ResearchGate

See discussions, stats, and author profiles for this publication at: https://www.researchgate.net/publication/228959367

Good Governance and Aid Effectiveness: The World Bank and Conditionality

Article · January 2001

CITATIONS
201

READS
16,702

1 author:



Carlos Santiso
Inter-American Development Bank
95 PUBLICATIONS **977** CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:

Govtech and the future of government in the digital age View project

Clean investing: Three ways for investors to fight corruption View project

All content following this page was uploaded by Carlos Santiso on 14 July 2014.

The user has requested enhancement of the downloaded file.

Good Governance and Aid Effectiveness: The World Bank and Conditionality

CARLOS SANTISO
Paul H Nitze School of Advanced International Studies
Johns Hopkins University

The Georgetown Public Policy Review
Volume 7 Number 1 Fall 2001, pp.1-22

ABSTRACT

Prompted by concerns over the effectiveness of aid, the World Bank has significantly stretched its policy frontiers by endorsing "good governance" as a core element of its development strategy. Governance, which captures the manner in which power is exercised in the management of a country's economic and social resources for development, is a multifaceted concept. Limited by its restrictive mandate and institutional ethos, the Bank has adopted a restrictive approach, confining itself to the economic dimensions of governance. Nevertheless, this evolution represents an ambivalent enterprise with both promises and dilemmas, as the inherent tension between the economic and political dimensions of governance appears the most contentious issue. While democracy tends to refer to the legitimacy of government, good governance refers to the effectiveness of government. This article assesses the Bank's approach for promoting good governance in developing countries. It argues that that the *quality* of governance is ultimately attributable to its democratic content. Neither democracy nor good governance is sustainable without the other. Consequently, democracy and good governance need to converge, both conceptually and practically, in the study and practice of public policy-making. Therefore, for the Bank to substantially improve good governance in developing countries, it will need to explicitly address issues of power, politics and democracy. The article further argues that aid conditionality is not the most appropriate approach to strengthen good governance in developing countries. What is needed is a more radical approach in which donors cede control to the recipient country, within the framework of agreed-upon objectives.

ABOUT THE AUTHOR

Carlos Santiso is a doctoral candidate at the Paul H Nitze School of Advanced International Studies of Johns Hopkins University in Washington DC, United States, working on democratization and governance reform in emerging markets, and in particular the reform of the state and the rule of law. He previously served at the International Institute for Democracy and Electoral Assistance (1996-2000) and the Cabinet of the French Prime Minister (1995-1996). He is a consultant for various international organization, bilateral aid agencies, and research think-tanks. Contact details: Carlos Santiso, 1851 North Scott Street, 261, Arlington VA 22209, United States. Tel and fax: 1 703 741 7619. E-mail: csantiso@hotmail.com

ACKNOWLEDGEMENTS

Earlier versions were presented at a World Bank conference on development economics (ABCDE) in Paris, France, in June 2000, and at a summer workshop of the Academic Council of the United Nations System (ACUNS) in Warwick, United Kingdom, in August 2000. The author gratefully acknowledges the inspiring conversations with and the comments made on previous drafts by Anja Linder, Roel von Meijenfeldt, John Williamson, Arne Dish, cheryl Gray, Morten Bøås, Jan Aart Scholte, Massimo Tomassoli, Monique Bergeron, and Mwihaki Kimura.

INTRODUCTION: GOOD GOVERNANCE AND DEVELOPMENT ASSISTANCE

"Justice without strength is helpless, strength without justice is tyrannical.
Unable to make what is just strong, we have made what is strong just."
Pascal, *Pensées* (1670)

Aid strategies are undergoing fundamental reassessment. In recent years, the strengthening of good governance in developing countries has become both an *objective* of and a *condition* for development assistance. However, combining these two aims in aid policies represents a daunting challenge for development institutions (Santiso 2001).

This article sets out to examine the World Bank's efforts at strengthening good governance in developing countries and improving the effectiveness of aid. It focuses on the relationship between good governance and aid effectiveness in providing a critical assessment of the Bank's approach to governance reform in developing countries. It scrutinizes the shifts in policies and strategies of the Bank during the 1990s as well as the research it generated to support them.

The wide array of issues under "governance" occupies center stage in the development debate and the agenda of the International Financial Institutions (IFIs). The concept of governance captures "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank 1992, 1). Devesh Kapur and Richard Webb attest that "For the IFIs, the new mandate is a boost to their importance, but one fraught with peril. The new mission arrived at a moment when growing doubts regarding the purpose and effectiveness of the IFIs seemed to threaten their funding, and even their continued existence" (2000, 18).

However, the approaches used to strengthen good governance in developing countries remain strikingly similar to those used to promote economic reform. Aid conditionality, i.e. conditioning aid on a number of prerequisites and promises of reform, has been extended from the economic realm to the political arena. During the 1980s and 1990s, the scope of these conditionalities both widened and deepened as IFIs attempted governmental and social re-engineering.

The Bank has significantly stretched its policy frontiers by endorsing 'good governance' as a core element of its development strategy. Since 1996 the Bank has begun over 600 governance related programs and initiatives in 95 countries and is involved in supporting significant programs of governance and public sector reform in 50 countries (Development Committee 2000). Some argue the new governance agenda is merely, a smorgasbord of economic and political prescriptions for development and a "fig leaf" hiding renewed conditionalities. Nevertheless, introducing the concept of good governance has resulted in a broadened understanding of development and has significantly altered the agenda of IFIs. More fundamentally, it has affected what they do and how they do it. Assessing *The World Bank at the Millennium*, forthright former Bank Chief Economist Joseph Stiglitz asserts: "Views about development have changed in the World Bank, as they have in the development community. Today there is concern about broader objectives, entailing more instruments, than was the case earlier" (1999, F587).

The introduction of the concept of governance in the development agenda reflects growing concerns over the effectiveness of aid whose ultimate aim is to reduce poverty and human

suffering. Confronted with declining aid budgets and increased scrutiny by civil society, the Bank has given greater consideration to the pervasive effects of mismanagement and endemic corruption. Furthermore, the Bank's involvement in governance work has also upset the traditional division of labor between the United Nations (UN) agencies and the IFIs, questioning their respective roles in global governance. This has resulted in considerable encroachment on other organizations' traditional institutional territory (a trend commonly referred to as "mission creep"). The reform of multilateral development finance is thus an integral component of current efforts at reforming the international financial architecture.

The governance agenda promoted by the Bank represents an ambivalent enterprise plagued with both promises and dilemmas. Reforming the systems of governance is a politically sensitive endeavor that has traditionally been considered outside its core mandate. The Bank's founding charter prohibits it from taking into account political considerations when designing aid programs. A remnant of the bipolar confrontation of the Cold War, this legal restriction is antiquated and should be revised.

Furthermore, the mainstreaming of good governance has been fragmented, leading to multiple understandings of the concept, as it originated within neo-liberal economic development paradigm. This approach tends to give governance a false sense of political neutrality, as it portrays development without politics. The Bank's understanding of good governance continues to reflect a concern over the effectiveness of the state rather than the equity of the economic system and the legitimacy of the power structure.
Openly criticized by nongovernmental organizations (NGOs), its main stakeholder the United States and its most respected economists (Easterly 2001), the Bank is at a critical juncture in its history. It plays a central role in global governance and its leverage in the aid regime remains important. The Bank has significantly shaped development thinking and "has acquired a quasi-monopoly on institutional knowledge in the field of economic development" (Hiboux 2000, 3). "The Bank does not just lend money and produce ideas: it packages the ideas and the money together", combining lending with conditionality (Gilbert, Powell and Vines 1999, F610). These considerations command a critical look at the Banks' intellectual ethos and modes of operation.

