



Evaluating Policies and Results

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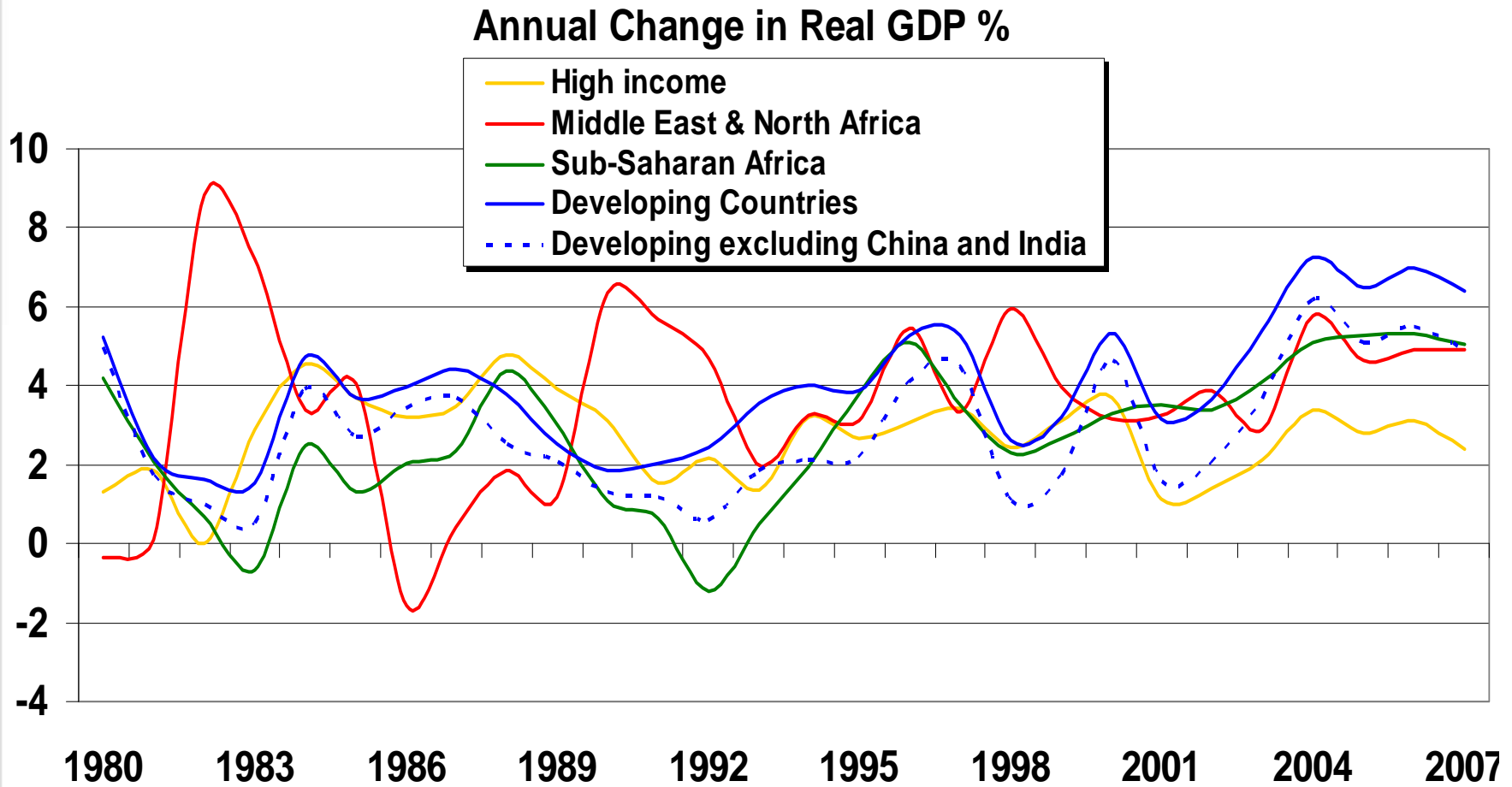
July 10, 2007

Major Development Results



- Income levels diverged, but social indicators (infant mortality, school enrollment) converged, even in Africa.
- The percentage of poor declined (except the increase in Africa), but *numbers* of poor largely unchanged.
- Little change in indicators of governance.
- Environmental devastation risen everywhere.

