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Governance Ideas for and from the “Knowledge Banks”

Ngairé Woods, *The Globalizers: The IMF, the World Bank, and Their Borrowers* (Ithaca, NY: Cornell University Press, 2006). 253 pp. ISBN: 9780801444241, \$29.95 (cloth).

Anwar Shah, ed., *Public Sector Governance and Accountability Series* (Washington, DC: World Bank, 2005–2007). 11 vols. \$35.00 (paper). Full texts available online at <http://go.worldbank.org/>

744UZJ8551. Titles include: Fiscal Management, Public Expenditure Analysis, Public Services Delivery, Local Governance in Industrial Countries, Local Governance in Developing Countries, Local Budgeting, Local Public Financial Management, Intergovernmental Fiscal Transfers: Principles and Practice, Budgeting and Budgetary Institutions, Performance Accountability and Combating Corruption, and Participatory Budgeting.

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Whoever entitled Ngairé Woods's excellent book *The Globalizers* commits the mistake that her text scrupulously avoids: misleading oversimplification. Woods does not devote much effort to unpacking the various components and interpretations of "globalization"—a necessary task if the term is to be truly understood. Instead, Woods sets out to describe the difficult relationships implied in the book's subtitle and then to suggest ways of improving performance by restructuring these relationships.

Woods's history and evaluation draw heavily on the already huge amount of scholarship on the International Monetary Fund (IMF) and the World Bank. A not-inconsequential amount of this work has been produced in-house by these institutions, and some of it has been quite self-critical (e.g., the oft-cited Wapenhans Report, which exposed the World Bank's culture of lending regardless of likely outcomes). It is a challenge, in fact, to think of other powerful institutions that have produced so much work of this type, particularly when external critics have not been reluctant to pile on, to say the least.

And the story that Woods tells is not terribly complimentary, either. But it is complicated. The book begins at Bretton Woods, explaining the intended independence of the IMF and the World Bank from national powers, and the critical roles played by John Maynard Keynes and Harry Dexter White in designing them. As history progresses, though, Woods shows how the IMF and the World Bank were increasingly influenced by rich countries, particularly the United States, because of the institutions' funding constraints and governance structures and the unavoidable exigencies of international conflicts.

Central to her analysis is the dominance of IMF and World Bank staffing by neoclassical economists, many of whom lacked the broad perspectives held by Keynes and White. Unfortunately, the conventions of the discipline encouraged analysts to ignore local knowledge and to impose standard "solutions." So up to the Washington Consensus period, economists issued detailed prescriptions but then found that they still had a lot more to learn about the specifics of the countries with which they were dealing. That this could continue for so long despite the incredible diversity of national economies and political systems is quite a remarkable story.

But, of course, not only economics was involved. Woods draws on political theories of bureaucracies, interest groups, and international relations and, using numerous examples of important events over the past three decades, provides a dense history of how the institutions have evolved. Central to her analysis is the role of "able and willing interlocutors" in borrowing governments.

Where government officials are sympathetic to the policies prescribed by the IMF and the World Bank, and where these officials enjoy power and authority to implement such policies, the IMF and the World Bank will succeed. Paradoxically, this success becomes more and more difficult as policy making is opened up to greater numbers of participants, more interest groups, and further debate. Throughout the 1980s the two institutions enjoyed particularly secretive and insulated relations with government officials. This enhanced their capacity to offer sympathetic policy makers some leverage. However, by the end of the 1990s, each institution was calling for more open and participatory processes of economic policy making in borrowing countries. This altered the bargaining power that accrued from the secrecy of negotiations (5).

Note that by "succeed" in the foregoing quotation, Woods means that advice was accepted by borrowers, not necessarily that this advice produced desirable outcomes over the long run. The middle of the book contains three chapters that describe how these interlocutors interacted with IMF and World Bank technicians and directors. The first covers Mexico during the 1980s and 1990s. Highly skilled Mexican technocrats were sympathetic to IMF and World Bank preferences. Supported by a centralized political system, they managed to survive several debt crises and transform the country toward the liberalized vision of the IMF and the World Bank. Yet Mexico's recent democratization, which reduced the influence of these technocrats, means that the IMF and the World Bank now have less influence.

The second chapter describes the role of the institutions in the transition from the Soviet Union to the Russian Republic. The IMF and the World Bank were understandably confused by the novelty of the transition from communism, persistently underestimating the magnitude of the necessary institutional changes. Their assistance packages were supposedly conditioned on Russian action, but often their conditions were trumped by international politics. The posture of Russian leaders toward their lenders changed frequently and dramatically; conversations were not easy with "interlocutors" of the likes of Boris Yeltsin. Worse was the influence of "oligarchs" who had rapaciously profited from ill-designed privatizations that had earlier been pushed by the IMF and the World Bank. As in the case of Mexico, currency crises provided opportunities for IMF and World Bank influence, but the catastrophic decline of Russian society set in motion political changes that dramatically reduced Russian receptiveness to much-revised—that is, more institutionally realistic—advice from the IMF and the World Bank.

