Borrower Ownership of Adjustment Programs and the Political Economy of Reform

John H. Johnson
Sulaiman S. Wasty
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Borrower Ownership of Adjustment Programs and the Political Economy of Reform

John H. Johnson
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Abstract

Borrower ownership of adjustment programs is often cited as vital for credibility to policies, safeguarding against policy reversals, and ensuring sustainability of benefits. Nevertheless, the notion of ownership remains conceptually elusive and insufficiently explored in the World Bank's policy and practice of adjustment lending. This paper, based on the Operations Evaluation Department's (OED) evaluation of nearly 100 adjustment programs in 42 countries, highlights the symbiotic relationship between program outcome and borrower ownership. It first delineates a possible measurement criteria for ownership. Second, treating ownership as an independent variable, it finds a significant correlation between program outcome and ownership. Finally, through selected country case studies, it ascertains the important factors or antecedents that account for differences in the intensity of borrower ownership. The paper concludes with specific recommendations that may have operational policy significance.
Acknowledgements

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FOREWORD

It is now broadly recognized that an appropriate country assistance strategy is a collaborative process, requiring strong political commitment and broad-based support from the government. The importance of borrower commitment/ownership for project outcomes has been reiterated in several recent Bank reports, notably Adjustment Lending and Mobilization of Private and Public Resources for Growth (Policy and Research Series 22, September 1992).

This paper on Borrower Ownership of Adjustment Programs, and the Political Economy of Reform--which first appeared as an abridged chapter in the OED’s Study: World Bank Structural Adjustment and Sector Adjustment Operations: The Second OED Overview (Report No. 10870, June 30, 1992)--draws from the experience of nearly 100 adjustment operations implemented in 42 countries. It is, to my knowledge, one of the first attempts to define and quantify empirically-verifiable antecedents of borrower ownership. Its wider circulation is intended to contribute to the ongoing discussion on how to measure and promote greater borrower ownership in development lending.

H. Eberhard Köpp
Director
Operations Evaluation Department
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A. Introduction

One of the most important services the Bank can provide is to ensure that the process of policy reform is “internalized” in the country as quickly as possible, so that the reform program is designed by the country itself and integrated into its long-term development program.¹

Bank assessments of structural adjustment lending explicitly acknowledge that program outcome depends heavily on the political and institutional environment prevailing in the borrowing country. In particular, they frequently cite borrower ownership of adjustment programs as vital for providing credibility to policies, safeguarding against policy reversals, and ensuring sustainability of benefits.

The first Report on Adjustment Lending found that "progress in implementation has been stronger where governments have "owned" the program and hence were committed to carrying it through".² It proposed further that the Bank make quick-disbursing loans only if the government "owned" the program, understood it, and fully accepted it. The second Report on Adjustment Lending, reiterating the previous findings, argued that the "cost of failure is too great for the borrowing countries, as well as for the Bank, to ignore the potential contribution of a better understanding of the political economy of adjustment".³ Studies of regional experiences⁴, and the Bank's ongoing work on institutional development⁵ reach similar conclusions concerning the importance of political factors in determining program success.

In the Operations Evaluation Department's (OED) review of the 1990 evaluation cohort, "the effectiveness of the recommendations of Public Investment Reviews (PIRs), core investment programs, and the like is usually reduced unless they are clearly "owned" by the affected governments".⁶ Similarly, the findings of the OED Report on Effectiveness of SAL Supervision⁷ strongly indicate that government commitment to, and "ownership" of, the structural adjustment program are key determinants of implementation success.


²The World Bank, Adjustment Lending: An Evaluation of Ten Years of Experience, 1988, p. 64.


Notwithstanding the significance attached to borrower ownership, the notion remains conceptually elusive and insufficiently explored in Bank’s policy and practice of adjustment lending. Notably, it is seldom made clear as to what constitutes adequate ownership, or what can be done to increase and sustain that fundamental commitment to the adjustment program.

The objective of this paper is to highlight the symbiotic relationship between program outcome and borrower ownership. In so doing, it attempts to provide some guidance for the future design, supervision, and evaluation of Bank’s policy-based lending especially in the face of binding economic, political, and social constraints prevalent in the borrowing country—which may either hinder the adoption of Bank’s policy prescriptions or impede the achievement of the intended reforms.