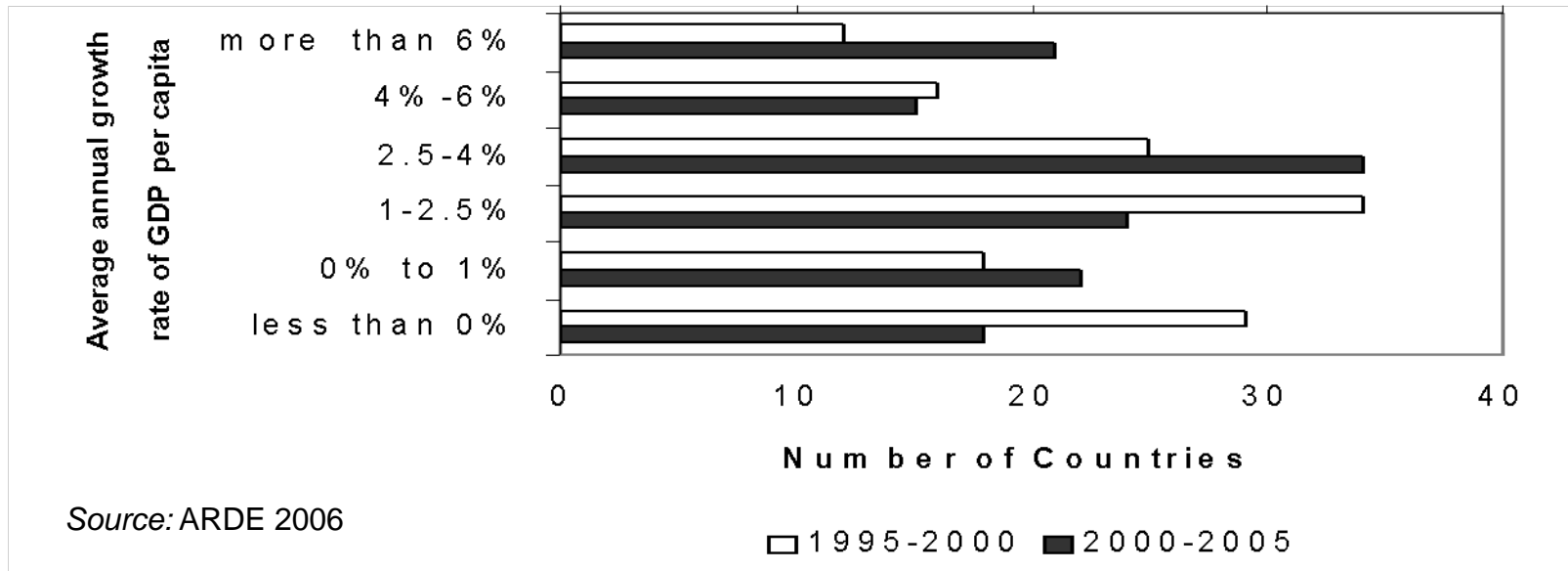
Economic growth has accelerated



But There Is Strong Cross-country Variability In Growth Performance



- Growth has improved in most Bank borrowing countries over the past five years, but achieving sustained growth remains a challenge.



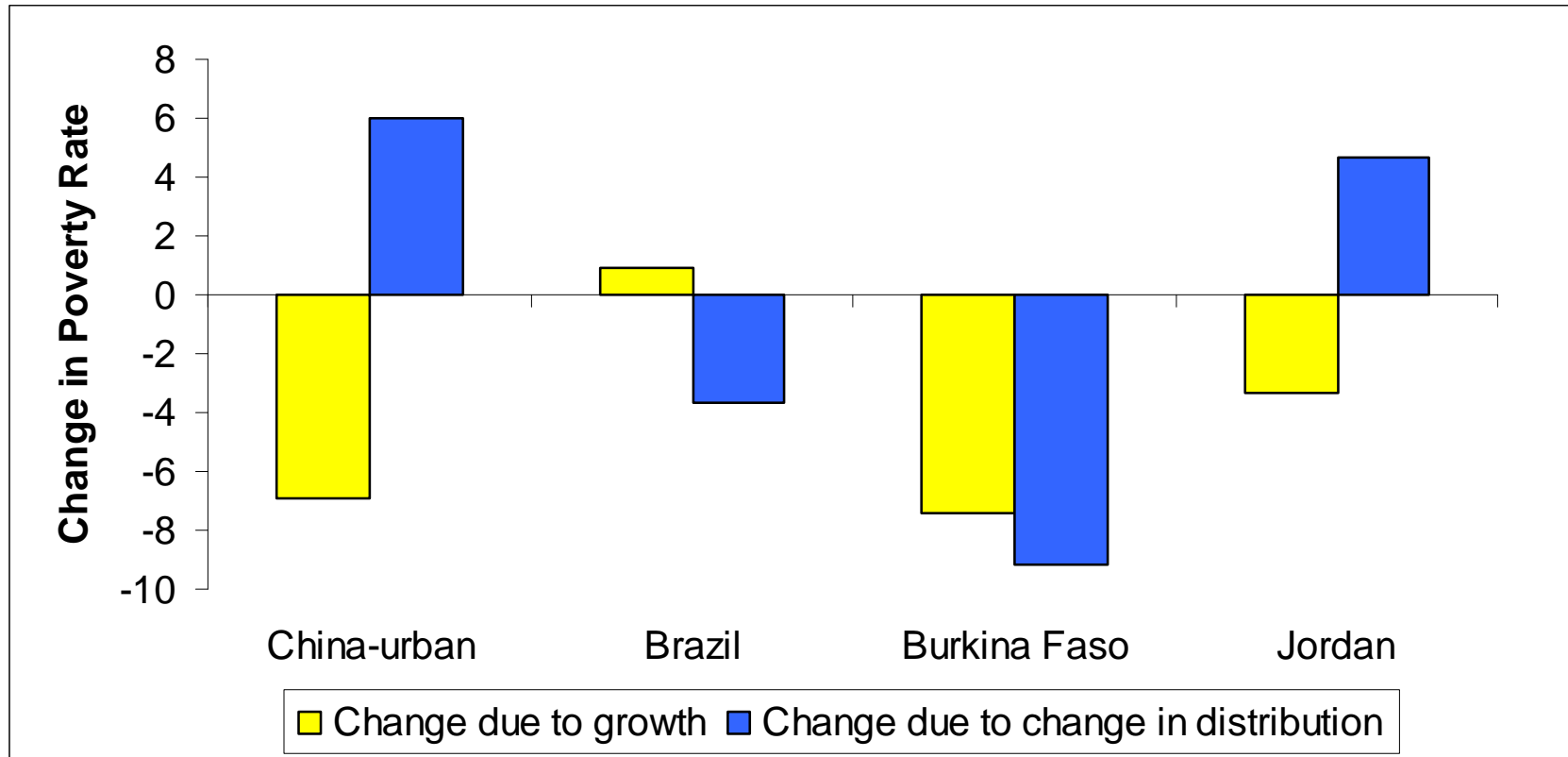
And the numbers of the poor remain at 1 billion



