

## **Long Term Strategic Exercise SYNOPSIS OF FEEDBACK SESSIONS FROM NINE COUNTRIES**

August 26-Sept 10, 2007

LTSE feedback sessions in Nairobi, London, Brussels, Dakar, Delhi, Beijing, Tokyo, Washington DC, and Mexico City raised issues regarding the Bank Group's current standing, its evolving development model, and the implications of an increasingly competitive market for development finance, whether aid or capital flows. A session was held with academics in Cairo via videoconference. Except for one CSO group in Washington, participants received only the draft overview of the LTSE rather than the full report. The CSO group in DC met in September rather than August, so the full report was ready in a draft at that time.

*General evaluation:* The tone of the draft overview was intentionally prudent so as to minimize the risk of misinterpretation if disclosed more publicly. This cautionary stance may be one reason why several participants thought that, despite satisfactory analysis, the draft overview lacks boldness and presents few ideas that are "outside the box". A UK participant said it was "evolutionary, not revolutionary". Others said the draft is more about the likely evolution of what the Bank Group does and the context it operates in and not enough about 'how' the institution should function and where the potential for innovation lies. As a contribution toward a 20 year strategy, the LTSE should in particular forecast long-term trends on the donor landscape and propose innovative coordination mechanisms and funding instruments that involve new forms of partnership and collaboration. The report needs to pay more attention to demographic trends (i.e. aging population) and what impact this will have on the global economy, as well as on the nature of the changing aid architecture. Migration's profound role in development also merits deeper analysis, according to several participants.

Several participants noted that, to capture the broad context, the LTSE should also 'take stock' of the Bank Group's strengths and weakness and touch on how our institution stacks up vis-a-vis other big development players, and therefore exercise "dynamic selectivity" in terms of determining what program areas to continue working on depending on comparative advantage. Also, some said the draft relied too heavily on questionable modeling exercise, rather than on current and historical case studies. On process, many participants wanted to know when and how the LTSE will feed into the institution's future strategy.

Following are some recurrent topics raised during the discussions:

*Comparative advantage and relationship with other international development actors:* Several participants noted that the LTSE is as much about the global development community as about the WBG. As the latter cannot do everything, it is thus essential to devote more space to our institution's 'comparative advantage'. Aid harmonization, partnerships, and global public goods are areas where the Bank should be heavily involved. Several donors and CSOs called for stronger collaboration with other UN agencies, vertical funds and bilateral agencies around all these issues, including climate change mitigation. The draft's lack of specific mention about the UN agencies was particularly criticized. Mr. Bourguignon acknowledged that the draft did not cite the work of other agencies in detail, as

that would have required the LTSE to be much broader in scope. Most external participants agree there is a real problem of harmonization and coordination, but none of them is really clear on the role the various actors -- and the WBG in particular -- should play in solving them. More thought has to be given to this in defining the WBG's strategy. Yet, the problem is that defining the comparative advantage of a specific development actor requires analyzing the conditions under which *all* actors operate or are likely to operate in the future, a goal beyond the scope of the LTSE. In effect, this points to the need to proceed with a similar kind of exercise for the whole development community.

*Global context and scenarios:* There was general agreement on the global context and scenarios for future growth. But several people commented that the base scenario is too rosy and gives too little attention to 'global public bads' such as the arms trade, terrorism, illegal migration, and money laundering. Some participants thought that the potential economic impact of climate change seems underestimated and that climate change should be seen more as a 'transformative' issue. Others pointed to the need to put more emphasis on demographic phenomena (changing national age structures, migration trends). Some noted that the draft should deal with labor and human rights more explicitly, and that the Bank should ensure greater consistency and coherence among these issues. For instance, the Bank claims to follow core labor standards, but yet the "Doing Business Report" rates highly countries that suppress labor standards.

*The Bank's development model:* The issues of conditionality, performance-based aid, and the usefulness of the Bank's two-pillar approach were raised by several participants. The LTSE should give deeper treatment to the Bank Group's effort to move away from rigid policy prescriptions toward reforms based on an overall assessment of the workings of policies and institutions--partly within the framework of a country-led approach-- such as the CPIA, or based on development outcomes. In terms of the discussion of the 'development model', the LTSE was not viewed as providing a definitive update to the WB's current development model based on the two pillars of improving the investment climate and empowering people.

In response, I noted that while all these issues are discussed in more depth in the full draft of the report, it is perhaps true that, as it presently stands, the present overview goes too quickly through them.

The role of governance in the Bank's current and future development model was also raised. Interlocutors in developing countries express some sensitivity to the idea of too strong a Bank intervention in this area, whereas skepticism on such interventions was expressed by development partners.

*The Bank's role as a knowledge provider* and the importance of impact evaluation and accurate measurement of aid effectiveness frequently were acknowledged. Research, the expansion of impact analyses, and a continued commitment to technical expertise by the World Bank were seen as factors that will keep the institution competitive. Nonetheless, some participants found Bank research to be unreliable, noting it is often sanitized and watered down, or used to support its own policy choices (e.g. liberalizing trade or privatization). Others questioned the nature of knowledge being provided, insisting on the

superiority of experiential versus theoretical knowledge. As part of this they called for greater use of case studies and vigorous impact evaluation studies. Several donors stressed that cooperation was needed in research and knowledge acquisition too. Some officials mentioned that the WBG's dissemination efforts can still be improved and recommended greater cooperation with like-minded institutions.