The paper consists of the following sections: an analytical framework; the possible measurement criteria of borrower ownership and country classifications; the correlation between program success and borrower ownership; the important factors/antecedents that account for differences in the intensity of borrower ownership; and the principal messages derived from the findings.

B. Framework of Analysis

The general approach involved an in-depth review of performance audit reports (PARs) and project completion reports (PCRs) of 99 adjustment operations completed through September 30, 1991, pertaining to 42 countries—followed by compilation of succinct profiles of all those countries and their programs. The details of these operations—together with the loan or credit approval and closing dates, audit and report status, and OED’s program performance ratings—are given in Annex I. Empirical analyses are complemented by statistical exercises where possible and theoretical underpinnings where pertinent. In its first stage, the paper delineates a measurement criteria for ownership, and ranks the countries and their programs accordingly. Subsequently, an attempt is made to correlate program outcome with borrower ownership. Lastly, the focus switches to a review of a subset of countries, in order to ascertain the commonality of the factors/antecedents accountable for the high degree of borrower ownership. The overall conceptual framework—as one of the models for analysis—is presented in Figure I.

C. Measurement Criteria for Borrower Ownership

Ascertaining borrower ownership is usually subject to two caveats: first, no objective standards exist for making even an ex post determination of what constitutes adequate ownership of a program; and second, the relationship between program success and ownership can be prone to a post hoc ergo propter hoc type circularity in argument: if the program succeeds, then there was ownership, and if it falters, then ownership was absent.

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*The statistical analysis was confined to adjustment operations (totaling 82 programs in 38 countries) for which OED’s performance ratings were available.*
Borrower Ownership of Adjustment Programs: The Conceptual Framework

Legend:

- $X_1$: Locus of initiative
- $X_2$: Level of intellectual conviction
- $X_3$: Expression of political will
- $X_4$: Efforts toward consensus building

Characteristics/indicators of borrower ownership:

Program outcome

External environment

Historical Nature of Political Pressure: External/Initial Government-traditions political stability groups/exogenous conditions

Interaction interests

Efforts toward consensus building

Nature of political regime

Political stability

Pressure groups/vested interests

External/exogenous shocks

Initial conditions

Government-Bank interaction

$\text{a}_1$ $\text{a}_2$ $\text{a}_3$ $\text{a}_4$ $\text{a}_5$ $\text{a}_6$ $\text{a}_7$
There can be degrees of ownership which evolves as a widening group of government officials and practitioners become more or less identified with a program according to both the need for the program and its perceived results. Nonetheless, the locus of initiative provides the first clue as to the degree to which the program was authored by the government or was government-centered. In this context, it is important to arrive at a conceptual simplification by distinguishing deep-seated commitment to reform from any observable evidence. Specifically, it is necessary to make a distinction between (a) intellectual conviction or commitment and (b) expression of political will by top leadership. Such a distinction helps us identify: (i) key people involved in the design of the program; i.e., who was convinced at what point in time; and (ii) those that were prepared to push those reforms in the face of severe constraints; and how did they go about pursuing that effort. Finally, it is equally important to note the extent to which the consensus was widened by the policymaking circles through offering compensation to the affected groups.

Accordingly, a classification scheme\(^9\) was devised whereby ownership was treated as a four-dimensional independent variable. For each dimension, there were four levels reflecting the intensity of ownership, yielding a total of 16 possible ratings for each adjustment operation reviewed. In descending order of intensity, these were:

(i) **locus of initiative**
   - (a) the initiative for formulating and implementing the adjustment program was clearly the borrower's;
   - (b) the program was inspired and developed in close collaboration between the government and the Bank/IMF;
   - (c) the program was designed by the Bank, and received the borrower's broad commitment to adhere to it without major dissent; and
   - (d) the program was prepared by the Bank and funding extended, despite governmental disagreement and reluctance to implement some aspects of the program.