- Number and proportion of population living on less than \$1/day

Region	(millions)		(percent)	
	1990	2003	1990	2003
East Asia and Pacific	472	213	29.6	11.5
China	375	179	33.0	13.9
Europe and Central Asia	2	9	0.5	1.9
Latin America and the Caribbean	49	49	11.3	9.1
Middle East and North Africa	6	5	2.3	1.7
South Asia	462	472	41.3	33.2
Sub-Saharan Africa	227	320	44.6	45.0
Low- and middle-income countries	1218	1,068	27.9	20.2
Excluding China	844	889	26.1	22.2

Income Distribution Has An Important Effect on Poverty Reduction



Growth also Needs to be Sustainable



- One measure of sustainability – adjusted net saving or saving adjusted for consumption of resources.
- In low-income countries, adjusted net saving has fallen from 7.6% of GNI in 1999 to 6.5% in 2004.
- In middle income countries – from 14.3% to 8.9%

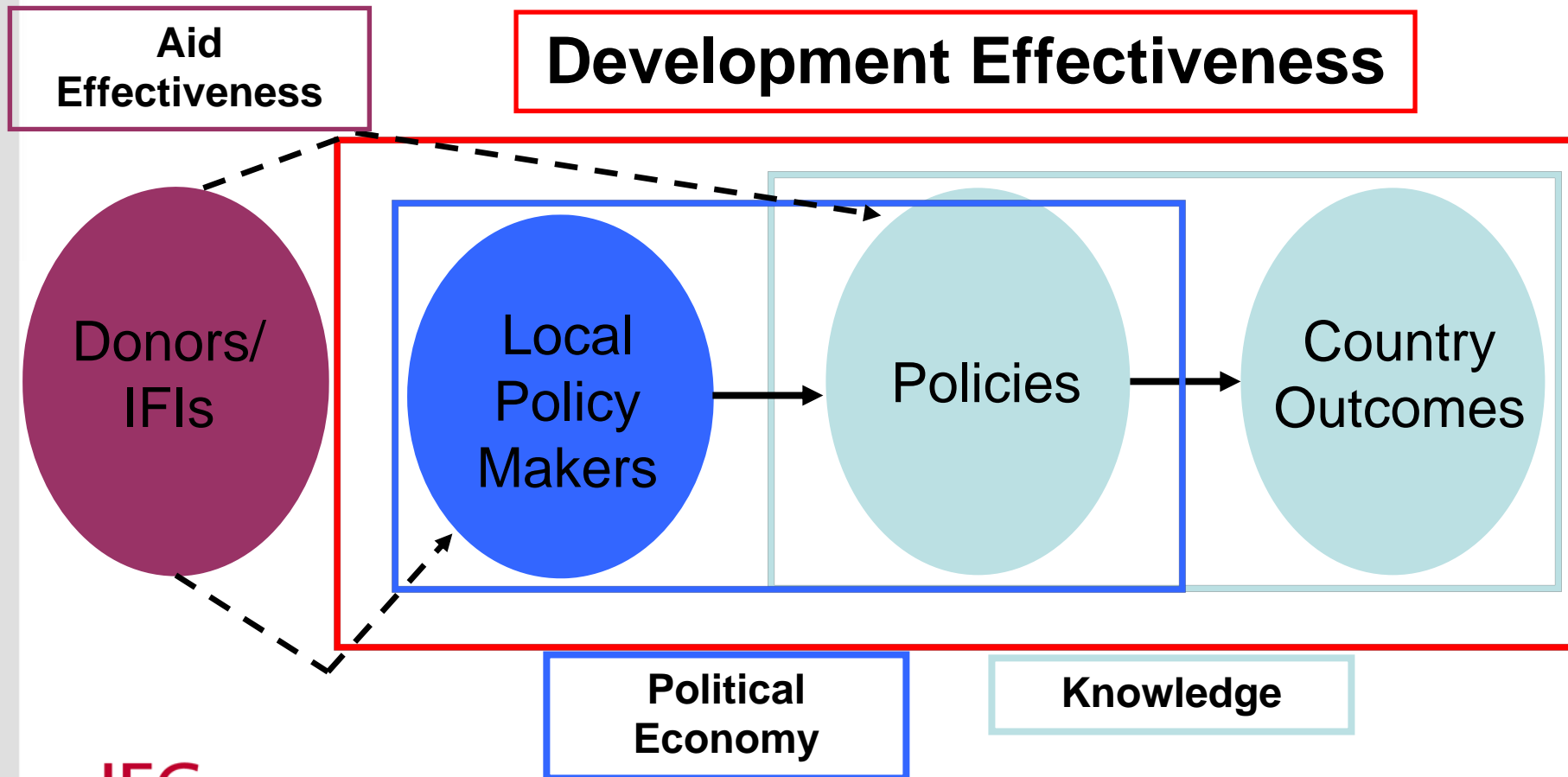
Source: World Bank, Global Monitoring Report, 2006

Current Global Trends are Costly



- Human costs:
 - Pollution from power plants and traffic cause over 400, 000 excess deaths annually in China and over 100, 000 in India (Source: ECG Paper, 2006)
- Economic costs:
 - Estimates of mortality and morbidity from air pollution in India and China suggest annual losses of 2-3% of GDP (Source: World Bank 2001)
- Environmental costs:
 - Private profits to ranchers in the Amazon average \$75 per hectare per year, but the environmental costs to society are upwards of \$100. (Source: Thomas, 2006)

Linking Policies and Results is Complex Everywhere



Evaluation Helps Track the Results Chain



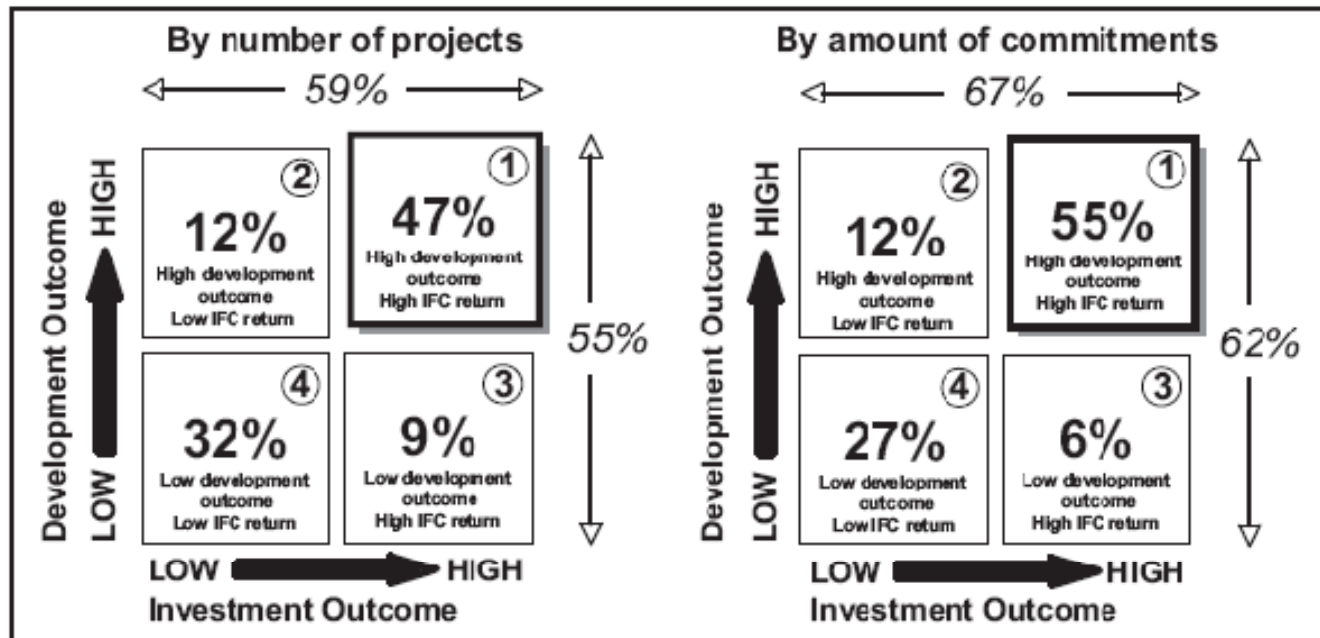
Policy Evaluation at the World Bank Group