This article argues that the quality of governance is ultimately attributable to its democratic content. Therefore, for the Bank to substantially improve good governance in borrowing countries and reinvent itself, it will need to explicitly address issues of power, politics and democracy. The article further argues that aid conditionality is not the most appropriate approach for strengthening good governance in developing countries. What is needed is a more radical approach in which donors cede control to the recipient country, within the framework of agreed-upon objectives. As the sixteenth century French thinker Pascal would have said, "Unable to make what is just strong, we have made what is strong just".

THE ORIGINS OF A CONTROVERSIAL CONCEPT

Although the concept of good governance is increasingly being used, its contours remain uncertain. Aid practitioners have not yet been able to articulate an unambiguous and operational definition of the concept. A variety of definitions, greatly differing in scope, rationale and objectives, have been advanced. This multitude of definitions has generated an increasing confusion regarding the boundaries of the concept.

An Innovative Concept

The notion of good governance is relatively new. It surfaced in 1989 in the World Bank's report on Sub-Saharan Africa, which characterized the crisis in the region as a "crisis of governance" (World Bank 1989). It then represented an important departure from previous policy, prompted in large part by the experience in Africa. The main thrust behind its introduction in the Bank's corporate policies resides in the continuing lack of effectiveness of aid, the feeble commitment to reform of recipient governments and the persistence of endemic corruption in developing countries. In addressing governance, the Bank calls into question the ability, capacity and willingness of political authorities to govern effectively in the common interest. There is heightened awareness that the *quality* of a country's governance system is a key determinant of the ability to pursue sustainable economic and social development.

According to the Bank's own definition, governance encompasses the form of political regime; the process by which authority is exercised in the management of a country's economic and social resources for development; and the capacity of governments to design, formulate and implement policies and discharge functions (World Bank 1991 1992 1994; World Bank 2000a). However, while recognizing the importance of the political dimensions of governance, the Bank interprets the concept restrictively, arguing that the first aspect – whether a government is democratic or not - falls outside its mandate. As a result, it focuses on the economic dimensions of good governance, which has been equated with 'sound development management'.[1] Consequently, the main thrust of governance-related activities has been public sector management, financial management, the modernization of public administration, and the privatization of state-owned enterprises.

However, the shift from the notion of governance to *good* governance introduces a normative dimension addressing the quality of governance. A good governance system puts further requirements on the process of decision-making and public policy formulation. It extends beyond the capacity of public sector to the rules that create a legitimate, effective and efficient framework for the conduct of public policy. It implies managing public affairs in a transparent, accountable, participatory and equitable manner. It entails effective participation in public policy-making, the prevalence of the rule of law and an independent judiciary, institutional checks and balances through horizontal and vertical separation of powers, and effective oversight agencies. Researchers at the World Bank Institute have distinguished six main dimensions of good governance:

- Voice and accountability, which includes civil liberties and political stability;
- Government effectiveness, which includes the quality of policy making and public service delivery;
- The lack of regulatory burden;
- The rule of law, which includes protection of property rights; and
- Independence of the judiciary; and control of corruption.

(Kaufmann, Kraay and Zoido-Lobaton 1999)

There are understandable justifications for such a restraint. The pressure by donor governments to address endemic corruption, bureaucratic ineptness and economic mismanagement had to be accommodated by the Bank. Framing governance as a technical question has permitted the Bank to justify its involvement in governance issues while remaining within the boundaries of its mandate. Conceptualizing governance in functional terms has enabled the Bank to address governance failures in developing countries and smooth resistance from its varied constituency.

Nevertheless, this compromise has been fragile and constantly questioned in the course of the 1990s, either as inadequate or unacceptable.

The Limits of the Technocratic Consensus

There are limits to what Morten Bøås (2001) calls the 'technocratic consensus'. "Governance is a difficult concept for the multilateral development banks that do not want to be seen as political and have since their establishment advocated a doctrine of political neutrality. They have embraced the functionalist logic that technical and economic questions can be separated from politics" (Bøås 2001, 2). The functionalist approach gives the illusion that technical solutions can solve political problems: "Politics is treated as a negative input into policy decision-making" (Grindle 2001, 370), as the politics of self-interest and rent-seeking negatively distort policy choice. This approach echoes the consensus on rational choice theory according to which policy is created in a fairly orderly sequence of stages. However, this model fails to capture "The essence of policy making in political communities: the struggle over ideas" (Stone 1989, 7) and the process framing public policy-making. It circumvents politics by negating it.

For economists who dominate the Bank's ethos, policy is essentially a sphere of rational analysis, whereas politics is the sphere of irrationality. Their approach to governance is thus aimed at extricating policy from politics, assuming that analysis and politics can be separated in the process of public policy-making. This continues to guide the Bank's approach to governance reform. Political contexts offer both constraints and opportunities for change. Indeed, the shortcomings of the market-oriented economic reforms of the late 1980s and 1990s reside in their insufficient consideration of the political economy of policy reform.

Despite its legal limitations, the Bank struggles to separate the economic and political aspects of good governance. This tension surfaced as early as 1991 when the Bank recognized that the reasons for underdevelopment and misgovernment are "sometimes attributable to weak institutions, lack of an adequate legal framework, damaging discretionary interventions, uncertain and variable policy frameworks and a closed decision-making process which increases risks of corruption and waste" (World Bank 1991, i). These concerns do not refer only to the soundness of economic management but also to the overall quality of the political system and ultimately to the nature of the political regime. A similar tension between the economic and political dimensions of good governance can be found in the International Monetary Fund (IMF 1997; James 1998).

As Moises Naím (1994, 4) asserts, the IFIs "have to reconcile their political character with their technical vocation". The inherent tension between the economic and political dimensions of good governance appears the most contentious conceptual issue. While democracy tends to refer to the *legitimacy* of government, good governance refers to the *effectiveness* of government. Consequently, one could in theory be strengthened and promoted independently from the other, as both have value in their own right. Nevertheless, as the legitimacy and effectiveness of government are not always congruent in reality, the relationship between democracy and good governance is laden with controversies. There are still no clear or settled ideas about how effective governance and democratic consolidation should be suitably defined, let alone how they could be supported from abroad. Good governance, although theoretically distinct from democracy, often substantially overlaps with it in practice. Incorporating the promotion of democracy and the strengthening of good governance in aid policies is a permanent challenge and aid agencies have difficulty in advancing these intertwined agendas.

GOVERNANCE AND ECONOMIC DEVELOPMENT

Recent research on the political economy of policy reform suggests that the influence of the political context on economic performance is paramount. If political systems can be held responsible for slow economic development, it is because of fundamental weaknesses in governance institutions. Institutional economics maintains that economic reform and poverty reduction strategies will not succeed without effective democratic institutions. David Dollar and Jacob Svensson (1998) found several political and institutional features associated with successful reform programs. They suggest that the success of adjustment loans can largely be predicted by a country's underlying institutional and political features, including whether the government was democratically elected and how long it has been in power, with post-conflict and transition countries being specific cases. In general, newly elected governments have a higher rate of success with reform than authoritarian governments in power for a long time. The election of a new government opens a window of opportunity enabling it to launch audacious reforms.