(ii) **level of intellectual conviction among key policymakers**
   - (a) there was an observable and detailed consensus among identifiable key ministries/decisionmakers about the nature of the crisis and the necessary remedial actions;
   - (b) the diagnosis of the crisis and a common approach to reform became gradually entrenched in policymaking circles;
   - (c) there was some disagreement about the nature of the crisis and resistance from the implementing agencies as to the extent and/or the pace of reform; and
   - (d) there was very little agreement among policymakers on the nature and causes of the crisis and/or on the possible courses of action.

iii) **expression of political will by top leadership**

(a) specific and dramatic up-front actions were initiated either before or at the inception of the program;
(b) there was a very strong and detailed public statement by the top political leadership of its support for reform;
(c) the top political leadership expressed lukewarm commitment to reform, albeit the exact nature of some key specific provisions was left for later definition, opening the door for reversals or retrogression; and
(d) at the outset of the program, there was no clear-cut indication as to whether the government would actually act to overcome the obstacles or opposition, public or private, to the proposed policy reforms.

(iv) **efforts toward consensus-building among various constituencies**

(a) the government launched a broad-based public campaign for helping in designing the program and/or to elicit support outside the central government;
(b) major efforts by top policymakers were made to evoke cooperation from the key implementing agencies in the delivery of the reform program;
(c) approval was made by centralized decisionmakers, while other agencies were involved only in executing some aspects of the program; and
(d) the important sectoral and provincial executing agencies were neither consulted in advance nor involved in the execution of the program.

Based on a review of individual audits (PARs), the adjustment operations that constitute our sample were rated according to the aforementioned criteria. The countries which exhibited consistent and highest degree of ownership of the programs that constitute our sample were: Chile, Indonesia, Korea, and Mauritius. The countries which exhibited the lowest degree of ownership of programs included in our sample were: Bolivia, Brazil, Côte d'Ivoire, Guyana, Nigeria, Senegal, Sudan, Tanzania, Togo, Uruguay, and Zaire. (See Annexes II-IV for aggregate and decomposed ratings).

**D. Correlating Program Outcome with Borrower Ownership**

The statistical analyses of the data show a significant degree of positive correlation between program success and borrower ownership. (See Annex V).

Of the total of 81 operations reviewed, 36 (44%) highly satisfactory or satisfactory program outcomes were associated with a very high or a high degree of borrower ownership. Similarly, 23 (28%) very unsatisfactory or unsatisfactory program outcomes corresponded to a very low or low degree of ownership. In other words, typical cases, where borrower ownership was strongly predictive of overall program success, constituted 73% of the total. (See Table I and Annex V). Deviations from the trend (the outlier cases)—in terms of either 'satisfactory' outcome/low ownership or 'unsatisfactory' outcome/high ownership—can be attributed largely to the exogenous "shocks" stemming from the external economic environment. These shocks had either favorable or highly adverse impacts on the direction of the program outcome.
Table I

CONTINGENCY TABLE

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<th>Borrower Ownership</th>
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<td><strong>15</strong></td>
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<td><strong>81</strong></td>
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</table>

**PROGRAM OUTCOME**
E. Possible Sources of Diverse Country Responses: Toward Identifying the Prerequisites for Ownership

For the purposes of providing precise explanations for the typical and the outlier cases as well as for ascertaining the commonality of factors/antecedents accountable for borrower ownership, a subset of 12 countries were selected on the following (sometimes overlapping) bases in the order of their importance:

- Countries that exhibited extreme, uncertain, and/or counterfactual responses in terms of commitment to policy reform; i.e., those that exemplified typical and outlying cases of the association between 'satisfactory' outcome and ownership.
- Countries in which there was a variation in borrower ownership over a series of several loans/programs.

In the context of the principal issues covered in these case studies, several factors and country antecedents were considered as testable hypotheses and then stratified according to their relevance. Amongst these, the following appear to be the most commonly associated with borrower ownership of the program: (a) political stability; (b) support of (or lack of opposition from) various constituencies; and (c) to a somewhat lesser extent, preconceived official attitudes toward or against certain kinds of reform.

The significant hypotheses and factors, based on the experiences of the countries included in the sample, are described below:

- Political stability, influenced by the electoral cycle/change in government: the importance of synchronization of the planning horizon of politicians with the time period required for adjustment.

