

Executive Summary

This evaluation of World Bank research between 1998 and 2005 was carried out by a panel consisting of Abhijit Banerjee (MIT), Angus Deaton (Princeton, chair), Nora Lustig (UNDP), and Kenneth Rogoff (Harvard.) The panel selected a large random sample of research projects, which were read and assessed by a team of 25 evaluators. Panel members also solicited views from current and past Bank staff, as well as from policy makers and academics in developing countries.

Based on the evidence we assembled, the interviews we conducted, and our own consideration, the panel concluded that the World Bank needs a research department, and that its research needs cannot be fully met by hiring in from the outside. Research is a central part of quality control in the Bank, and is crucial to its claim to be a “Knowledge Bank.” Without a research-based ability to learn from its projects and policies, the Bank could not maintain its role as the world’s leading development agency. The 2.5 percent of its administrative budget that the Bank spends on research is surely too low given the multiplicity of tasks that research is expected to fulfill, including the generation of new knowledge about development, the collection and dissemination of data, the generation of knowledge to support guide Bank strategy, operational support, and capacity building in client countries. As the world becomes richer, and already today among middle income countries, the need for high-quality, research-based advice will only become stronger as the need for Bank lending diminishes.

The multiple tasks of Bank research are not always consistent with one another, and we believe that the Bank’s Chief Economists and their research staffs deserve considerable credit for the way that they have fulfilled their obligations over the past seven years. They have done so in a period when new hiring has been severely limited, and where the salaries of Bank economists have fallen rapidly relative to those in academia. Bank researchers have produced innovative and important new research that has maintained the Bank’s position as the intellectual leader among development agencies. At the same time they have provided extensive support to their colleague in operations; indeed researchers in the Bank’s research department devote 30 percent of their time to such operational “cross-support.”

Bank researchers and their consultants produced nearly 4,000 papers, books, and reports between 1998 and 2005. Bank researchers regularly publish in the leading academic journals in economics, and more extensively in the leading field journals in development. The Development Economics group (DEC) is also responsible for the annual *World Development Report*, which is widely read by the development community, and which has sometimes had a major effect on development thinking. The Bank also publishes a large numbers of policy documents and reports that summarize the state of the art in various policy areas and that are designed to communicate and disseminate research to policymakers and their advisors. Research is done throughout the Bank, by economists working in the regions and in the Bank’s networks, as well as, most importantly, in the research group of DEC.

Our evaluators and the panel found some outstanding work in the Bank's portfolio. Bank economists have led the world in the measurement of poverty and inequality, including inequality in health. Pioneering research on the organization of and delivery of educational and health services is changing the way we think about these issues and the way that the Bank lends money for such projects. There is important work on monitoring the environment. The Bank has been a world leader in the collection of new data, including the long-established Living Standards Measurement Surveys, the joint household survey project with the Inter American Development Bank called MECOVI, as well as the more recent Business Environment and Economic Performance surveys in the transition countries, and the Investment Climate and Doing Business surveys. The Bank's data group collates the World Development Indicators, which is the most important single database for development research, and it has recently taken on board the International Comparison Project, which is central for the measurement of economic growth, for poverty, and comparative measures of development around the world.

Bank researchers have also done extremely visible work on globalization, on aid effectiveness, and on growth and poverty. In many ways they have been the leaders on these issues. But the panel had substantial criticisms of the way that this research was used to proselytize on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism. Internal research that was favorable to Bank positions was given great prominence, and unfavorable research ignored. There were similar criticisms of the Bank's work on pensions, which produced a great deal that was useful, but where balance was lost in favor of advocacy. In these cases, we believe that there was a serious failure of the checks and balances that should separate advocacy and research. The panel endorses the right of the Bank to strongly defend and advocate its own policies. But when the Bank leadership selectively appeals to relatively new and untested research as hard evidence that its preferred policies work, it lends unwarranted confidence to the Banks' prescriptions. Placing fragile selected new research results on a pedestal invites later recrimination that undermines the credibility and usefulness of all Bank research.