- In FY2006, WBG provided \$32 billion for loans, investments, guarantees.
- Evaluation based on portfolio reviews, thematic research, country case studies, surveys and focus groups, field-based studies.
- Measurable objectives to assess results.
- But results affected by country conditions and external factors: counter-factuals?
- Impact evaluation, new research and the experience.

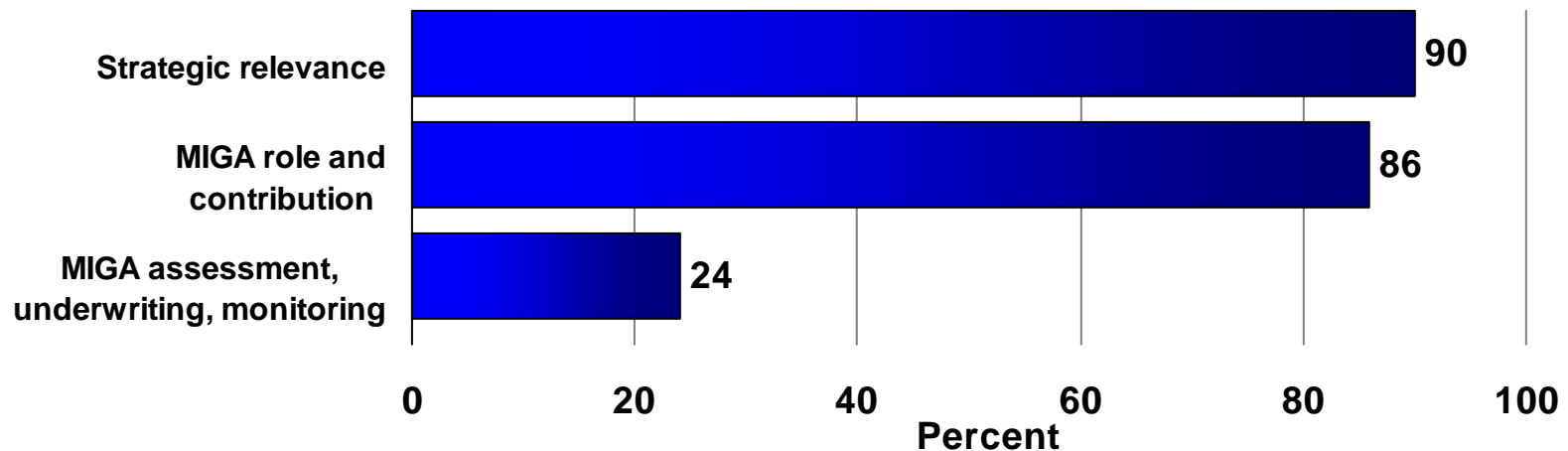
IFC Findings on Vital Complementarities

- High development outcomes and high investment outcomes go together (surprising?)
- A strong link between project risk and investment results.



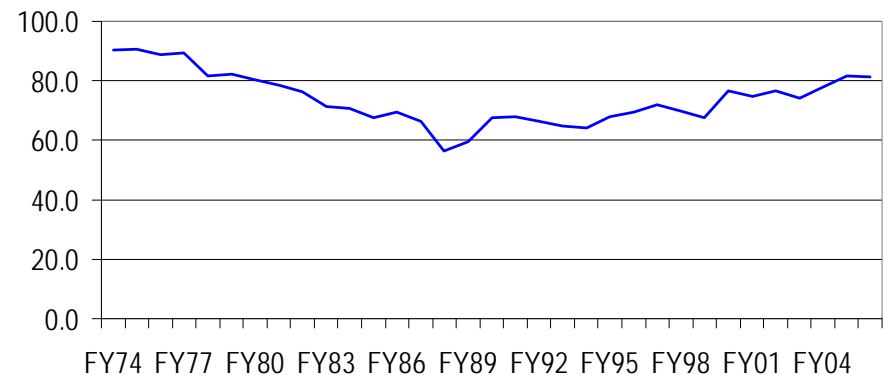
MIGA Experience of Partial Success

- Half the projects had satisfactory or better development outcomes; projects were aligned with strategies—MIGA added value as a facilitator of FDI
- But assessment, underwriting, and monitoring was not adequate in many evaluated projects (why so?)