Virtually all instances of high borrower ownership were characterized by a "relatively" stable political environment that prevailed in the country (irrespective of the nature of its political regime) during the tenure of the program. In Chile, Kenya, and Malawi (as examples of countries that exhibited consistently high ownership), there were sufficiently-long periods of political stability that provided a long-range planning horizon for core ministries, thereby ensuring the continuity of the programs.

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10Central African Republic, Chile, Côte d'Ivoire, Ghana, Jamaica, Kenya, Malawi, Mexico, Morocco, the Philippines, Thailand, and Turkey.

11In this context, the review also incorporated PCRs and OED's audits in progress. Further, the conclusions were cross-checked with the Bank's research studies as well as collated with the findings of informed analyses conducted outside the Bank and of the ongoing work in other research institutions.
Contrast the experiences of the aforementioned countries that exhibited a high degree of ownership with those of the following that wavered in their commitment to sustain the reform effort. Jamaica’s adherence to the reform program fluctuated in direct proportion to the political uncertainties and fears that resulted from frequent electoral changes. The Philippines government’s low level of commitment to the program in the earlier years was prompted by large-scale endemic violence which followed the assassination of a major political figure—thereby contributing to the government resort to tackling short-term emergency measures. Finally, Turkey’s resolve to sustain its reforms fluctuated according to the strengths/weaknesses of the new government’s ability to expedite requisite legislative measures for major reforms. The issue of political stability thus becomes even more vital for the countries that embarked upon a series of adjustment programs (through a progression of Bank loans) insofar as it affects their ability to formulate long-term policies and maintain the momentum of reform.

- Political influence of pressure groups/vested interests, as well as the nature of public sector-private sector interface: which may either smother or enhance government’s pursuit of reforms.

Perhaps the single most significant factor in government’s ownership of the reform program was the support of (or lack of opposition from) pressure groups toward their government’s pursuit of reforms. CAR’s SAC I benefitted from the positive attitude of beneficiary groups toward reform, following a series of institutional incentives for industrial and commercial activity and targeted on groups that accepted reform. Ghana, embarking upon its economic recovery program, enjoyed the strong support of workers and students who hailed the revolutionary measures of the new government. Malawi, too, was able to convince domestic opposition—through a variety of instruments (like sharing of the profits of a state-holding company)—in favor of its populist platform. Mexico—initiating its austere and outward-oriented economic policies—made important cabinet changes, to diminish the clout and initial resistance from the elites tied to the existing inward-looking policies. On the other hand, countries like Turkey (especially in the earlier and the later adjustment loans) and Jamaica succumbed to pressures of political expediency—either because of the opposition from state economic enterprises or labor unions, respectively—which led to wavering of the initial commitment to reform.

- Historical traditions and ideological underpinnings: the extent to which preconceived official attitudes toward or against certain kinds of reform influence the initial conception of the program.

In all the countries included in the sample—regardless of the degree to which they "owned" the program—adjustment efforts were aimed at achieving a major break with the status quo, especially through correcting past economic mismanagement. On that count, different historical traditions and ideological underpinnings per se have no bearing on the divergent country responses the issue of program ownership. That generalization aside, preconceived official attitudes toward or against certain kinds of reform do exert considerable influence on the initial conception of the program.\(^2\)

\(^2\)However, borrower ownership can also develop over time, and the foregoing assessment regarding preconceived official attitudes needs to be moderated by distinguishing the dynamic from the static aspects of ownership.
In cases of high and consistent degree of ownership, such as Chile and Thailand, policymakers had, for a number of years prior to the adjustment loans/programs, embraced policies for reversing the predominant role of the public sector and in favor of a more outward-oriented approach for their economies. The formal launching of adjustment programs in those countries thus became an embodiment and a mere continuation of the prevalent trends.

In contrast, where there was initially low ownership, such as Mexico (EDP I) and Turkey (SAL I), entrenched traditions of protectionism, political patronage, and administrative controls caused considerable controversy amongst decisionmaking circles on the nature and timing of reform. Consequently, program ownership suffered from an absence of intellectual consensus in favor of reform.

On the other hand, the following factors were found to be of a limited or no significance for borrower ownership:

- **Nature of the political regime**: does a certain regime types exhibit, in fact, a greater degree of political will in support of reform?

  From a review of countries that ran the gamut from constitutional monarchies through authoritarian (military/one-party dictatorships) to transitional democracies, there is no systematic evidence that a specific regime type intrinsically exhibits a greater degree of political will in support of reform.

