A Borrower’s View of the World Bank: Is It Effective?

A Gallup survey of borrowing countries’ views and an OED study reviewed the Bank’s project preparation and appraisal process. Both reports noted weaknesses that, while not requiring an overhaul of current process standards, suggest that these be fine-tuned—particularly by targeting local-level concerns more effectively.

The strengths of the appraisal process outweigh its weaknesses. In particular, the “efficacy” of the process has improved steadily since the early 1980s. This is all the more noteworthy because the Bank’s development agenda has increasingly become more demanding. The overall assessment of borrowers is clearly positive. A majority of survey respondents say that the Bank’s performance is solid, has improved in the past five years, and surpasses the performance of other multilateral development banks (MDBs). Most are satisfied with the Bank staff’s professional and communications skills and the Bank’s ability to apply global best-practices, make procurement more efficient, serve as a catalyst for co-financing, and design effective sector policy reform.

But the news is not all good. Improvements in the efficacy have not been accompanied by greater efficiency. The average unit cost of the process has grown steadily in the 1990s. The survey results suggest a gap between the Bank and key stakeholders—particularly NGOs, the private sector, and the beneficiaries. While the Bank’s performance is generally better than that of other MDBs, it is lagging behind them in critical areas—responsiveness to and focus on borrowers, and the timeliness of response. Other OED evaluations have cited weak-
nesses in the Bank’s processes for capturing and assessing environmental, poverty, and institutional needs.

**The Borrower Survey**
The telephone survey covered 281 randomly selected respondents from 750 people familiar with Bank projects, including those working for central and sectoral ministries, implementing agencies, public enterprises, and local NGOs. Respondents came from four sectors (agriculture, infrastructure, social, and finance), drawn from 30 countries that broadly represent the region’s coverage, country size, and country income level of the Bank’s portfolio. These include new and established borrowers.

**How Well Does the Bank Address Borrowers’ Needs?**
The Bank is effective at targeting economic growth and public-sector management needs (47 percent and 39 percent of respondents, respectively, said “very much”), less so at addressing poverty reduction (27 percent said “very much,” and 48 percent said “some”) and environmental management (33 percent and 42 percent, respectively).

The majority (72 percent) of respondents said that the effectiveness of the Bank’s project design has improved, particularly its sectoral policy reform and project design options. Respondents were less enthusiastic about the effectiveness of project design in adapting to future changes in course and targeting institutional capacity.

The Bank is sometimes viewed as overestimating the borrower’s real needs. More than 20 percent stated that the Bank insists “very much” on policy conditions and the services of experts that respondents deem irrelevant (as compared with 10 percent for physical components). Negative views were more prevalent among NGO respondents.

**Responsiveness, Helpfulness, and Stakeholder Participation**
Respondents stated that the Bank has improved the project preparation and appraisal process—particularly by serving as a catalyst for co-financing, improving the transparency of procurement, and applying global best practices. Some respondents held a negative view of the Bank’s effectiveness at consensus building (25 percent said “not at all” or a “little”) and using local resources fully (37 percent).

Often, respondents cited concerns about the Bank’s excessive control. The perception is reflected in two lines of inquiry:

**The Usefulness of Bank Mechanisms and Entities**
The Bank scored well on the usefulness of two mechanisms—Bank loan conditions and input by the resident mission (89 percent and 81 percent, respectively, said “somewhat useful” and “very useful”). Loan conditionality was found particularly useful by respondents from the financial sector and from new borrowing countries. But the Bank did not score well on its use of consultants in Bank missions: More than 40 percent said the proportion of consultants was excessive. Again, NGO respondents were the least likely to view the mix favorably, while respondents from ministries were more likely to be positive.

**How Well Does the Bank Perform?**
Respondents were “satisfied” or “very satisfied” with Bank staff’s interpersonal skills and their technical ex-
pertise. However, a significant percentage (ranging from 18 to 22 percent) were “very dissatisfied” or “dissatisfied” with three aspects—the Bank team’s continuity, the expertise in institutional matters, and country familiarity.

The vast majority of respondents stated that the Bank has performed better than (54 percent) or as well (38 percent) as other MDBs—with, for example, better technical competence, procedures, and policy advice. Most believed that the Bank’s performance has improved in the past five years (64 percent) or remained the same (26 percent). Areas of improvement included the Bank’s understanding of the complexity of the country and of the private sector, ability to draw on local participation, increased focus on the environment, and more efficient project appraisal process overall. Despite these improvements, borrowers still see the components as weak links of the process.

The OED Study
The study uses Bank staff interviews, focus groups, and “hard” statistical data to assess the six basic dimensions of project appraisal defined in the Operational Manual Statement (OMS) 2.20—economic, technical/environmental, institutional, financial, commercial, and sociological. The study builds on and supports the analysis of the survey findings.

Efficacy
The primary measure of output for the appraisal process is quality at entry. OED ratings for completed projects and ECON (overall) ratings for projects approved since 1991 suggest that the overall quality of entry has improved steadily since the mid-1980s. But as the Bank’s appraisal requirements have gradually become more comprehensive to reflect an increasingly demanding developmental agenda—the environment, institutions, and social sectors, including involuntary resettlements and indigenous peoples—the pace of improvement has slowed slightly. Yet the steady improvement in the efficacy of project appraisal—the extent to which the evolving standards have been met—is noteworthy.

The study’s findings point to significant differences in quality at entry across sectors—weaknesses in water supply, urban, and, more recently, the environment, and strengths in education and public health. Similarly, significant differences exist across regional lines—consistently strong quality in East Asia, some improvement in Africa and the Middle East, but a recent deterioration in Latin America and Central Asia.

Efficiency
Available data on critical measures of inputs (or “efficiency”) provide a contrasting picture of performance: the rate at which inputs have grown during the 1990s has exceeded the more modest improvement in quality-of-entry ratings during the same time period. Two dimensions reflect this trend. One, the average total lending cost per project (expressed in staff weeks) increased steadily throughout the 1990s (particularly when the recorded cost of Trust Fund consultants related to project lending is included). And, two, the cost of dropping projects has increased substantially in recent years, most dramatically in AFR. Nor has there been improvement in the average total processing time (from Initial Executive Project Summaries to loan approval), which has remained about the same in the past eight years.

This apparent worsening trend in the efficiency of the appraisal process had its roots, until recently, in the persistence of some critical constraints evidenced by the OED study:

- inflexible lending instruments (which made experimentation and piloting difficult and unnecessarily expensive);
- rigid internal procedures (particularly uniform documentation requirements and review/clearance processes); and
- an insulated Bank culture that emphasized analytical breadth, rewarded larger and more visible interventions, discouraged risk-taking, diffused accountability, and downplayed the need for external feedback.

How the Process Can Be Refined
The main challenge to the Bank’s project appraisal process is to sustain the steady improvement in quality at entry in the past decade while reversing the recent deterioration on the input side.

The survey confirmed that the process should encourage ownership and increase participation at the borrower level. Substantial analyses show that borrower participation is a strong predictor of quality at entry: it is currently one of the weakest areas of project appraisal.
The Bank should intensify its efforts to foster greater borrower and beneficiary involvement in project preparation and appraisal—decentralizing country management functions, undertaking more participatory Country Assistance Strategies, providing training in participatory and facilitation techniques, and making the new appraisal framework more explicit. The Bank should provide supervisory support to weak borrowers, along with best-practice lessons and tailor-made training. Borrower ownership should be fostered by mainstreaming regular feedback mechanisms (such as the survey carried out for the study) at the country-unit and institutional levels.