Well-institutionalized democracies are more likely to produce, over the long run, effective, efficient and sustainable economic and social policies, because they provide effective and stable institutional and procedural mechanisms to represent interests, arbitrate disputes, provide checks and balances, and negotiate change. According to Dani Rodrik (2000), political institutions matter for economic development because of the propensity of democracies to moderate social conflict and induce compromise. Jonathan Isham Daniel Kaufman, and Lant Pritchett (1997) find that effective citizen voice and public accountability often leads to greater efficacy in government action and a more efficient allocation of resources. More fundamentally, open governance systems are more likely to generate responsible and responsive government and thus adopt pro-poor public policies. Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton (1999) show that these various aspects of good governance are significantly associated with income levels in the expected manner. *Effective* democratic institutions, rather then their mere formal existence, are thus key.

The quality of democratic institutions determines the ability of governments to respond to financial crises. Examining the response of Southeast Asian countries to the 1997 financial crisis, Dani Rodrik (1999, 28) argues that "Adjustment to shocks will tend to be worse in countries with deep latent social conflicts and with poor institutions of conflict management". Indeed, democratic institutions provide mechanisms of regulation to ease out economic crises and respond to them more effectively. Elections provide a mechanism for rebuilding the legitimacy and authority of government, and consequently the credibility of the economic reforms needed to address the financial crisis.

The comparison between South Korea and Indonesia in 1997-1999 is particularly striking. As Stephan Haggard argues, political factors are crucial to understanding the East Asian crisis and the different ways in which democracies and authoritarian regimes responded to it. Unlike Indonesia under the authoritarian rule of President Suharto, South Korea was able to use the elections of December 1997 to restore confidence in government and lend credibility to structural reforms. The events of late 1997 exposed the structural weaknesses of authoritarian rule in Indonesia, ultimately leading to the breakdown of the regime and collapse of the country. In South Korea, a new reform-oriented government came into office and Kim Dae Jung was able to initiate important policy reforms and initiate recovery.

The quality of democratic institutions is also believed to affect the effectiveness of aid by providing accountability mechanisms in the management of external resources. In a recent study, Svensson (1999, 275) finds that "in the long-run growth impact of aid is conditional on the degree of political and civil liberties in the recipient country. Aid has a positive impact on growth in countries with institutionalized and well functioning checks on governmental power."

CONDITIONALITY AND AID EFFECTIVENESS

The Failure of Conditionality

The Bank's use of traditional approaches to strengthen good governance in developing countries is misguided. The introduction of governance concerns in aid policies resulted from the failure of past strategies to promote specific policies and induce policy changes in developing countries. In particular, the notion and practice of conditionality have spawned an intense controversy. Defined as "a mutual arrangement by which a government takes, or promises to take, certain policy actions, in support of which an international financial institution or other agency will provide specified amounts of financial assistance" (Killick 1998, 6), aid conditionality represents an attempt by donors to use aid as an incentive for reforming the policies and institutions of developing countries.[2]

The Bank's policy-based lending and structural adjustment programs include a wide array of policy and structural conditions. Aid without some sort of conditionality is unthinkable and politically impossible, as donor governments must account for the use of their taxpayers' money. Nevertheless, while the principle of conditionality has some legitimizing arguments, it is open to criticism as to the way it is applied and its ultimate effectiveness in achieving its intended objectives. Reviewing the experience in Southeast Asia and Latin America with structural adjustment lending, Killick (1998) demonstrates the inability of conditionality to act as a credible mechanism to induce policy reform.

The failure of conditionality to attain its desired objectives and bring about sustained policy reforms is widely recognized. Catherine Gwin and Joan Nelson (1997) argue "aid is only effective in promoting growth in a good policy environment, and on the whole, it has not succeeded in leveraging good policies." Killick dismisses the belief that aid tied to conditionality can buy better policies, at least in a sustainable way, and anchor sound governance institutions. The failings of conditionality reside in its inability "to create an incentive system sufficient to induce recipient governments to implement policy reforms they otherwise would not undertake, or would undertake more gradually" (Killick 1998, 163). In the general case, conditionality is not a credible commitment mechanism.

Conditionality cannot substitute or circumvent domestic ownership of and commitment to reform. Evaluating aid conditionality in the African context, Paul Collier, Director of Research at the World Bank, asserts that "The IFIs have radically overestimated their own power in attempting to induce reform in very poor policy environments. They have, in effect, ignored domestic politics" (1999, 325-326). Furthermore, the fungibility argument questions the extent to which policy-based lending can contribute to its intended objectives. Aid is said to be fungible because the marginal increase in public expenditure in response to an aid inflow is not the expenditure toward which the aid was targeted. Aid tends to free-up resources (World Bank 1998). As a result, it becomes critical to assess and influence the quality overall government spending, rather than focus on sectorial spending. The Bank now regularly conducts Public Expenditure Reviews (PER).

Overall, aid agencies have had limited influence on the decisions to embark on economic reforms and their successful implementation. Indeed, a study by Paul Mosley, Jane Harrigan and John Toye (1991) finds no clear association between the intensity of conditionality and success in implementation of promised reforms. In order to alleviate the 'credibility problem', Collier (1999) argues the IFIs must radically redesign their lending policies, revisit their traditional assumptions and adopt a more selective approach rewarding good behavior and performance.

Conditionality has had perverse effects. It undermines the domestic democratic processes by supplanting public policy-making. Collier warns against the abuse of conditionality: "The extension of the practice of conditionality from the occasional circumstances of crisis management to the continuous process of general economic policy-making has implied a transfer of sovereignty which is not only unprecedented but is often dysfunctional" (1999, 319).

The Centrality of Ownership

Using conditionality to induce governance reform results in a fundamental paradox. It tends to make improvements in governance *both* a condition and a goal of development aid. Since these dual objectives can hardly be met in practice, the tension becomes a contradiction in operational terms. Furthermore, governance-related conditionality is confronted with the traditional dilemma of external assistance: loans or grants will not yield the desired results unless the recipients are credibly committed to reform. External support to policy change has all too often failed to offset a lack of local commitment and ownership of reform. The use of financial leverage is not a substitute for weak domestic institutions or feeble political will. Some Bank researchers suggest that aid dependence can even undermine the quality of governance. For instance, Stephen Knack (2000) finds that over the period 1982-95, aid has been associated with an increase in corruption, deterioration in the quality of the bureaucracy and a weakening of the rule of law. Without going to such extremes, it appears clear that aid policies are in dire need of reform.

Ownership of and commitment to economic and political reform have progressively been identified as major determinants of aid effectiveness. Miles Kahler (1992) shows a positive association between government commitment to reform and program implementation: in nine out of 16 programs with high implementation levels strong prior government commitment to reform was strong; in eight of 11 poorly executed programs government commitment was low. Broadly, external agencies were less important than domestic political forces in determining the timing and scope of adjustment decisions. Conditionality tends to undermine countries' ownership of the reforms and delay its implementation. However, while it is now widely recognized that ownership does matter for development and aid effectiveness, fostering a sense of partnership remains an elusive quest.