Data collection and dissemination is another area where the Bank has many great achievements but there are also many problems. The panel sees the Bank's data work as central to its mission of learning from development. It is not only the basis of most Bank research, but it automatically scales up Bank work by permitting research by others, an increasingly large number of whom are in developing countries. Yet data activities are organized haphazardly, whether in collection, archiving, or dissemination. The Development Economics data group is not as centrally involved with researchers in the collection and dissemination of Bank data as is desirable. The Bank website is often of poor quality and difficult to use, not only for accessing data, but even for the relevant publications and reports. The Bank has no coherent policy for data release, for its own researchers, nor for client countries to which it provides support in data collection. Too little has been done to build on the early success of the Living Standards Measurement Surveys to help build internationally comparable data on such central topics as poverty or mortality. Without improvements here, there is a long term threat to the Bank's (and the world's) ability to monitor the income and health dimensions of world poverty.

Bank research has become predominantly empirical, with routine use of econometric and statistical methods. This is as it should be; learning from experience requires statistical analysis. Yet the panel, while recognizing that there has already been substantial movement in the right direction, believes that Bank could still make more use of randomized experiments in those cases where they are possible, for example, for many projects in the social sector. With or without randomized trials, Bank researchers are not often enough involved in the early stages of project planning, where they can be instrumental in laying the foundations for successful learning after completion. Without such efforts, the Bank cannot routinely learn from its own experience. We welcome the initiatives in these areas that are underway in the Bank, but press the need for more. The problem of keeping abreast of new approaches applies to a broad range of applications, not just new uses of randomized experiments. We suspect that management has not always kept ahead of researchers in their understanding and familiarity with statistical and econometric methods, and that this has sometimes contributed to the failure to appropriately interpret and manage research results. The Bank's misplaced confidence in cross country regressions on growth, poverty and aid, is a case in point. Another is its lack of a full understanding of the limitations of the innovative methods developed by Bank researchers to estimate poverty for small areas; once again, results were sold without appropriate caution and qualification. Although the quality of statistical work is a Bank wide issue, DEC (and within it, perhaps the DEC data group) is the obvious home for statistical and econometric leadership. The Bank needs a "central statistical office" and should consider whether it needs a chief statistician to head it.

Our evaluators generally found that Bank research was well-targeted towards important topics, but was often weak on execution and technique. While it is desirable for Bank technique to be behind the frontier, there has often been too large a gap. Some technically-flawed projects have run for years, and have been incorporated into country work without appropriate certification and review. The evaluators repeatedly found that too large a fraction of Bank research was undistinguished, in the sense that it had neither great relevance to policy nor claim to academic distinction. These are subjective judgments, but our evaluators are distinguished development economists, and their views were very similar to one another. Their judgments did not refer to the lack of good papers in good journals, many of which were innovative and important by any standard. Nor were any of them counting citations. The concern was with the large fraction of papers that, on reading, did not seem to be very useful from the perspective of either an academic or a policymaker.

Bank researchers in the Development Economics Group (DEC) are expected to publish two academic papers a year, and this mechanism helps guarantee quality and protect the Bank's intellectual standing. But the cost, at least within DECRG, is a large number of less than outstanding papers driven too much by the concerns of journals and their referees and too little by the policy needs of the Bank. Nor do these papers make use of the Bank's comparative advantages of local knowledge and a constant stream of important new problems. At the same time, there is great pressure for researchers to demonstrate policy relevance, which frequently leads to drawing conclusions that are not

supported by the evidence. There is too much self-citation. Some of the very best and very worst work was done jointly with outside consultants whose quality was clear in advance. The evaluators generally gave higher scores to research in DEC than to research done elsewhere in the Bank, although they scored the non-DEC flagships as highly as they did regular DEC research.