The third chapter, bluntly titled "Mission Unaccomplished," covers sub-Saharan Africa. Here again,

Woods provides a detailed history that is difficult to summarize briefly, but the essence of which is that the standard prescriptions of “stabilize, liberalize, privatize, and deregulate” could not be effectively implemented when recipient countries had highly stressed economies and lacked many core institutions. In Africa, though the interlocutors were highly dependent on IMF and World Bank generosity, they recognized—as did the two institutions—that conditionality was, to a significant degree, symbolic. Over the long run, the dynamic of unsuccessful lending led to greater skepticism of IMF and World Bank efficacy and supported demands for more realistic interventions that had more donor “ownership.”

For the sake of providing a quick summary, I have treated the IMF and the World Bank as inseparable, but Woods explains the institutions’ important differences. She concludes the book with some suggestions for reform in their governance and financing. For example, she would shift the balance of voting power away from rich states through the means of a required “double majority” to set policy—one majority among the current power holders, and the other among the more numerous small and poor countries. Other proposed reforms include greater transparency of directors’ discussions, more funding of the institutions from wealthy countries, and changes in incentives regarding projects and programs that would put more priority on local knowledge and borrower goals.

The latter recommendation has been made by many would-be reformers of the IMF and the World Bank, both outside and inside these organizations (see, e.g., Birdsall 2006). In his review of two landmark inside studies, Rodrik wrote that “what they entail is nothing less than a radical rethink of development strategies. Of course, it would be naive to think that the World Bank’s practice will therefore change overnight. There is little evidence that operational work at the Bank has internalized these lessons to any significant extent” (2006, 977).

There is substantial skepticism about the potential of the IMF and the World Bank to foster good governance given cultural diversity and the historical complexities of how national institutions develop. Therefore, it may be helpful to examine an important series of books recently published by the World Bank Institute on public sector governance and accountability, particularly in light of that institute’s role in training many of the interlocutors whose importance is emphasized by Woods. That is, if the IMF and the World Bank are to be “knowledge banks,” what governance concepts and recommendations are they purveying?

This massive Public Sector Governance and Accountability Series contains 11 volumes and 116 chapters, all

of which are available online. It was edited by the World Bank’s Anwar Shah, who also contributed chapters to each volume. A snippet from the foreword by the World Bank Institute’s vice president reveals the ambitions of the series and its conceptual foundations in new institutional economics and New Public Management:

The series highlights frameworks to create incentive environments and pressures for good governance from within and beyond governments. It outlines institutional mechanisms to empower citizens to demand accountability for results from their governments” (*Local Budgeting*, xi–xii)

Given the size of this series, and remembering the Wapenhans critique, it is tempting to wonder whether advice production has replaced loan production in the World Bank culture. Nor is it surprising that the quality of such a large collection is uneven. There are redundant chapters sprinkled across the volumes, particularly on performance measurement and budgeting. And most of the chapters are not page turners, as they use the typical wordy syntax of the World Bank. Among the intended audiences—IMF and World Bank staff, country officials, nongovernmental organizations, and academics—the former and latter will be most comfortable with the books’ style.

Yet the series will provide a useful resource for many readers of *PAR* who are willing to browse through the various chapters and extensive citations. The contributors include leading scholars and practitioners from across the world, and there is much wisdom contained in their work.

It is useful to group the volumes into two sets, one of which focuses on local governance, and the other covering budgetary governance at the national level. One of the best volumes in the local set is on inter-governmental fiscal transfers, with coverage and quality that make it the equivalent of a leading text in fiscal federalism economics. Its perspective substantially informs two other volumes of very interesting case studies of local governments, one for industrial countries and one for developing countries. In the former group, many countries have attempted to decentralize both spending and financing. Some of the chapters in this volume attempt to provide “lessons for developing countries” but then basically argue that there are few lessons that can be drawn. For example, after an impressive review of New Zealand’s local governance, Brian Lollery agrees with the argument made in Schick’s “Why Most Developing Countries Should Not Try New Zealand’s Reforms”—that is, the sequence of institutional development must start with basic processes of public management, such as accounting control. But there is an interesting proofreading error in the references at the end of this

chapter, as the word “not” is omitted from the title of Schick’s article. Is this a parapraxis—about praxis, no less?