Towards Greater Selectivity

It is now believed that the effect of aid on growth tends to increase with the quality of policy. As a consequence, aid would be more effective if it were either more systematically targeted to poor countries with sound economic reform programs or used to promote good policies. The influential research by World Bank economists Craig Burnside and David Dollar (1997, 1998) on the impact of aid, policy and growth shows that aid has been highly successful in reducing poverty and promoting growth in countries with sound economic management and robust government institutions. These authors found no evidence that the amount of aid systematically

affected policy. This finding is substantiated by a recent on Sub Saharan African countries (Devarajan, Dollar, and Holgren 2001), which shows that aid cannot buy reform and that the conditionality attached to adjustment loans did not successfully induce policy change. However, when reforms have been initiated, foreign assistance helped accompany reform and assuaged social costs of adjustment. For example, in Ghana, balance of payment support provided the government with the breathing space it required to contain domestic opposition to market-based reforms.

Furthermore, the pervasive effects of corruption on economic management and aid effectiveness have been a major source of concern for the Bank since the early 1990s, as foreign finance tends to become a source of rents. "Aid allocation needs to take corruption into account because, even if aid cannot significantly reduce corruption, corruption can significantly impair aid effectiveness" (Collier and Dollar 2001, 21).

The Bank's 1998 report *Assessing Aid: What Works, What Doesn't and Why* recommends a more systematic targeting of aid to poor countries with sound policies and effective institutions. The objective of this system is to increase the effectiveness of aid by concentrating it in those countries showing genuine commitment to improving governance. This strategy creates a performance-based allocation system which links the allocation of aid to the government's performance at promoting sustainable development and reducing poverty. It encourages the aid community to link aid to performance and not to promises.

As a result, aid is increasingly becoming determined not only by the objective needs of the recipient country but also by its performance in implementing reforms. As Anne Krueger, former Bank Vice President and current Deputy Managing Director of the IMF, points out: "For the World Bank, it will need to differentiate carefully between countries where reforms are serious and stand a reasonable prospect of success and those in which window dressing is used as a means of seeking additional funding" (Krueger 1998, 31).

The Bank has amended its operational guidelines to give good governance greater importance in adjustment and investment lending operations (Santiso 2000). The Bank's Country Assistance Strategies (CAS) and the World Bank/IMF Poverty Reduction Strategy Papers (PRSP) now integrate considerations over the quality of governance and since 1999 the Bank has been conducting Institutional and Governance Reviews (IGR). Similarly, the 12th replenishment of the International Development Association (IDA) resources has introduced a performance-based allocation system. IDA, which provides highly concessional resources to low-income countries to address poverty, amended its guidelines to better assess governance reform in recipient countries. Aid allocations now take into account the efforts made to improve governance The Highly Indebted Poor Country Initiative (HIPC) of the World Bank and the IMF, which is aimed at relieving the debt burden of least developed countries, links debt relief to policy reform.

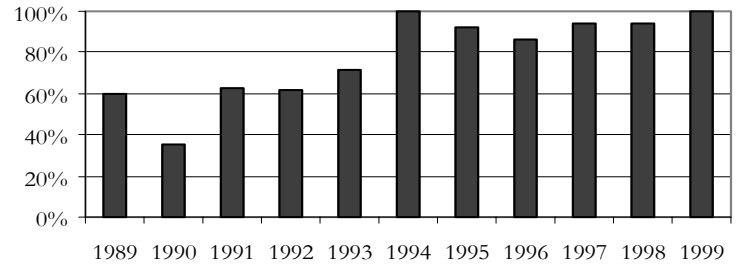
Donor governments have been instrumental in advocating greater selectivity. Regime features are increasingly used as criteria for selecting the main recipients of aid as well as the scope and amount of the assistance provided through bilateral aid. Donors have significantly influenced Bank lending, in particular its IDA component which greatly depends on grants from donor governments.

The Pitfalls of Selectivity

The practice of selectivity has often contradicted the evidence, suggesting that political considerations remain important in determining aid flows, especially for large donors and multilateral institutions. Research on aid policy has found that there is no direct relationship between development aid flows and policy reform (Burnside and Dollar, 1997) and in general, donors have not effectively tailored their assistance to the specific country and phase of the reform process (Devarajan, Dollar and Holgren, 2001). Better policies and improving performance all too often leads to decreasing levels of development aid (Collier and Dollar, 1998), sending the wrong signal. These researchers argue good performance should not become a pretext for a reduction of development aid.

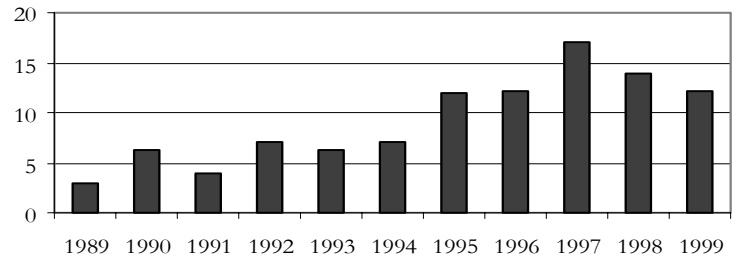
Aid selectivity has been criticized on a number of grounds. First, despite these research findings, the use of conditionality has expanded in scope and depth in the course of the 1990s. As the IMF itself recognizes, the share of programs with structural conditions and the average number of conditions per program have increased significantly during the past decade: from 1989 to 1999, share of programs with structural conditions has increased from 60% to 100% and the average number of structural conditions per program has increased from 3 to 12. Figures 1 and 2 summarize the burden of conditionality.

Figure 1: Share of Programs with Structural Conditions (1989-1999)



Source: IMF 2001a, 25

Figure 2: Average Number of Structural Conditions (per program per year, 1989-1999)



Source: IMF 2001b, 10

Most governance-related conditionalities are related transparency and accountability issues in the fiscal sector (IMF, 2001c). However, quantitative measures of conditionality are rendered difficult by the plasticity of the concept. Using a broader definition of conditionality, Kapur and Webb (2000, 4) note that, "even if conditionality is interpreted narrowly, its burden on borrowers has grown significantly. The average number of criteria for a sample of 25 countries having a program with the IMF in 1999, with programs initiated between 1997 and 1999, is 26. This compares to about six in the 1970s and ten in the 1980s". For example, according to Kapur and Webb's data, the IMF program with Indonesia of 1997 contained 81 conditions, of which 48 were governance related. In 1999, Kyrgystan's program had 130 conditions, 97 of which were governance-related, while in Senegal's program, these figures were 165 and 99 respectively.

As Table 1 and 2 show, governance-related conditionalities represent the bulk of the conditions imposed by the IFIs. The question then becomes whether poor countries have the capacity to manage simultaneously a wide variety of reforms, some of which with dubious urgency. As a result, upon assuming office in 2000, the IMF's Managing Director, Hans Köhler, has launched an effort at streamlining and focusing structural conditionality (IMF 2000).

Table 1: The Burden of Conditionality

	Conditionality Strictly Defined			**Conditionality Loosely Defined**		
	Total conditionalities (average)	Of which governance-related conditionalities	As a percentage of total conditionalities	Total conditionalities (average)	Of which governance-related conditionalities	As a percentage of total conditionalities
Africa	23	9	39%	114	82	72%
Asia	17	4	24%	84	49	58%
Central Asia and East Europe	36	24	67%	93	55	59%
Latin America	33	13	39%	78	41	53%

Source: Kapur and Webb 2000, 7.
Data based on IMF *Letters of Intent* and *Policy Framework Papers* (PFPs) between 1997-1999 for the sample of 25 countries that had a programme with the IMF in 1999: Africa: Cameroon, Djibouti, Gambia, Ghana, Guinea, Madagascar, Mali Mozambique, Rwanda, Senegal, Uganda, Tanzania, Zambia; Asia: Cambodia, Indonesia, Republic of Korea, Thailand; Central Asia and East Europe: Kazakhstan, Kyrgyzstan, Latvia, Roimania; Latin America: Bolivia, Brazil, Nicaragua.

