This kind of applied macro-economic analysis is certainly, in principle, an area where it makes sense for the Bank to have expertise. These papers are well motivated with questions that are close to policy concerns. They are mainly theoretical exercises and there is an issue of whether the Bank has any kind of comparative advantage in this type of work. Two of the authors are based outside the Bank and the third has now moved outside to pursue an academic career.

Burnside, Craig, Martin Eichenbaum, and Sergio Rebelo. Prospective Deficits and the Asian Currency Crisis. *Journal of Political Economy* 109(6), 2001, 1155–97.

Burnside, Craig, Martin Eichenbaum, and Sergio Rebelo. Government Guarantees and Self-Fulfilling Speculative Attacks. *Journal of Economic Theory* 119(1), 2004, 31–63.

Judicial Reforms (19)

The question of how courts affect economic performance in the developing world is extremely important and is crying out for more research, especially work done at the country-specific level. This is an area where research at the Bank could play a major role. One also feels that the Bank could be helpful in generating and collecting data. It is also good to see work in this area that looks in detail within countries. These papers are more general and discursive than most in this review. They take the form of World Bank reports with wide-ranging discussions rather than papers with very focused methods and messages. They pull together information that the Bank is surely in a position to assemble. They are therefore more policy oriented and more open ended. This has costs and benefits. There is plenty of intelligent discussion. The cost is that there is little by way of a message that can be taken away from the work. I also found the work weak in terms of building an intellectual framework for thinking about the issues. The value of writing policy reports in areas like this cannot be doubted if the target audience is to influence policy. But these reports are not really “research” as we normally use the term. There is some new knowledge here, mainly in the form of the data generated. This research project really lacks any serious effort to get into the consequences for the economy of the issues that it studies. Thus one hopes that the research will lead to more research that will take these issues forward.

Hammergren, Linn. "The Juicio Ejecutivo Mercantile in the Federal District Courts of Mexico."

Hammergren, Linn. "An Analysis of Court Users & Uses in two Latin American Countries."

Tax Policy (21)

These papers are competent extensions of the optimal tax literature – the kind of thing that we would expect a well-trained economist to publish in a good field journal. The insights are useful in a literature context, but do not constitute policy relevant insights that are directly relevant to the World Bank or to any government in the form that they are written. To some degree the world has moved on somewhat from extensions to the optimal tax paradigm with much more concern for the institutional context for public policy formation. But these are useful contributions in a certain genre of public finance.

Waly, Wane. "The optimal income tax when poverty is a public 'bad.'" *Journal of Public Economics* 82 (2001): 271-99.

This makes a contribution to the literature that looks at optimal taxation in the context of poverty alleviation. The paper is useful in that context and will be of interest to a wide range of public economists who have studied that problem. But it is a "literature paper," i.e., based on extensions of existing ideas.

Waly, Wane. "Income Taxation and Tax Evasion in a Finite Economy." *Annals of Economics and Finance* 3(2002): 407-31.

The paper seems competent and is certainly a contribution to the literature on optimal taxation in a finite economy. It makes some useful points for those who follow the literature on this subject.

Behind the Border Policy Reforms (22)

This is a disparate group of papers although all are directed to trying to look at empirical aspects of trade. These papers have a fairly direct bearing on policy and each of them tries to address a specific policy problem. None is yet published in a leading outlet. In fact the only published paper in this batch is in the *World Bank Economic Review*. The papers are competently done and mostly convincing. However, I would have to be convinced that this kind of research ultimately has a huge impact on policy making.

Konan, Denise, and Keith Maskus. "Quantifying the Impact of Services Liberalization in Developing Countries."

This paper uses a CGE approach to look at this issue. Within that genre, it is certainly competently written. But this reviewer has significant doubts about what can be learned from this approach. That said, unlike almost all the other research reviewed here, the paper does make an effort to quantify a very specific policy reform in a particular country. This kind of thing ought to be important for the Bank's own operations. A case could be made for having the Bank develop greater in-house competence in applied general equilibrium modeling as a basis for improving the relevance of its research to policy. It is notable, however, that this project was conducted by consultants.

Kee and Hoekman. "Imports, Entry, and Competition Law as Market Disciplines."

This paper combines theory and data to assess how competition policy affects the number of firms in an industry. The paper is sophisticated and engages with some of the issues in the IO literature – mainly on issues that this reviewer is not qualified to assess. This is mainly a piece of academic research, focused toward issues of policy significance. An attractive feature of the paper lies in its efforts to begin thinking from first principles how theory might help to think about the questions that it addresses. But there is ultimately nothing very distinctive to this being a piece of Bank supported research. It could just as easily be research conducted in an academic environment. It is mainly written in a style that would make it accessible to academics and professional economists.

Freund and Bolaky. “Trade Regulations & Growth.”

This paper is a cross-country exercise that compares the effect of trade regulation on income per capita, but contrasting the experience of highly regulated and slightly regulated countries. There are well-known methodological issues in making inferences this way that the authors are clearly aware of and they try a variety of IV strategies. The paper has many of the merits and problems of cross-country analysis. But many of the leading journals publish in this area and, while the paper is not published, it could clearly find a home in a decent outlet. It is written mainly for academics and professional economists.

Wilson, Mann, and Otsuki. “Trade Facilitation & Economic Development.”

This is a cross-country exercise that estimates a gravity equation with a variety of measures of “trade facilitation.” Its main measures are port efficiency, customs environment and regulatory environment. The paper has some interesting aspects, but there are high difficulties of making causal inferences about policy based on a study such as this.

Inequality and Institutions (62)

There is rightly a lot of interest in the question of how inequality affects economic progress. The inequality theme was part of the recent WDR and has always been central to development. This research project is primarily about how social rather than economic inequality matters. The particular context for the empirical work is caste in India. But the ideas that the work embraces may be more relevant – for example in understanding gender relations and other social stratification in ethnic groups. We now teach our students that institutions matter and that inequality shapes institutions as well as influences which institutions are chosen (cf the influential work of Engerman and Sokoloff). This project can be seen as contributing to these wider debates. I like the intellectual approach of the authors, which is original and intellectually challenging. It also involves some original data collection on an experimental basis, which is very pleasing. The project should not be judged as being of immediate policy relevance but contributing to broad discussions that now shape debates about development policy.

Hoff, Karla, and Arijit Sen. "The Kin System as a Poverty Trap?" (chapter) "Poverty Traps," S. Bowles, S. Durlauf, and K. Hoff (eds.), Princeton University Press, forthcoming March 2006.

This is a largely theoretical exercise to look at how a kin network can affect the dynamics of development. There is a state of the art model and a wide-ranging discussion of the literature. The results are interesting and it is published in a collection of readings edited by one of the authors. Such collections can sometimes be highly successful (I have no idea whether this one is) but it tends to be more hit-or-miss compared with publishing in an academic journal. This reviewer found the paper to be both competent and interesting. It is largely written for academics and graduate students.

Pandey, Priyanka, and Karla Hoff. 2004. "Belief systems and durable inequalities: an experimental investigation of Indian caste." PR Working Paper 3351.

This paper reports on a field experiment conducted by the authors to assess the impact of caste on behavior. The paper finds strong and persuasive effects of caste identity. This is an extremely innovative research project that has yielded some memorable findings. It is work that is contributing to the frontier of knowledge and could easily have been produced by a leading researcher in a top research-led university department. That said, the work has no policy bottom-line for the Bank. It will contribute to broader debates about how social identity influences economic behavior and how social institutions such as caste have persistent effects. These are fundamental issues and central to development questions.

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