World Bank's Project versus Country Results

- Project ratings show upward trend since the early 1990s, reversing a long decline.
- In **one-third** of cases, Country Assistance Strategy (CAS) outcome ratings were unsatisfactory when project ratings were satisfactory (Why?)



Project and CAS Outcome Ratings (%)

CAS project portfolio outcome	CAS outcome ratings	
	Satisfactory	Unsatisfactory
Satisfactory	56.0	33.3
Unsatisfactory	2.7	8.0

Source: IEG databases and staff estimates, July 2006

Policies in Human Capital



- **\$10.3 billion lending for primary education since 1960.**
- **Policy, capacity, education system, demand for education, donor coordination, civil service reform, complementary actions.**
- **Learning outcomes -- knowledge and skills acquisition – and employment and welfare.**
- **High priority to increasing enrollments -- though more than 100 million 6-11 year olds (one in five) still not in school.**
- **But research shows weak learning outcomes.**

Source: OECD, IFI research reports, IEG evaluation

Trade Policy



- Developing countries' far-reaching reforms in reducing protection.
- But payoffs depend on regulatory reforms and macroeconomic conditions: China and Colombia – same degree of liberalisation but different outcomes.
- Fiscal conditions are decisive: macroeconomic instability in Senegal and Zambia prevented gains from trade reforms.
- Where institutional weaknesses – in revenue, customs, or export agencies – and skill shortages were not dealt with, trade reforms were ineffective.

Source: IEG evaluation, Thomas, V and J. Nash, Trade Policy Reform, 1991 and ongoing research.

Policy for Natural Disasters



- **Natural disasters destroyed \$650 billion in property worldwide in the 1990s.**
- **Developing countries accounted for over 95 percent of all casualties.**
- **The Bank approaches natural disasters in a manner that is reactive than proactive.**
- **Far more needs to be done with prevention, mitigation, response capacity and risk management.**