Table 2: Examples of the Burden of Conditionality

		Conditionality Strictly Defined			Conditionality Narrowly Defined		
Region	Countries	Total	Governance-related conditionalities	In percentage	Total	Governance-related conditionalities	In percentage
Africa							
	Mali	26	13	50%	105	67	64%
	Mozambique	22	12	55%	74	58	78%
	Senegal	27	9	33%	165	99	60%
	Zambia	18	6	33%	87	59	68%
Asia							
	Cambodia	30	9	30%	83	65	78%
	Indonesia	18	8	44%	81	48	59%
	Rep. of Korea	10	4	40%	114	44	39%
	Kazakhstan	27	17	63%	114	69	61%
East and Central Europe							
	Albania	43	33	77%	72	47	65%
	Latvia	28	20	71%	65	28	43%
	Romania	43	25	58%	82	34	41%
Latin America							
	Brazil	38	21	55%	89	45	51%
	Bolivia	32	21	66%	95	44	46%
	Nicaragua	29	18	62%	50	34	68%

Source: Kapur and Webb 2000, 5-7

Data based on IMF Letters of Intent and Policy Framework papers (PFPs) between 1997 -1999

Secondly, selectivity is difficult to implement in practice, as high levels of poverty are often associated with weak governance. Reducing poverty remains the core mission of the Bank. It is extremely difficult to devise and apply consistent and even-handed criteria to measure country performance in terms of governance. In reality, there exist few countries that can be classified as either good or bad performers. Most of them lie somewhere in between. Individual country circumstances make judgmental approaches inescapable. Furthermore, why good policies come about in one country and not in another remains a mystery. Poor performance is not always voluntary but may be caused by a wide variety of factors affecting a developing country's capacity to implement reforms. This form of ex-post conditionality should not penalize least developed countries by concentrating aid exclusively on good performers, most of which are middle-income countries. The poor in poorly performing countries already have to bear the burden of inept governments and authoritarian regimes.

Thirdly, the underlying analysis and consequent policy conclusions of Bank research have not gone unchallenged. The effectiveness of aid on policy reform and on economic growth and poverty reduction are two distinct things. While aid might be ineffective in inducing and sustaining policy reform, it is effective in stimulating growth. Recent research discussed at a seminar of the OECD in January 2001 shows that there may be a positive relationship between aid and growth even in countries hampered by an unfavorable policy environment (Henrik Hansen and Finn Tarp 2000a,b). Aid can affect poverty through channels other than economic

growth by increasing aggregate savings and investment. "Growth is not the only route to poverty reduction, nor is growth the only benefit of aid" (Beynon 2001, 2). This research thus argues that the performance-based aid reallocation system implied in *Assessing Aid* to be an unreliable guide to policy. It suggests that the latest fad in development thinking - aid selectivity - has created a dangerous exaggeration, that aid *only* works in an environment of sound policy (Beynon, 2001).

Fourthly, there remain many contested areas of debate. "Using past performance as an indicator of future performance is especially dubious in this environment, given the existing limited understanding of the interplay between aid, macroeconomic policy and political economy variables. In sum, the unresolved issue in assessing aid effectiveness is not whether aid works, but how and whether we can make the different kinds of aid instruments at hand work better in varying country circumstances" (Hansen and Tarp 2000b, 22). Concentrating aid on 'good performing' poor countries begs the original concern that spurred the current shift in policies: how can external agencies *promote* development in poor performing countries? How to deal with poor performers and unreliable governments headed by despotic rulers that repeatedly renege on their commitments? How to deal with Afghanistan, Kenya, Zimbabwe, Nicaragua, Kyrgystan or Belarus? Aid selectivity also remains silent on how to improve policies, institutions and governance in poorly performing countries and how to support large numbers of poor people in middle-income countries such as China, India, Mexico or Brazil (Beynon, 2001). The policies of aid selectivity circumvent these questions by pushing them aside.

Furthermore, the elegance of the approach masks an important caveat, namely that aid works in a 'sound policy environment' which has largely been defined in the context of the neo-liberal economic policy model. The proxy for assessing the quality of economic policies and institutional setting is derived from the Bank's own Country Policy and Institutional Assessment (CIPA), composed of 20 components which can be grouped in four categories: macroeconomic policies, structural policies, public sector management and social inclusion.

The debate on aid effectiveness is likely to remain imbued with controversy. Pragmatic observers argue that the adoption of performance-based aid allocation policies merely constitutes an *a posteriori* justification for *de facto* cuts in aid budgets, which have reached dangerously low levels by the end of the 1990s. Nevertheless, the fact that aid works *better* in good policy environments appears undisputed (Tarp 2000).

BEYOND THE WASHINGTON CONSENSUS

The recognition of the centrality of good governance introduces important innovations in the global aid regime. It compels the development community to revisit the economic orthodoxy of the 'Washington consensus' that has dominated economic development thinking since the 1980s. The Washington consensus' policy prescriptions include opening trade, fiscal restraint, prudent macroeconomic management, deregulation and privatization (Williamson 1990). They advocate significantly reducing the size and prerogatives of the state. These views informed political conditionalities imposed on developing countries, through policy-based lending.

The governance agenda challenges the conceptual foundations of this consensus in a number of ways. Its emergence has given rise to what some analysts describe as a "post-Washington consensus" (Burki and Perry 1998). One of its important dimensions is the recognition that politics matter for development. It suggests that sustaining development requires reforming not

only the policies but also the institutional framework in which policies are formulated. It has become apparent that effective democratic institutions are urgently needed to complement macroeconomic policy changes, provide safety nets and assuage the adverse social consequences of structural adjustment programs.

Effective reform requires building the capacity to pursue it. However, as Gerald Caiden (1994, 111) points out, "Countries most in need of state reform are least able to implement it". Developing countries must strengthen their effective capacity to govern. As a consequence, the issue of state capacity and autonomy is being revisited in the context of market reform and democratic consolidation.

There is increasing recognition that consolidating democracy beyond elections and sustaining economic reform beyond structural adjustment both require strengthening the institutions of governance, enhancing the rule of law and enhancing accountability and transparency. Because the Bank realizes getting the macro-economic fundamentals right is not enough, it is gradually reforming institutions and in some instances political systems. Between 1987 and 1998, the Bank has financed 169 civil service reform programs in 80 countries. Since the early 1990s, it has supported legal and judicial reform and decentralization around the developing world. In 1996, the fight against corruption became a priority and the Bank began supporting programs aimed at strengthening other accountability institutions such as ombudspersons and parliamentary oversight bodies (World Bank 2000b).[4]

Reforming the State

A first dimension of the post-Washington consensus concerns the state. This view holds that changes in the institutions and modes of governance are required to sustain market reforms and to consolidate democracy *simultaneously*. A major thrust of the structural adjustment programs of the 1980s and 1990s has focused on balancing public finances and reducing the size of the bureaucracy. However, while "first generation" economic reforms aim at stabilizing and liberalizing the economy, "second generation" economic reforms seek to deepen the economy by reforming the state and strengthening governing institutions (Naím 1995). They entail improving the efficiency and effectiveness of governing institutions (in particular the judiciary and the parliament), developing sound financial markets with appropriate regulations and supervision, enhancing the legal and regulatory environments, improving the quality of the public sector and building social capital and cohesion. This stage requires structural changes within the political institutions in charge of economic policy formulation, implementation and oversight.

