

Incentives and Disincentives for World Bank Staff and Other Institutional Matters

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I

Following on from John Palmer's rather colorful but highly accurate description of the World Bank as a "seething mass of avaricious, ambitious task managers and other officers", I'd like to begin by describing a hypothetical situation.

Suppose I'm a member of World Bank staff or a Bank consultant involved in, or contemplating involvement in, a particular project. Suppose that the facts on the ground indicate that in order to follow World Bank policy, I should call attention to certain problems, suspend or prevent involvement in the project, or even withdraw from it. But suppose further that if I do any such thing, I will lose out on opportunities for career advancement, salary increments, or future jobs or contracts.

What will I do? Common sense provides the answer. I will ignore the facts, ignore the policy, ignore the problems, and write reports which make it seem that suspension of involvement in the project in question was never even an option.

That's what I would do in the position I've described. I think that's what you would do. I think that's what anybody in the same position would do.

Now one of the central problems at the World Bank today, as the Bank's own Wapenhans Report has pointed out, is that this "hypothetical" case isn't really all that hypothetical. The operative incentives for those who want to get anywhere at the Bank are to move lots of money, to find jobs for the boys (and they usually are boys), and to get and stay involved in lots of projects. One victim of this "approval culture", as Wapenhans calls it, is policy implementation. As Wapenhans puts it, "project appraisal becomes advocacy" and "actual on-the-ground results of Bank-financed projects receive little attention." Thus it is often left to local uprisings or NGO publicity to force the Bank to implement its own policies.

I think this is also the central problem with implementing what is worth implementing in the Bank's Forest Policy – that so many of the incentives motivating Bank staff and consultants to abide by policy are external to the Bank, not internal.

Yet nowhere in the Implementation Review is this issue so much as mentioned. I find this an astonishing omission. No private company in the world would expect its policy statements to be taken seriously unless it were prepared to demonstrate that it had initiated staff and consultant incentives up to the Vice-Presidential and Presidential level which were capable of motivating its staff to follow that policy.

In what follows I want to mention briefly two kinds of failure in implementing the Forest Policy which cry out for a detailed and concrete discussion of staff and consultant incentives:

- (1) Failures of the sort of technical analysis which is so essential to effective policy implementation.
- (2) Failures in implementation of aspects of the Forest Policy which relate to participation, communal resource management, environmental monitoring and political interference.

II

Let me begin with failures of technical analysis. As pointed out by James Ferguson, an American anthropologist who has studied some of the bizarre rituals and outlandish cults engaged in by the occupants of 1818 H Street and other World Bank outposts,¹ one reason the Bank's technical analysis of resource and other issues is typically so shoddy and unprofessional, judged by normal scholarly standards, is not that Bank staff and consultants are stupid or untrained. It is rather because they lack clear cultural incentives to do good analytical work.

If the drafters of the Implementation Review we're looking at today – and the word "draft" is a particularly merciful euphemism in this case – have any experience at all outside Washington which would enable them to look at what they've written in perspective, they will know what I mean. When the function of your report-writing is to help defend a future role for a crisis-ridden institution rather than to investigate problems in a balanced way, your thinking not only becomes fallacious but also tends to close off avenues of inquiry before they're even explored.

In this regard, I sometimes entertain the fantasy that, on their first day on the job, World Bank staff are issued with a virtual-reality headset. This headset produces a consensual hallucination according to which any success occurs because of World Bank involvement and any failure occurs despite it. The only data sets visible in this odd cyberspace are those which suggest that the Bank should expand its work still further and provide jobs to still more consultants. When engaging in dialogue with Bank staff, critics are invited to don these headsets, too, so that they can share in the delightful vistas they provide of the Bank replanting green forests and empowering happy village entrepreneurs. (Of course, this does raise the interesting side question: given that Bank staff must wear these headsets all the time, how do they keep from bumping into each other in the corridors of Bank headquarters?)