Source IEG evaluation

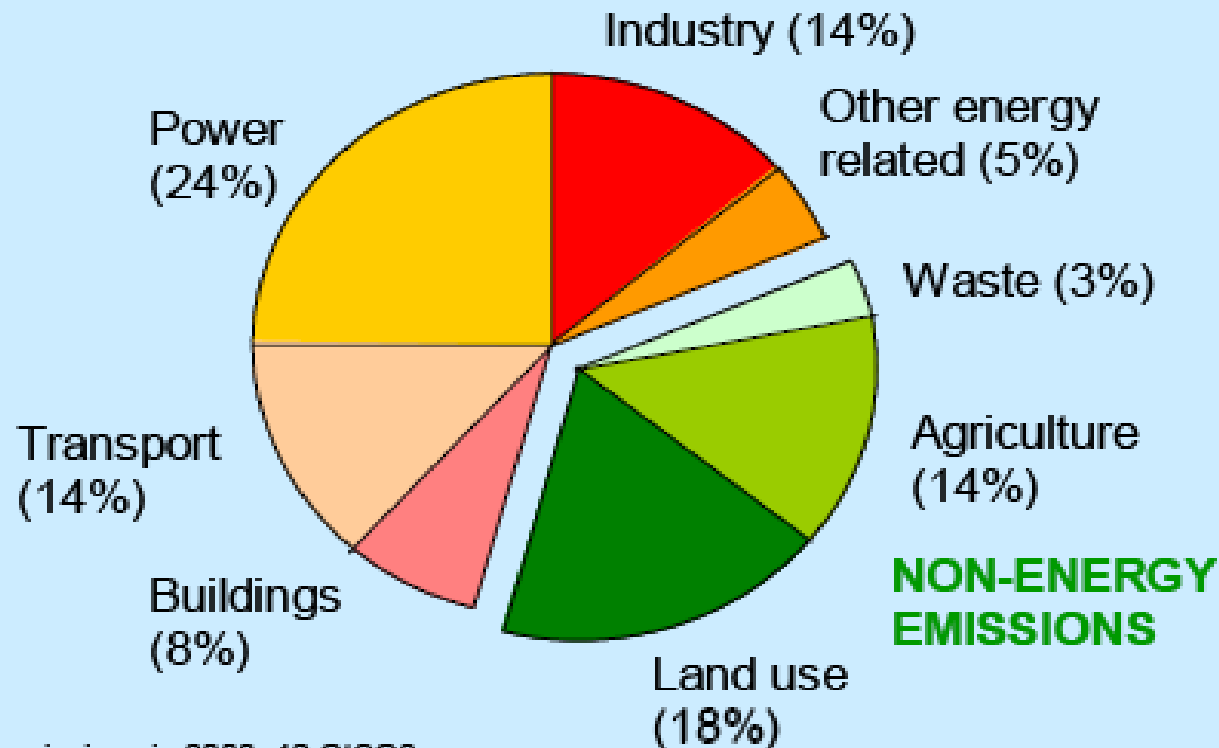
Transport Policy



- The World Bank Group's commitments for transport reached \$32.5 billion over the past decade
- Rural poverty can be alleviated when transport improves accessibility.
 - For every \$22,000 invested in rural roads, 160 people escape poverty.
 - Over 50% of rural inhabitants live more than 8km from a clinic. One-third are more than a 2 km walk from an all-season road.
- Effective in encouraging the private sector? Maintenance? Poverty alleviation? Global challenges?
- Need to focus more on traffic congestion, safety, efficiency, affordability, environmental damages, and the private sector.

Source IEG evaluation

World Policies for Addressing Climate Change



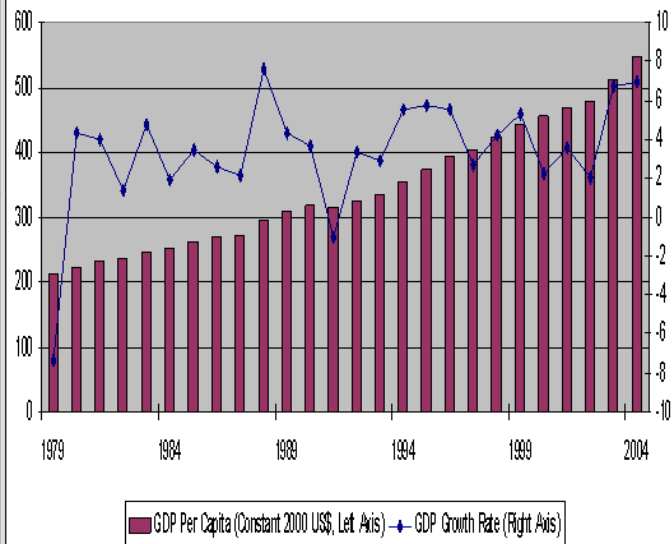
Total emissions in 2000: 42 GtCO₂e.

Energy emissions are mostly CO₂ (some non-CO₂ in industry and other energy related).
Non-energy emissions are CO₂ (land use) and non-CO₂ (agriculture and waste).

Country Policies: Brazil, China, India

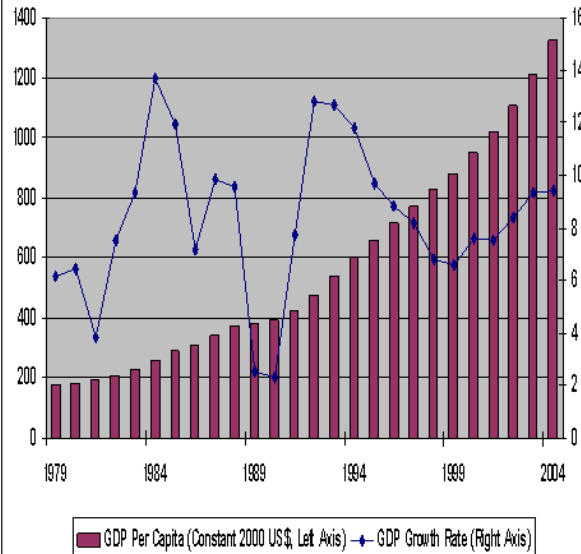
India's GDP Growth Rate and GDP Per Capita: 1979-2004

(Source: World Bank Database)



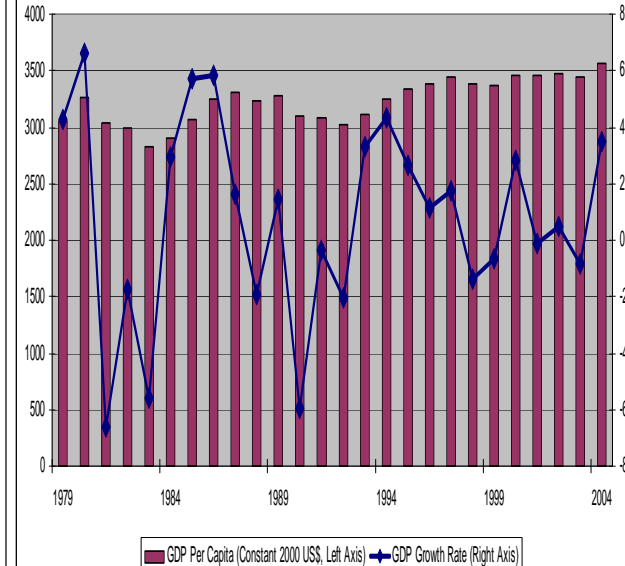
China's GDP Growth Rate and GDP Per Capita: 1979-2004

(Source: World Bank Database)



Brazil GDP Growth Rate and GDP Per Capita: 1979-2004

(Source: World Bank Database)



Source: Thomas, Vinod, From Inside Brazil, 2006.