The *World Development Report* of 1997, which focused on the changing role of the state, marked a stepping-stone in the mainstreaming of good governance (World Bank 1997). It revealed that many of the difficulties facing developing countries stem not so much from excessive executive power but from institutionally weak states. The first requisite for both sustainable development and democracy is a state that works and the rule of law. During the 1990s, the international donor community tended to avoid the state, circumventing it by strengthening non-state actors and promoting decentralization and local governance. For good governance to be enhanced, the state must be strengthened. Experience shows shrinking the state's prerogatives and capacities may have perverse effects, causing a dramatic reduction in public service delivery and eroding the authority of government. While the state is expected to withdraw from policy interventions and become leaner, the transition usually requires both nimble and robust political institutions that can implement and enforce policy reform and a responsive bureaucracy.

The recognition of the crucial role of the state in economic management and in the regulation and supervision of financial markets has conferred acute significance to the strengthening of good governance. Markets require a legal and regulatory framework that only governments can provide - appropriate legal and financial institutions and regulations ensuring competition and contract enforcement, guaranteeing property rights, ensuring sound financial and banking regulations, establishing oversight bodies and regulatory agencies.

Strengthening Public Institutions

A second dimension of the post-Washington consensus relates to the necessity to strengthen governing institutions, defined as "formal and informal rules and their enforcement mechanisms that shape the behavior of individuals and organizations in society" (Burki and Perry 1998, 11). More fundamentally, good governance entails altering the incentive structure in which people operate. The need for institutional reform has been neglected in the practice of policy reform. The Washington consensus policies often disregarded the analysis of institutions and failed to assess how state institutions can be reformed effectively to make public policies more responsive to people's needs. The post-Washington consensus focuses on improving public sector institutions and the performance of public policies. Problems of governance involve fundamental institutional weaknesses combined with inappropriate policies and un-enforced legal frameworks.

While the importance of institutions is now widely recognized, definite approaches on how to devise and implement institutional reform are sorely lacking. How do institutions emerge, develop and consolidate? How do they change? Dani Rodrik (1999) argues that the question should be "which institutions matter and how to acquire them?" Consensus on this subject remains elusive when the discussion moves from general goals to the specific means to achieve them. The lack of clear prescriptions for the successful implementation of institutional reform leads to a politically difficult agenda. Institutional reform is indeed the subject of the recent World Development Report 2002 on *Building Institutions for Markets* (World Bank 2001).

However, while the governance agenda amends the dominant neo-liberal economic policy model, it does not repudiate it. Market reform thus remains a precondition for institutional reform (Williamson 1999; Naím 2000). The IFIs tend to view sustaining economic reform and anchoring the market logic as the ultimate objective of governance and institutional reform. Indeed, almost all statements about the policy priorities of the post-Washington consensus include a strong preface clarifying that sound macroeconomic fundamentals are indispensable. Sound macroeconomic policy has thus progressively become not only an objective, but also a precondition for sustainable development. Certainly, as the reform agenda broadens, it is also becoming more complex. "The difficult paradox, is that any country that is capable of meeting such stringent requirements is already a developed country" (Naím 2000, 9).

BRINGING POLITICS BACK IN

Even in the narrow economic sense, good governance puts further requirements on the process of public policy formulation and implementation. Good governance requires an efficient executive, a functioning legislature, an independent judiciary and the effective separation and balance of powers, all constituent elements of a democratic regime. Consequently, good governance is not sustainable without *effective* democratic institutions.

Strengthening Accountability

At the core of the governance agenda is the fight against corruption and the corresponding need to enhance accountability and strengthen transparency in public policy-making. Indeed, the fight against corruption, which has been formally integrated in the Bank's mandate in 1996, constitutes the core of the governance agenda that has been forcefully advocated by the President of the World Bank Group since his nomination in 1995. Agencies of restraint anchored in core state institutions such as autonomous oversight bodies and independent judiciaries are vital foundations for effective anti-corruption strategies. Although the Bank emphasizes financial accountability, strengthening accountability entails a systemic reform of the state and modes of governance (administrative, parliamentary, legislative and judicial reform). In particular, enforcing political accountability requires strengthening the mechanisms both of "vertical accountability" (between the governed and the governing through periodic and fair elections) and "horizontal accountability" (between the different branches of government, including executive-legislative relations and an independent judiciary). It entails the effective independence of state powers and the existence of institutionalized checks and balances, as found in pluralist democracies. It also requires the de-politicization of public administration and the existence of an effective opposition enabling the parliament to control the executive and enact legislation that is credible and impartial.

Enhancing the Rule of Law

Rule-based, predictable legal regimes are of the utmost importance in the new market order. As a consequence, the strengthening of the rule of law constitutes a central element of the Bank's strategies to fight rampant and overt corruption. Legal and judicial reform has become a core component of the Bank's governance portfolio, which is primarily motivated by its concern with the regulation of economic activity and private sector development. It thus focuses mainly on ensuring the stability and predictability of the legal framework, focusing on private law to secure property rights and enforce contracts. However, the reliability of the rule of law is determined by the political context. A judiciary independent from executive meddling is vital to ensure that the legislative and executive remain fully accountable under the law, and to interpret and enforce the terms of the constitution.

Enhancing good governance entails ensuring the effective separation of powers. It thus requires addressing the factors underpinning the political independence of the judiciary, guaranteeing the impartial administration of justice and reducing "the opportunities for corruption by cutting back on discretionary authority" (World Bank 1997, 8).

Promoting Participation

A third dimension of good governance concerns facilitating effective participation. Originally, the Bank conceptualized participation in the narrow perspective of the effectiveness of the projects it supports (Isham, Narayan and Pritchett 1995). However, the consideration of local ownership of development projects subsequently led the Bank to broaden its approach and address the central issue of the participation in public policymaking. Participation helps to build coalitions supporting policy reform while the involvement of civil society helps build social capital. Restricting participation in policymaking often weakens the legitimacy, accountability and the quality of decisions made. The Comprehensive Development Framework (CDF) introduced in the Bank's corporate policies in 1999 by Bank President, James Wolfensohn,

reflects the recognition of the importance of effective participation for sustainable development. The World Development Report of 2000/2001 on *Attacking Poverty* introduces the notion of empowerment as an integral part of development (World Bank 2000c).

Participation and representation are more likely to lead to public policies that are more responsive to the needs of the poor. It requires regular, free and fair elections and a genuine choice between alternative government policies. Participation also occurs beyond and between elections. It calls for a continuous consultation in the formulation, monitoring and implementation of public policies in order to reach a sufficient agreement to sustain reform. Effective participation is inextricably linked to the existence of legitimate and representative parliamentary procedures, which are a constituent part of a democratic regime. Participation in the formulation of public policies and representation in the parliament are impossible without a sufficient level of civil liberties and political rights as well as a functioning multiparty system.

Furthermore, the current efforts at reforming and modernizing the state focuses on the devolution of power to lower levels of government. Decentralization, which carried the promise of local self-government, has become a major component of the Bank's reform strategies (World Bank 1999).