The *World Development Reports* have sometimes been instrumental in changing the way that the world thinks about some aspect of development, such as poverty, health, or population. In recent years, they have, to an extent, become the victims of their own success. Because they are seen as so important, they must incorporate the views of large numbers of people, inside and outside the Bank. In consequence, they often seek to minimize conflict and to emphasize “win-win” situations instead of trade-offs. They often lack sharpness and focus, and are sometimes incoherent, especially when it proves impossible to reconcile the views of the various commentators and authors. They are also extraordinarily expensive, absorbing about ten percent of the resources of the research department. Even so, the panel thinks they should probably continue. They provide the Chief Economist with a highly visible vehicle for summarizing and disseminating research on issues that he or she considers to be important, and their regular appearance contributes to the Bank’s standing in the development community even if, to some extent, they are trading on their past reputation.

The panel gave considerable thought to what should be expected of Bank researchers in terms of academic publication. Satisfying the requirements of academic editors and their reviewers is not the main business of the Bank. But without an expectation of publication, the Bank could not maintain its reputation as the leading thinker in economic development. Nor would it be able to attract the high quality researchers that it needs to think about and to help address the many problems of development. Yet too much pressure to publish leads researchers to ignore important policy issues in favor of an academic style that is sometimes of limited value. We believe that the tension here is a fundamental one that will always be faced by the research managers in the Bank. The “two publications a year” norm seems to us to be a reasonable mechanism, as is the requirement that researchers in DEC spend 30 percent of their time in operational support. We also recognize that the publication rule will lead to a substantial body of work of the kind noted above, that is successful neither academically, nor in policy relevance. This is perhaps the inevitable cost of an imperfect quality-control mechanism.

Even so, we believe that there has been too much of this sort of work over the review period. Bank research has not been monitored and evaluated as often as is desirable. The fact that our evaluation is the first in seven years is not unrelated to some of the problems that we have found. More regular evaluations would permit early termination of bad projects, and would help limit the long tail of undistinguished work. The Bank needs better tracking systems to link research expenditures to research outputs; currently it is not even tracking outputs so that it is impossible to know exactly what has been produced. The Bank needs to encourage better links with academics, both in the selection of outside researchers as consultants, which is currently too haphazard and decentralized, and in fostering regular interchanges through visitors and conferences around key topics.

Researchers should not be hiring consultants whose track records gives clear advance indication that they are unlikely to produce good work; that they do so suggests a failure of monitoring and management.

While we do not think it makes sense for the Bank to contract out all or even most of its research, for example by issuing requests for proposals, we think that it should consider using this mechanism on occasion where Bank expertise is not available. We noted how little of the research that we saw involves joint work with researchers from developing countries. While we are acutely aware of the difficulties of doing better, we emphasize the importance of attempting to do so, perhaps through greater institutional support, or by supporting highly trained immigrant economists in the US and Europe to spend time in their native countries.

We are also concerned with quality control over the Bank's large number of "flagship" publications, here taken to be the *World Development Reports* and the DEC and non-DEC major topic studies to which the term is applied. These reports are sometimes enormously influential (though we suspect that many just gather dust) and they are the vehicles where the line between the Banks' advocacy role and its role in producing new research ideas becomes particularly blurred. The large number of flagship reports makes it virtually impossible for management to exert sufficient quality control precisely where it is most needed. The Chief Economist's office, even if it were vested with sign-off authority on all flagships, lacks the time and resources to adequately vet them. We believe that the Bank produces too many of these reports. It should find a mechanism for better quality control of a smaller number, either by extending the Chief Economist's authority, and giving him or her resources to undertake the quality control, or by requiring some sort of outside review, or both.

In spite of the centrality of the research to the Bank's mission, it is continually necessary to lobby for research, and to protect basic research on development issues, especially where the payoffs are not immediate. The panel believes that there would be great benefits to endowing the Bank's development policy research, which could be done using a small fraction of the Bank's cumulated retained earnings. Without such insulation, there is a risk that it will degenerate into pure advocacy of the type that has become all too prevalent in the global poverty debate. The Bank must maintain its distinction in research.