Fiscal Policy Comparisons



Comparing Debt and Deficits in India, Brazil and China

(percentage)

Indicator	Brazil	China	India
Public sector debt (5 of GDP, 2003)	58	25 ^a	85
External debt service (% of exports, 2002)	29	6	13 ^b
International Currency Reserves (% of external debt, 2002)	16	127	47
Deficit/Surplus (% of GDP, 2002-03)			
Primary	4.3	-1.7	-4.7
Interest payments	-9.6	-1.3	-6.3
Total	-5.3	-3	-11

Source: Thomas 2006

a. The estimate for China's public debt does not include contingent liabilities of state-owned banks and enterprises.

b. India's low debt service is partly a result of low interest financing.

Size and Composition of Public Spending

- Unequal fiscal conditions among regions and provinces (China).
- Cut into investment (Brazil) or social services (China).
- Under-funded mandates (pensions, Brazil).
- Over-spend on public consumption (Brazil)
- Poor quality of public spending (India).

Budget Disparities in China (2002)

Regions	Per Capita Budget Revenues (RMB)	Per Capita Expenditures (RMB)
East		
Shanghai	4,362.8	5,307.0
Beijing	3,752.6	4,415.7
Guangdong	1,529.0	1,935.5
Tianjin	1,706.4	2,633.7
Central		
Sichuan	336.5	809.0
Hunan	348.7	804.1
Anhui	315.9	720.8
West		
Shaanxi	457.9	1,102.1
Gansu	294.0	1,056.7
Guizhou	282.2	825.3

Source: Dabla-Norris 2005. Fiscal transfer included in

Does Aid Promote Growth?



- Aggregate country-level analyses of aid's influence on growth are inconclusive
 - **Unambiguously Positive Effects:** Hansen and Tarp (2000, 2001); Dayton-Hoddinot (2003); Lensink and Morrissey (1999); and Clemens et al. (2004)
 - **Zero or Negative Effects:** Mosley et al. (1987); Boone (1994); and Easterly (2003)
 - **Conditional Effects:** World Bank (1998); Burnside and Dollar (2000, 2004); Collier and Dollar (2002); Collier and Dehn (2001); Guillamont and Chauvet (2001)

Macro Studies, Project data and Aid Effectiveness



- Small changes in specification, country coverage lead to qualitatively different results.
- Variation across countries insufficient, collinearity among determinants of growth.
- IEG data on World Bank project outcome ratings and economic rates of return offer an alternative to macro-level analyses.
 - Micro-level analyses suffer less from methodological issues e.g., endogeneity.
- Small but consistent literature, untapped potential.

An application of Project Data in Fiscal Policy Analysis



- Exploring the link between government resource allocation decisions.
 - Do public expenditures on public goods increase the productivity of investment projects?
- Preliminary findings:
 - The share of spending on social public goods is positively and significantly related to project outcome rating.
 - Stronger institutions, all else the same, go with higher project ratings.
 - The growth rate of GDP per capita is a consistent and significant determinant of project success.

Lessons for Economic Reform in OECD and Developing Countries



- Importance of macroeconomic stability, but rethink the Washington Consensus on trade and regulatory reform.
- Social progress and better income distribution good for sustaining growth, a lesson for Latin America.
- Protecting the environment good for poverty reduction and growth, a lesson for all
- Benefits of capturing cross-sector synergies; importance of linking government and private sector actions.
- Source: IEG evaluations and Thomas, V et al, Quality of Growth, 2001 and ongoing.

Research Topics in Development Policy Evaluation



- **How does macroeconomic stability contribute to the success of policy reforms?** Lower inflation and lesser price variation contributing to greater credibility and predictability of reforms; reducing the differences between the winners and losers from reforms; other factors.
- **How does the policy regime affect the impact of development projects and financing?** Relation between rates of return to projects and the extent of policy reforms in macroeconomic areas; performance of investment projects and policy weaknesses; the links among investments, regulatory frameworks; institutional arrangements.
- **To what extent does development assistance contribute to poverty reduction?** Disentangling the effects of donor funding from a country's own efforts; differentiate between the contribution of different players; the role of the government versus the private sector.

Participants' Perspectives



- How much progress has been made in policy reform?
- What really differentiates results in countries?
- Are you optimistic or pessimistic about the future?