Paragraph i of the Executive Summary, for example, commits the error of presupposing that development assistance to the forestry sector, other things being equal, must have the overall effect of decreasing rates of deforestation. Paragraph ii assumes without substantiation or plausibility that forest problems are due mainly to "market and policy failures" rather than to, say, market successes or centralization of resource control. Paragraph 49, after pointing out that access and tenure rights to forests are key problems in Latin America and the Caribbean, mentions the Bank's role in such issues only in the light of small grants which have been given for agroforestry in Costa Rica and Argentina; it fails even to consider which *other* Bank programs and policies might in general have undermined access and tenure rights.

Paragraph 145 assumes, similarly baldly, that the Bank is capable only of promoting, and not interfering with, local participation and communal resource management. And paragraph 146 begs the question of whether the evidence warrants a "refinement and extension" of Bank technical work in forests or whether instead a reduction of such work is called for.

Even in Horst's introduction today, we have heard how the Bank must strive to be an agent of transfer

of "knowledge" about forests from experts to local people (who have mere "opinions" about them), and how the major initiatives in defense of forests today are not those of local users but rather of institutions such as TFAP, ITTO and CIFOR.

In a responsible and objective analysis, all such assumptions themselves would have to be questioned. In the Implementation Review, they are not. Impelled by the incentive to preserve their jobs and their institution, the drafters are hobbled by the unscientific and self-serving assumption it is inconceivable that the Bank's actions, on the whole, could ever do anything but help prevent deforestation.

Of course, the problems created by incentives for defective analysis of forest issues go far beyond the Implementation Review itself. One notable recent example of Bank corruption occurred when the Mid-Term Review team for Thailand's Pak Mun dam project was headed by a Bank staffer whose career was intimately connected with the project. Given that he had a vested interest in seeing a favorable result for the review, it was hardly surprising that the review ignored some of the most important data and failed to abide by the most elementary rules of evidence.

III

I want now to pass on to the Bank's failures to implement aspects of its Forest Policy relating to participation and community resource management.

Amid its reports of successes in implementing the Forest Policy, for example of the prevention of IFC involvement in various logging projects, the draft Implementation Review points to many failures. In paragraph 44, the draft notes that "further work is needed to develop operational methods for identifying important macroeconomic linkages". In paragraph 49, it states that "social issues received high priority in the Forest Policy Paper but have not yet received effective treatment in Bank forestry sector work". Paragraph 145 admits that the Bank has paid insufficient attention to local participation and paragraph 146 that the Bank "needs to ensure that environmental concerns are thoroughly integrated into project design from the very beginning". Paragraph 149 calls our attention to deficiencies in baseline data, while paragraph 151 observes that environmental assessment has not been transparent.

What is striking about this discussion is that no attention is given to the role of incentives in either successes or failures.

Of course, the failures of implementation of the Forest Policy go beyond anything mentioned in the draft Implementation Review. There is no consideration, for example, of why it took two years after the Forest Policy Paper was issued until the Bank took even the rudimentary practical steps of circulating Operational Policies and drafting Guidelines and Best Practice on forestry.

Some of the most notable implementation failures not mentioned in the draft Implementation Review relate to participation. Page 65 of the Forest Policy Paper states that the "Bank will stress new approaches to management of protected areas that incorporate local people into protection, benefit sharing and planning and will highlight the need to consider the needs and welfare of forest-dwelling people". According to the draft Implementation Review, the Bank has implemented this policy directive pretty well. Paragraph v of the Executive Summary says that the Bank has "responded to the mandate provided by the policy to focus its assistance on helping governments . . . empower rural people to better conserve and manage all forests". Paragraph xi goes on to say that the "Bank has incorporated into its work the need to involve stakeholders with interests in the forests . . .".

Well, these are nice sentiments and may give Bank staff a golden glow of satisfaction about a job well done. But unfortunately they don't have much to do with reality on the ground. Let me give a very mundane example.

Here on the table in front of me I have hundreds of pages of Pre-Investment Study for a GEF project called The Conservation Forest Area Protection, Management and Development Project, which is a project in the pipeline for an important protected area in Thailand, and which is mentioned in the Implementation Review. These hundreds of pages are only part of the Study. I would have brought the rest, too, except that they didn't fit into my bag.