Towards Democratic Governance

Some multilateral development banks are already promoting political reform. For example, the Inter-American Development Bank (IDB) has interpreted its mandate more broadly and adopted a clear political stance (Santiso 2001). The European Bank for Reconstruction and Development (EBRD), created in 1990, is obligated by its founding charter only to lend to multiparty democracies.[5] Ultimately, the approach adopted by each specific multilateral organization depends on its respective constituency rather than its legal framework.

CONCLUSION: REFORMING THE GOVERNANCE OF AID

Time probably has come to revisit and amend the Bank's founding charter, its Articles of Agreement. The World Bank has radically changed in the course of the 1990s. The introduction of governance concerns in development assistance signals an increased willingness to take the political dimension of development into account. It reflects a shift in economic development thinking and tempts it towards inducing political reform in recipient countries. New policy should focus on state reform by strengthening governance systems and enhancing governing institutions. The modernization of the state, the fight against corruption, the reform of judiciary, the strengthening of legislatures and the decentralization of government are now integral parts of the Bank's public sector work.

Reform of governance systems in recipient countries should be matched by corresponding reform in the governance of aid and, in particular, the aid delivery system. As Marco Feroni (2000) underlines, reforming foreign aid requires crafting genuine partnerships and processes for reaching agreement on priorities, procedures and reciprocal obligations toward specified objectives. In particular, the governance agenda compels development institutions and aid agencies to link economic assistance and political aid. So far, these two agendas have evolved independent of each other, leading to fragmented aid policies.

Furthermore, there is increasing recognition that international assistance for strengthening good governance can only have limited impact unless the country's society and particularly its leaders have a genuine political commitment to democracy. Traditionally, development assistance has ignored the realities of power and the intricacies of politics. It has relied on technical solutions to address political problems, often adopting a mechanistic application of a standardized package of reform.

This approach faces significant hurdles when applied to the reform of the institutions of governance, in particular judicial systems and parliamentary structures. Without addressing the underlying distribution of power, parliaments will likely remain passive and judiciaries dominated by the will of powerful executives. A fundamental lesson learned is that "if donors wish to make a real difference, they will need to focus more explicitly and more rigorously on issues of power, politics and interest groups, [than] they have tried to do in the past – messy and difficult though these things often are" (Riddell 1999, 333). Consequently, the Bank ought to broaden its understanding of good governance by 'bringing politics back in' and systematically integrating considerations concerning the quality of government and the nature of the political regimes in its lending.

The extent to which good governance has influenced the operations on the ground will likely affect its overall relevance. The renewed emphasis on democracy and good governance raises questions about whether recipient states will have sufficient liberty to articulate their own development strategies and political development models. The governance agenda introduces a tension in the policies of institutions mandated not to meddle in politics and it upsets the traditional division of labor and economic-political divide of the global aid regime.

Ultimately, the concept of good governance questions the legitimacy of the IFIs as institutions of global governance. As Kapur and Webb rightfully stress: "Well applied, [governance-related conditionality] could help to empower people and nations. But if applied in an ad hoc manner, in response to the short-run foreign policy problems of large shareholders, and with a high degree of discretion rather than commonly agreed rules, the outcome is unlikely to be fair or significantly pro-poor" (2000, 18).

The governance agenda does not only question *what* the Bank does, but more fundamentally *how* it does it. Conditionality is not the appropriate approach to strengthening good governance in developing countries. What is needed is a more radical approach in which they cede developing countries greater control over the use of aid, within the framework of agreed-upon objectives. Reforming the oversight of aid should lead to radically new approaches to development assistance that are based on reciprocal obligation in the form of development compacts in which donors would cede greater control over the use of aid. Genuine development partnerships will most likely enhance the effectiveness of aid and influence the prospects for sustained reform. These development partnerships should however be embedded in 'pacts for governance reform'. They must enshrine the shared political objectives of cooperation as well as the mutual obligations and reciprocal commitments of donors and recipients.[6] Nevertheless, it has to be recognized that in particularly adverse circumstances aid is likely to be ineffective and diverted from its intended purposes. In such situations, a democratic conditionality should be applied. Official aid to the government should be suspended, in order to prevent autocrats from holding on to power and mercilessly exploiting their citizens.

ENDNOTES

1. The Institute on Governance gives a broader definition according to which "governance comprises the traditions, institutions and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern". http://www.iog.ca/about.html

2. There exists various forms of conditionality, including preconditions or prior actions as well as trigger actions which determine continued access to development financing and the next outstanding instalments of the credit.

4. However, the World Bank's 2000 governance strategy does not envision the Bank becoming involved in some areas of public service reform such as police reform, criminal justice systems (including prosecutorial and prison reform), general parliamentary processes and political governance (including election processes or the structure and financing of political parties) (World Bank, 2000).

5. In 1994, the Eight Replenishment of its resources mandated it to emphasize political reform and the strengthening of democratic governance more prominently. This evolution was largely made possible by the renewed commitment to democracy of the inter-American system. The EBRD is the only multilateral development bank to include a commitment to multiparty democracy in its founding charter. However, it has progressively adopted a more conservative approach to the political dimensions of its mandate.

6. Indeed, it could be argued that such a pact for governance reform, either explicit or implicit, should constitute the bedrock of current debt relief efforts. To ensure that the funds freed by the Highly Indebted Countries Initiative (HIPC) of the World Bank and the IMF are most efficiently used, debt relief should be linked to a commitment to strengthen democratic governance.

REFERENCES

Beynon, Jonathan. 2001. *Policy Implications for Aid Allocation of Recent Research on Aid Effectiveness and Selectivity*, paper presented at the joint Development Center and Development Assistance Committee Seminar on *Aid Effectiveness, Selectivity and Poor Performers*, Paris, OECD, 17 January.

Bøås, Morten. 2001. *Multilateral Development Banks and Sustainable Development: The Limits of Technocratic Consensus*, paper presented at the Annual Meeting of the Academic Council of the United Nations System (ACUNS), Puebla, Mexico, 15-17 June.

_____. 1998. "Governance as Multilateral Development Bank Policy: The Cases of the African Development Bank and the Asian Development Bank," *European Journal of Development Research* 10(2), 116-117.

Burki, Shahid Javed, and Guillermo Perry. 1998. *Beyond the Washington Consensus. Institutions Matter* (Washington, DC: World Bank).

Burnside, Craig, and David Dollar. 1998. *Aid, the Incentive Regime, and Poverty Reduction* (Washington, DC: The World Bank, Policy Research Working Paper 1937).

_____. 1997. *Aid, Policies and Growth* (Washington DC: The World Bank, Policy Research Working Paper 1777).

Caiden, Gerald. 1994. "Administrative Reform", in Randall Baker, ed., *Comparative Public Management: Putting US Public Policy and Implementation in Context* (Westport: Praeger).

Collier, Paul. 1999. 'Learning from Failure: The International Financial Institutions as Agencies of Restraint in Africa', in Andrea Schedler, Larry Diamond and Marc Plattner, *The Self-Restraining State: Power and Accountability in New Democracies* (Boulder and London: Lynne Rienner).

Collier, Paul, and David Dollar. 2001. *Development Effectiveness: What Have We Learnt?* (Washington DC: World Bank).

_____. 1998. *Aid Allocation and Poverty Reduction* (Washington, DC: World Bank, Research Paper, October).

Devarajan, Shantayanan, David Dollar, and Torgny Holgren. 2001. *Aid and Reform in Africa: Lessons from Ten Case Studies* (Washington DC: World Bank).