  For example, Turkey whose government was under a strong military influence—which extended until the early 1980s—initially displayed a very low degree of program ownership, whereas Chile under a similar regime type was able to launch a program which has been widely hailed as its "own".

  To cite counterexamples, Kenya, allowing a relatively freer political environment, displayed a high degree of ownership upon initiation of their reform programs. But, Jamaica, which is usually categorized as a "transitional" democracy exhibited fluctuating degrees of ownership.

- **The intensity of external/exogenous shocks**: the degree to which they facilitate an agreement on the urgency of reform or pose obstacles to achieving a consensus within and outside the government.

  There seems to be no evidence that intense external or exogenous shocks were important factors in facilitating a consensus within and outside the government. Note, however, the important distinction between the external environment impacting upon program outcome (referred to earlier) and the intensity of external/exogenous shocks influencing borrower ownership of the program itself.

  Consider the very different experiences of the both the high and low ownership countries: (a) Kenya was able to withstand the adverse impact of a severe drought; (b) a prolonged international recession proved inimical to Jamaica's initially high ownership; (c) Malawi continuously benefitted from a favorable external economic environment; and (d) Côte d'Ivoire could never overcome unfavorable developments in the world market.
• **Initial conditions in the economy**: the extent to which those either impeded or facilitated borrower ownership.

All the countries included in the sample were faced with economic crises at the time of inception of their programs. Doubtless, the quality of relative implementation capacity was instrumental in determining the success of program design and implementation. But, the extent to which structural weaknesses prevailing in some of these countries impeded borrower ownership is not validated by the experience.

For example, the initiation of reforms in the CAR, Ghana, Kenya, and Malawi, was prevented neither by a narrow resource base, nor weak infrastructure, nor by limited institutional capacity.

• **Nature of government-Bank interaction**: in terms of economic and sector work (ESW), policy framework, policy dialogue, program design, loan size, technical assistance, and conditionality.

Indeed, the importance of government-Bank interaction for the ownership issue varies from region to region and from country to country, depending on both the specific technical needs and capabilities of the particular region and country and the prevalent political situation affecting the Bank-country relationship.

Exclusively in terms of borrower ownership, the case studies of the countries included in the sample, however, provided no clear explanation of how the nature of Bank-country interaction could be identified with the widely-differing country experiences of borrower ownership.

In some cases (e.g., Chile), the Bank’s initial role was minimal, in others (e.g., Morocco and Turkey), the launching of reforms was preceded by extensive operationally-oriented ESW by the Bank and a productive dialogue between the two parties. On the one hand, Morocco’s abiding and deep-seated commitment to the adjustment effort was due in no small measure to the Bank’s extensive ESW; on the other, Turkey wavered in its ownership of the adjustment programs because of its governments’ inability to reconcile the direction of its reform efforts with the divergent interests of some state economic enterprises.

In both Malawi and Côte d’Ivoire, adjustment programs were essentially developed by the Bank; but the two cases could not exhibit more widely-disparate episodes of ownership. Malawi’s experience with ownership was facilitated by relative political stability and the government’s ability to overcome opposition to reform. Conversely, Côte d’Ivoire had to contend not only with political instability but also with a recurrent friction between social and economic objectives.

Thus, in principle, the quality of Bank advice can infuse and enhance borrower ownership. But, from the experiences of the countries included in the sample, it appears that the frequency and amount of government-Bank interaction is neither a necessary nor a sufficient guarantee for borrower ownership in the face of binding constraints.
F. **Implications for Future Bank Operations**

- Notwithstanding the difficulty to devise a policy package that enjoys the full agreement, acceptance, and support of all levels of the government, such problems can be mitigated through a better understanding of the country's political system and identification of a measurable degree of ownership that can be anticipated in order to facilitate the initiation of reforms. To the extent possible, preparatory ESW and the program design should assess the likely impact of adjustment on various constituencies.

- There is a need for a methodical treatment of the implications of ownership as defined in this paper. ESW, appraisals, supervision reports, PCRs, and PARs need to elaborate on their assessment of borrower ownership as well as on the requisite steps for building and maintaining country commitment.