The importance of the WBG in data collection and monitoring, as well as in statistical capacity-building, was repeatedly stressed. NGOs in several countries mentioned the importance of supporting the building up of research capacity in developing countries. The need for collaboration between the OECD and WB in brokering knowledge in MICs was stressed as well.

*Unbundling knowledge and financing services?* This question was very much debated. If there is agreement that offering knowledge services on a fee-for-services basis should increase the flexibility of the WBG, a general view among recipient countries and development partners was that the WBG should continue to jointly offer both knowledge and financing services, while making sure for IBRD countries that the latter are provided at the lowest financial and non-financial cost. There was a suggestion that the Bank should unbundle its financing and knowledge services, so that its research and technical assistance are not seen as being tied together.

*The 'focus areas':* While most participants agreed with the four proposed broad priority areas and with the continued commitment to reduce severe and extreme poverty, heated discussion took place in several meetings on their justification and definition. Several important points were made in this respect. First, the objective of poverty reduction was seen as essentially irrelevant by some developing country interlocutors who preferred to refer to 'development needs'. Second, certain donor partners were concerned that Sub-Saharan Africa may crowd out South Asia as a major focus of poverty reduction efforts in the minds of taxpayers in donor countries. Third, the focus on fragile states raised the issue of defining those states and evoked skepticism as to whether or not this is really an area where the Bank Group has a viable, workable approach. Fourth, some participants questioned the restriction of WBG interventions in middle-income countries to those that would help 'inclusiveness', noting that inclusiveness is also an issue in low-income countries. Finally, while there was agreement on the importance of all Global Public Goods considered in the LTSE, some found that not enough emphasis was given to regional public goods, including the need for regional infrastructure, particularly in Africa. The draft was also criticized for not addressing security issues relating to the social protection agenda.

That the LTSE did not intend to give any specific weight – not even equal weight – to the focus areas was not always well understood. Yet, someone suggested that, if something had to be dropped, it should be the MICs. Indeed, participants in several middle income countries commented that, unless the Bank dramatically changed the services it offered, the institution will fast become irrelevant.

*Client areas versus themes:* Participants frequently criticized the LTSE's relative neglect of 'thematic areas' of intervention (e.g. infrastructure, education, regional development within

countries...). They thought that the focus areas were too much defined by the main categories of WBG clients, grouped mainly along income levels. In particular trade and infrastructure were seen as relatively under-represented. This is again very much a matter of presentation and relative emphasis. Actually, the trade agenda is emphasized as one of the Global Public Goods, whereas the issue of areas of intervention within countries is seen as mostly *demand driven*. Among these, however, a distinction is made between 'core areas' common to many countries (infrastructure, agriculture, education), where the WBG must be well equipped to intervene, and frontier areas where the demand is more focused and smaller in volume. The 'demand-driven' nature of WBG services has been stressed by a number of interlocutors.

*World Bank Group Governance and internal organization:* The needs to reform the World Bank Group's governing structure as well as issues related to voice were raised in all developing countries, stressing their limited weight within WBG decisions. In terms of internal organizational issues, some participants thought the LTSE should touch on decentralization of staff. They stressed the need for the WBG to strengthen decentralization on the one hand to better monitor coordination among donors in the field and on the other hand to better adapt knowledge services to local specificity. Several participants noted a 'skills mismatch' between the Bank's current staffing structure and what is needed for the future. For this reason the Bank is likely to become a smaller organization with a higher cost structure.

*Financial issues:* Government and CSO representatives both thought the LTSE should do more to explore options for a better use of IBRD capital, which is presently under-utilized with an equity-loan ratio now almost twice what it was in the 1990s. Some suggested that the lower demand for IBRD lending by countries with the easiest access to international finance could be offset by more attractive lending terms. This could include lowering cost below market rates – possibly through some kind of blending arrangements with donors, or using the net income of the WBG. Such concessional loans to IBRD countries could cover special needs in GPG areas like global warming mitigation. Yet, others thought that the Bank should altogether reduce its lending to IBRD countries, and concentrate on lending for low-income countries. The suggestion in the LTSE of increasing risk taking by redeploying lending towards countries where the Bank presently has less exposure was also considered favorably. Other uses of WBG's net income were suggested, for example for funding global public goods or to support fragile states. Some participants noted that more flexibility in allowing countries like Ghana or some Caribbean nations to transition from IDA to IBRD should be considered if IBRD is to stay relevant, and a wide range of opinions on IBRD functions and operations were expressed in some meetings. Among those who believe the Bank should stay engaged in more successful MICs, there was surprise that there are seemingly no radical reform plans or innovative facilities and instruments on the horizon for IBRD. It was also noted that the draft omitted discussion on international financial structure, even though it remains a key source of instability and inequality.