Development Committee of the World Bank. 2000. *Note from the President of the World Bank* (Prague, Czech Republic, DC2000-21, September 18).

Dollar, David, and Jacob Svensson. 1998. *What Explains the Success or Failure of Structural Adjustment Programs?* (Washington, DC: The World Bank, Policy Research Working Paper 1938).

Easterly, William. 2001. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (Cambridge, MA: MIT Press).

Ferroni, Marco. 2000. *Reforming Foreign Aid: The Role of International Public Goods* (The World Bank Operations Evaluation Department, OED Working Paper Series, no.4).

Gilbert, Christopher, Andrew Powell, and David Vines. 1999. "Positioning the World Bank", in *Economic Journal* 109, F-598-633.

Grindle, Merilee. 2001. "In Quest of the Political: The Political Economy of Development Policymaking," in Gerald Meier and Joseph Stiglitz, eds., *Frontiers in Development Economics: The Future in Perspective* (New York: Oxford University Press), 345-380

Gwin, Catherine, and Joan Nelson, eds. 1997. *Perspectives on Aid and Development* (Washington, DC: Overseas Development Council).

Haggard, Stephan. 2000. *The Political Economy of the Asian Financial Crisis* (Washington, DC: Institute for International Economics).

Hansen, Henrik, and Finn Tarp. 2000a. *Aid and Growth Regressions*, paper presented at the joint Development Center and Development Assistance Committee Seminar on *Aid Effectiveness, Selectivity and Poor Performers*, Paris, OECD, 17 January 2001.

_____. 2000b. 'Aid Effectiveness Disputed', *Journal of International Development* 12(3), 375-398.

Hibou, Béatrice. 2000. *The Political Economy of the World Bank's Discourse: from Economic Catechism to Missionary Deeds and Misdeeds* (Paris: Etudes du CERI, 39).

International Monetary Fund. 2001a. *Structural Conditionality in Fund-Supported Programs – Policy Issues* (Washington DC: IMF PDRD, February 16).

_____. 2001b. *Structural Conditionality in Fund-Supported Program* (Washington DC: IMF PDRD, February 16).

_____. 2001c. *Review of the Fund's Experience in Governance Issues* (Washington DC: IMF PDRD, March 28).

_____. 2000. *Streamlining Structural Conditionality in Fund-Supported Programs. Interim Guidance Note* (Washington DC: IMF).

_____. 1997. IMF, *Good Governance. The IMF's Role* (Washington, DC: IMF).

Isham, Jonathan, Daniel Kaufman, and Lant Pritchett. 1997. "Civil Liberties, Democracy and the Performance of Government Projects", *The World Bank Economic Review* 11(2), 219-242.

Isham, Jonathan, Deepa Narayan and Lant Pritchett. 1995. "Does Participation Improve Performance? Establishing Causality with Subjective Data," *World Bank Economic Review* 9(2).

James, Harold. 1998. "From Grandmotherliness to Governance: The Evolution of IMF Conditionality," *Finance and Development* 35(4).

Kapur, Devesh, and Richard Webb. 2000. *Governance-Related Conditionalities of the International Financial Institutions* (New York and Geneva: UNCTAD, G-24 Discussion Paper Series 6).

Kaufmann, Daniel, Aart Kraay and Pablo Zoido-Lobaton. 1999. *Governance Matters* (Washington: The World Bank, Policy Research Working Paper 2196, October).

Killick, Tony. 1998. *Aid and the Political Economy of Policy Change* (London: Overseas Development Institute).

Knack, Stephen. 2000. *Aid Dependence and the Quality of Governance: A Cross-Country Empirical Analysis* (Washington DC: World Bank, Policy Research Working Paper 2396).

Krueger, Anne, 1998, "Whither the World Bank and the IMF?", *Journal of Economic Literature* XXXVI (December), 1983-2020.
Lensink, Robert, and Howard White. 2000. "Aid Allocation, Poverty Reduction and the *Assessing Aid* Report", *Journal of International Development* 12(3), 399-412.
Mosley, Paul, Jane Harrigan and John Toye. 1991. *Aid and Power: The World Bank and Policy-Based Lending* (London: Routledge).
Naím, Moíses. 2000. "Washington Consensus or Washington Confusion?" *Foreign Policy* (Spring), 87-103.
_____. 1995. "Latin America: The Second Stage of Reform," in Larry Diamond and Marc F. Plattner, eds. *Economic Reform and Democracy* (Baltimore: The John Hopkins University Press).
_____. 1994. "The World Bank: Its Role, Governance and Organizational Culture", in Bretton Woods Commission, *Bretton Woods: Looking to the Future* (Washington, DC).
Riddell, Roger. 1999. "The End of Foreign Aid to Africa? Concerns about Donor Policies", *African Affairs* 98.
Rodrik, Dani. 2000. *Participatory Politics, Social Cooperation and Economic Stability* (Cambridge: Harvard University, CID, February).
_____. 1999. *Institutions for High-Quality Growth: What they Are and How to Acquire Them?* Paper presented at the IMF Conference on Second Generation Reforms (Washington DC, 8-9 November).
Santiso, Carlos. 2000. "Towards Democratic Governance: The Contribution of the Multilateral Development Banks in Latin America", in Peter Burnell, ed., *Democracy Assistance: International Co-operation for Democratization* (London: Frank Cass Publishers), 150-190.
_____. 2001. "International Co-operation for Democracy and Good Governance: Moving Toward a Second Generation?" *European Journal of Development Research* 13(1):154-180.
Stiglitz, Joseph. 1999. "The World Bank at the Millennium," *The Economic Journal* 109 (November), F577-597.
Stone, Deborah. 1989. *Policy Paradox and Political Reason* (London: Scott, Foresman, and Co).
Svensson, Jacob. 1999. "Aid and Growth: Does Democracy Matter?" *Economics & Politics* 11(3) (November).
Tarp, Finn, ed. 2000. *Foreign Aid and Development: Lessons Learnt and Directions for the Future* (London: Routledge).
Williamson, John. 1999. *What Should the Bank Think about the Washington Consensus?* (Washington, DC: International Institute of Economics).
_____. 1990. 'What Washington Means by Policy Reform,' in John Williamson, ed., *Latin American Adjustment: How Much Has Happened?* (Washington, DC: Institute of International Economics).
World Bank. 2001. *World Development Report 2002: Building Institutions for Markets* (Washington DC: OUP for World Bank).
_____. 2000a. *The Quality of Growth* (New York: Oxford University Press).
_____. 2000b. *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy* (World Bank: Public Sector Group, PREM Network, November).
_____. 2000c. *World Development Report of 2000/2001: Attacking Poverty* (Washington DC: OUP for World Bank)
_____. 1999. *Beyond the Center: Decentralizing the State* (Washington, DC: World Bank Latin American and Caribbean Studies).
_____. 1998. *Assessing Aid. What Works, What Doesn't, and Why* (New York: Oxford University Press).
_____. 1997. *World Development Report 1997: The State in a Changing World* (Washington DC: OUP for World Bank)
_____. 1994. *Governance: The World Bank Experience* (Washington, DC: The World Bank).
_____. 1992. *Governance and Development* (Washington, DC: The World Bank).
_____. 1991. *Managing Development: The Governance Dimension* (Washington, DC: The World Bank, Discussion Paper, 25 June).
_____. 1989. *Sub-Saharan Africa: From Crisis to Sustainable Development* (Washington, DC: World Bank).

View publication stats