- Although case studies of the limited sample of countries found no generalized inference regarding how government-Bank interaction in the nature of policy dialogue can in itself guarantee ownership, it is particularly important that task managers be cognizant of and sensitive to the key country antecedents (for example, those identified in this paper) of ownership in assessing the probable impact of a country-specific program design.

- Even though government ownership should not be the sole criterion for Bank's adjustment lending, the Bank should proceed cautiously in cases where significant doubts exist regarding the degree of borrower ownership. Rushing such programs for Board approval may saddle supervision and monitoring of the program with commitment and institutional problems that should have been addressed at the program design and preparation stage. One good indication of ownership is the borrower's willingness and capacity to prepare the Letter of Development Policy. In addition, since ownership is also a dynamic concept, its progress and retrogression should be monitored continuously. In some cases, a good program design can generate a greater degree of ownership, while in others, ownership can dwindle under the pressure of short-term adjustment costs.

- For a given program, certain components may be a *sine qua non* of Bank involvement, but there may be considerable discretion over the inclusion of others. For the latter, Bank involvement should focus on policy areas where some degree of consensus can be elicited among the implementing agencies, key interest groups in the country (including academia and research institutions), and the Bank.

- Commitment can be built over time, it may also decline over time. In cases of vacillating ownership during a program, it may be prudent for the Bank to hesitate in proceeding with follow-up operations until the concerned government authorities demonstrate a genuine and continued interest in pursuing those reforms.

- Adjustment programs need to specifically include institutional development that provides incentives for the different implementing agencies to back reform objectives.
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## Annex I: List and Details of Adjustment Operations

<table>
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Note: *: PCR number; S = Satisfactory and U = Unsatisfactory.

Source: OED.
### Annex II

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Source: OED: Audits and Notes of Record/Project Information Forms.
**Annex III**

**OWNERSHIP by Components**

Y = PROGRAM OUTCOME (4 = highly satisfactory; 1 = very unsatisfactory)
X = AGGREGATE DEGREE OF OWNERSHIP (4 = very high; 1 = very low)
x1 = locus of initiative/whether program already in progress
x2 = level of intellectual conviction among key policymakers
x3 = expression of political will by top leadership
x4 = efforts toward consensus building among various constituencies

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Source: OED: PCRs, PARs, Notes of Record/Project Information Forms.


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2 Chile: Second Structural Adjustment Loan (Loan 2767-CH), 1986
3 Chile: Third Structural Adjustment Loan (Loan 2892-CH), 1987
4 Colombia: Trade Policy and Export Diversification (Loan 2551-CO), 1985
5 Indonesia: First Trade Policy Loan (Loan 2780-IND), 1987
6 Korea: First Structural Adjustment Loan (Loan 2071-KO), 1981
7 Korea: Second Structural Adjustment Loan (Loan 2354-KO), 1983
8 Morocco: Industrial Trade and Policy Adjustment Loan I (Loan 2377-MOR), 1984
9 Morocco: Industrial Trade and Policy Adjustment Loan II (Loan 2604-MOR), 1985

a12: Satisfactory Outcome and Very High Ownership
1 Indonesia: Second Trade Policy Adjustment Loan (Loan 2937-IND), 1988
2 Kenya: First Structural Adjustment Credit (Credit 999-KE), 1980
3 Malawi: Third Structural Adjustment Loan (Credits 1644/A0090-MAI), 1985
4 Mauritius: Structural Adjustment Loan I (Loan 2010-MAS), 1981
5 Mauritius: Structural Adjustment Loan II (Loan 2361-MAS), 1983
6 Mexico: Second Export Development Project (Loan 2777-ME), 1987

a13: Unsatisfactory Outcome and Very High Ownership

a14: Very Unsatisfactory Outcome and Very High Ownership
1 Jamaica: First Structural Adjustment Loan (Loan 2105-JM), 1982

a21: Highly Satisfactory Outcome and High Ownership
1 Malawi: Structural Adjustment I (Loan 2026-MAD), 1981
2 Malawi: Structural Adjustment II (Credit 1427-MAI), 1983
3 Pakistan: Fertilizer Imports Credit (Credit 1066-PAK), 1980
4 Turkey: Second Structural Adjustment Loan (Loan 1987-TU), 1981
5 Turkey: Third Structural Adjustment Loan (Loan 2158-TU), 1982
6 Zimbabwe: Manufacturing Export Promotion Project (Loan 2239-ZIM), 1983