The volume on local governance in developing countries argues strongly for tax decentralization to empower local governments and then surveys countries ranging from those that have made significant progress in building local government capacities (Indonesia, Poland) to those that have not (Kazakhstan). In contrast, the volumes on local budgeting and local public financial management are excessively focused on U.S. local government. One chapter features displays of performance budgeting by Fairfax County, Virginia—an extraordinarily rich local government by world standards. (Bizarrely, in a later volume’s chapter on “Networks and Collaborative Solutions to Performance Measurement and Improvement in Sub-Saharan Africa,” Fairfax County is again featured, though with an apologia about its possible irrelevance.) And while the descriptions of debt and cash management practices in U.S. local governments would be useful readings for students in developed countries, they will be remote to local government officials in countries that lack sophisticated financial markets.

Turning to the remaining books in the series, the first three cover fiscal management, public expenditure analysis, and public services delivery. Each begins with a description of “diagnostic tests of the institutional arrangements for fiscal management and accountable governance,” such as the following:

Fiscal prudence test: Are institutional arrangements appropriate to ensure that the government decision making on fiscal management is constrained to ensure affordability and sustainability of the program?” (*Fiscal Management*, xiii)

These “tests” were jettisoned in later volumes—though it is not clear in the earlier volumes how the tests would be used in practice. The other volumes cover performance accountability and combating corruption, budgeting and budgetary institutions, and participatory budgeting.

In general, these books lack a style of analysis that is favored by other IMF and World Bank institutional researchers: original cross-sectional quantitative inference using large-*N* country data. Instead, many chapters convey the judgments of experts who have consulted widely across the world. However, many of the experiences that inform these judgments are not recounted—many chapters are highly conceptual, some lack evidence, and others have at best very short text boxes that mention relevant examples. The strongest exception to this generalization is the insightful volume on participatory budgeting, which documents that the widely cited Porto Alegre model is being

shouldered out by a more formalized and less radicalized approach.

That volume also expresses clearly significant concerns about the risks of participatory budgeting, particularly along the lines of interest group capture. This is welcome realism. Similar realism is not as visible or as consistently expressed in other volumes that feature technocratic solutions to governance problems. Consider the volume on budgetary institutions. It begins with a chapter by Jürgen von Hagen that confirms the long-standing IMF and World Bank preference for centralization of the budgetary process—which is consistent with Woods’s understanding of the importance of powerful interlocutors. But there is no clear connection made to the issues raised in the participatory budgeting volume; the only chapters in the series regarding legislatures are in the volume on combating corruption, and they deal with parliamentary budget offices and public accounts committees, not legislative powers per se.

Much of the rest of the volume’s spirit is shown by two chapters by Salvatore Schiavo-Campo on the scope of the budget and on the budget preparation process. Well-written and comprehensive, these chapters reveal the World Bank’s love of “shoulds” and “musts” when describing budgetary best practices. Yet a later chapter by the same author on strengthening public expenditure management in Africa wisely discusses the necessity of making incremental choices of sequencing when attempting to improve budgetary institutions. Similarly, some chapters set out best practice models at length and with impressive sophistication (e.g., on accrual accounting and on activity-based costing) but then caution that implementing such models in developing countries is likely too ambitious. The two case studies that conclude the book, on budgeting reforms in Kenya and South Africa, manage to do so with nary a mention of Presidents Daniel arap Moi and Mwai Kibaki of Kenya or the African National Congress. In sum, the reader is occasionally left with the feeling of having time traveled back in time more than three decades, and first reading a RAND volume on PPBS (program, planning, and budgeting system) and then Caiden and Wildavsky’s classic on the real world of budgeting (1974). What is the reader to make of the contradictions?

Repeating the question, “What governance concepts and recommendations are the ‘knowledge banks’ purveying?” it is thus tempting to answer with, “a large grab-bag.” But it is not realistic to expect the World Bank to provide a synthetic body of knowledge about a topic as large as “governance.” Perhaps the fact that it does not here is a positive indicator that the World Bank has lost some of its previous hubris. What it instead offers in this series is a body

of insights that may or may not be valuable depending on specific institutional conditions in countries. Yet in my opinion, the series does not provide enough case studies about the actual processes through which governance institutions develop—narratives in which protagonists are named, steps are taken forward and backward, and conflicts are temporarily resolved. I am thinking of works by Tendler (1997), Widner (2001), and some of the studies available on the Web site of the International Budget Project (<http://www.internationalbudget.org/>). Many of the experts who wrote the chapters in this World Bank series have the experience to write such narratives. While they may be discouraged from supplying them by the constraints faced by the World Bank, country interlocutors who need to make practical judgments could most benefit from reading stories about their predecessors' contexts, choices, and outcomes.

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