a22: Satisfactory Outcome and High Ownership
1 Colombia: Trade and Agricultural Policy Loan (Loan 2677-CO), 1986
2 Costa Rica: Export Development Loan (Loan 2274-CR), 1983
3 Guinea: First Structural Adjustment Credit (Credits 1659-GUI and SFA A011), 1986
4 The Gambia: First Structural Adjustment Credit (Credit 1730-GM), 1986
5 Ghana: Reconstruction Import Credit I (Credit 1393-GH), 1983
6 Ghana: Reconstruction Import Credit II (Credit 1573-GH), 1985
7 Kenya: Agricultural Sector Adjustment Operation (Credit 1717-A021), 1982
8 Kenya: Industrial Sector Adjustment Credit (Credits 1927/A036-KE), 1988
9 Malawi: Smallholder Fertilizer Project (Credit 1352-MAI), 1983
10 Morocco: Agricultural Sector Adjustment Loan (Loan 2590-MOR), 1985
11 Nicaragua: Preinvestment Fund Project (Credit 1081-NI), 1980
12 Pakistan: Energy Sector Loan I (Loan 2552-PAK), 1985
13 The Philippines: Agricultural Sector/Inputs Project (Loan 2469-PH), 1984
14 Thailand: First Structural Adjustment Loan (Loan 2097-TH), 1982
15 Thailand: Second Structural Adjustment Loan (Loan 2256-TH), 1983
Annex IV (contd)

a23: **Unsatisfactory Outcome and High Ownership**
1. Central African Republic: First Structural Adjustment Credit (Credit 1732/A023-CA), 1986
2. Congo: First Structural Adjustment Loan (Loan 2866-COB), 1987

a24: **Very Unsatisfactory Outcome and High Ownership**
1. Kenya: Second Structural Adjustment Loan and Credit (Loan 2190/Credit 1276-KE), 1982
2. Yugoslavia: Structural Adjustment Loan (Loan 2326-YU), 1983

a31: **Highly Satisfactory Outcome and Low Ownership**
1. Sudan: Agricultural Rehabilitation Program I (Credit 1000-SU), 1980
2. Turkey: First Structural Adjustment Loan (Loan 1818-TU) and Supplement (1915-TU), 1980
3. Turkey: Fourth Structural Adjustment Loan (Loan 2321-TU), 1983
4. Turkey: Fifth Structural Adjustment Loan (Loan 2441-TU), 1984

a32: **Satisfactory Outcome and Low Ownership**
1. Bangladesh: Import Program Credit IX (Credit 1071-BD), 1980
2. Bangladesh: Import Program Credit X (Credit 1194-BD), 1981
3. Bangladesh: Import Program Credit XI (Credit 1300-BD), 1982
4. Côte d'Ivoire: First Structural Adjustment Loan (Loan 2058-IVC), 1981
5. Mauritania: Structural Adjustment Credit (Credit 1812-MAU/A028-MAU), 1987
7. Nepal: First Structural Adjustment Credit (Credit 1769-NEP), 1987
8. Pakistan: First Structural Adjustment Loan/Credit (Loan 2166/Credit 1255-PAK), 1982
9. Senegal: Second Structural Adjustment Credit (Credit 1656-SE), 1986
10. Senegal: Third Structural Adjustment Credit (Credit 1802-SE), 1986

a33: **Unsatisfactory Outcome and Low Ownership**
1. Bangladesh: Import Program Credit XII (Credit 1471-BD), 1984
2. Bangladesh: Import Program Credit XIII (Credit 1655-BD), 1986
3. Jamaica: Structural Adjustment Loan II (Loan 2315-JM), 1983
4. Jamaica: Structural Adjustment Loan III (Loan 2478-JM), 1984
5. The Philippines: First Structural Adjustment Loan (Loan 1903-PH), 1980
6. The Philippines: Second Structural Adjustment Loan (Loan 2266-PH), 1983

a34: **Very Unsatisfactory Outcome and Low Ownership**
2. Uganda: Second Reconstruction Program (Credit 1252-UG), 1982
3. Uganda: Third Reconstruction Program (Credit 1474-UG), 1984

a41: **Highly Satisfactory Outcome and Very Low Ownership**

a42: **Satisfactory Outcome and Very Low Ownership**
1. Senegal: Structural Adjustment Loan and Credit (Loan 1931/Credit 1084-SE), 1980
2. Togo: First Structural Adjustment Credit (Credit 1365-TO), 1983
3. Togo: Second Structural Adjustment Credit (Credits 1599/A2-TO), 1985
Annex IV (contd)

**a43: Unsatisfactory Outcome and Very Low Ownership**
1. Ghana: Export Rehabilitation Project (Credits 1435/1436-GH), 1984
2. Brazil: Export Development Project (Loan 2347-BR), 1983
4. Pakistan: Export Development Loan (Loan 2701-PAK), 1986
5. Sudan: Agricultural Rehabilitation Program II (Credit 1389-SU), 1983
6. Uruguay: Agricultural Sector Loan (Loan 2468-UR), 1984
7. Zaire: Industrial Sector Adjustment Credit (Credit 1708-ZR/A19-ZR), 1986

**a44: Very Unsatisfactory Outcome and Very Low Ownership**
1. Bolivia: Structural Adjustment Loan (Loan 1865-BO), 1980
2. Brazil: Agricultural Credit and Export Development Project (Loan 2348-BR), 1983
3. Cote d'Ivoire: Second Structural Adjustment Loan (Loan 2332-IVC), 1983
4. Cote d'Ivoire: Third Structural Adjustment Loan (Loan 2711-IVC), 1986
5. Guyana: Structural Adjustment Loan and Credit (Loan 1948/Credit 1098-GUA), 1981
7. Tanzania: Export Rehabilitation Credit (Credit 1133-TA), 1981

**Source:** OED: Audits and Notes of Record/Project Information Forms.
Technical Note on Statistical Analysis of 82\textsuperscript{1} Operations in 38 countries

Program Outcome (dependent variable: y)

Source: OED Annual Review database (satisfactory/unsatisfactory rating) of the 82 operations audited (as of September 30, 1991) in 38 countries—supplemented by the available (57) Notes of Record/Project Information Forms. For the remainder (25), inference was used from the conclusions of those audits. The range of the outcome of the program, as categorized in those documents, is as follows:

4: highly satisfactory
3: satisfactory
2: unsatisfactory
1: very unsatisfactory

Borrower Ownership (independent variable x...)

On a similar very high–very low (4-1) scale, aggregate as well as decomposed ratings of borrower ownership are based on the review of the 81 PARs pertaining to 38 countries.

Correlation Results

(i) Chi-squares statistics were used to test the null hypothesis of no association between the row variable and the column variable. The analysis of the 4 x 4 contingency table yields a very significant relationship at 0.1\% level between program outcome and the extent of borrower ownership.

(ii) Ordinary Least Squares (OLS) regression results also indicate a positive correlation between the extent of success and the degree of ownership. Amongst the various characteristics of ownership, expression of political will by top leadership appears to be the most significant explanatory variable.

(iii) The results of logit and probit regressions were significant in both instances. For the logit results, the positive coefficient of the explanatory variable indicates that the log of the odds ratio in favor of program success increases with a unit increase\textsuperscript{2} in the ownership index. Similarly, for the probit results, the positive coefficient of the explanatory variable indicates that a unit increase in the ownership index will lead to an increase\textsuperscript{3} in the probability of success of the program.

\textsuperscript{1}Insufficient information was available on Bangladesh’s Eighth Imports Program Credit (Credit 980-BD), 1980.

\textsuperscript{2}The magnitude of increase is of interest only when calculating probabilities from the independent variables \(x_i\) using the estimated coefficients. It can thus be shown that the positive \(b\) indicates an increase in the probability of success given a unit increase in the ownership index.

\textsuperscript{3}In this case, the link to probability is more direct in that \(b\) is the marginal movement (increase) along the standard normal Cumulative Distribution Function (CDF) for a given change in the independent variable \(x\) from its sample mean. This implies that the slope obtained can be transformed into the marginal change in probability.
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