This project is slated for an area the Thung Yai-Huai Kha Khaeng sanctuaries inhabited by thousands of Karen people, who speak a language distinct from that of the Thai majority. The project calls for their eviction. Yet not one of these hundreds of pages of bureaucratic English has been translated into Thai, much less into Karen; much less communicated to, much less discussed with, much less agreed to by the local Karen people in the sanctuary to be affected. This in spite of the fact that NGOs have requested Thai translations of all this material.

Let's put this in perspective. Imagine that a government official arrives at your house and announces that certain modifications are going to have to be made in its structure which will make it impossible for you to live there. He hastens to add that you are encouraged to participate in this renovation, and explains that you are free to ask for the documents which describe in detail what is going to be done. Unfortunately, however, these documents are in Chinese. He is sorry about this, but the fact is that he has insufficient staff to translate them for you right now. He invites you to sympathize with his plight and not be too hard-hearted. After all, he is human too. The bright spot is that the Chinese-language documents, for those who can read them, describe how you will be "empowered" in a way which will enable you to seek a better life once you have been moved out of your house.

The task manager of the GEF project I've referred to, Dr Choeng Hoy Chung, perhaps provided some insight into this novel concept of "participation" and "empowerment" when he told a Thai audience last month that the eviction of the Karen people of Thung Yai-Huai Kha Khaeng – a course of action which is, by the way, opposed by the chief of the Thung Yai sanctuary himself – would have to be carried out by means of "the sword, the carrot and the stick".

Now my purpose here is not to embarrass Dr Chung for his ignorance or for his contempt for his employer's policies, but rather to suggest that the failure to implement the Forest Policy's clauses on participation is deep-seated and structural. The sort of attitude and practice followed by Dr Chung is not an isolated individual aberration but is embedded throughout the culture of the World Bank. We need go no further afield from Thailand than Laos to find yet another GEF project whose documents have not been translated into the national, much less any local, language, and whose workings are a mystery even to many of the concerned government officials of that country.

The World Bank's failures in such cases are closely related to another critical implementation failure. I refer to the Bank's persistent violations of Article IV, Section 10 of its Founding Charter, which states: "The Bank and its officers shall not interfere in the political affairs of any member."

By "violations", I do not mean merely the large number of occasions on which the Bank has interfered in domestic political conflicts by knowingly taking the side of an oppressive central government against local people. I'm also referring to the way the Bank politically subverts governments

themselves by setting up institutions responsive to its needs often against the will of the relevant government officials themselves, as well as the way it is increasingly seeking to rewrite the policies and practices of nations across the world through both individual projects and structural adjustment. (For the difficulties in distinguishing between "negotiation" and "interference", see, for example, the Bank's own Wapenhans Report, Annex B, p. 3.)

Such political meddling has had a particularly pernicious effect on forests and the people who live in and around them. Astonishingly, however, the draft Implementation Review contains no discussion whatsoever of sanctions or incentives which would be capable of motivating Bank staff not to meddle politically in the affairs of member countries.

On the contrary, the document itself appears to advocate continued interference in the political affairs of member countries. This advocacy is visible in, among others, paragraphs v, ix, xv, 36, 41, 54, 55, 60, 64, 70, 84, 87, 125, 127, 132, 144 and 173. This is in spite of the fact that the Bank has repeatedly been asked by local people to stop meddling in their resource conflicts with elite groups in their own countries – in effect, to implement its own policy.

IV

The concerns I've raised about failures of analysis and implementation can be summarized in a set of four questions which I want to pose to Rachel and Horst, and to which I expect clear and concrete answers before the end of today's consultation. These are as follows:

- (1) What effective incentives, in terms of salary increments, performance reviews, career advancement, warnings, awards, future contracts or legal sanctions are in operation or contemplated at the World Bank to motivate staff and consulting firms to abide by the Forest Policy and to undertake the sort of objective analysis required for its effective implementation? In particular, what incentives exist for staff or consultants to recommend, or even recognize the option of, withdrawal of, suspension of or noninvolvement in projects (a) in which Bank involvement is an obstacle to participation; (b) in which Bank involvement interferes with successful communal management of forests and land; (c) in which there has been no transparent process of environmental assessment integrated into project design from the beginning; or (d) in which Bank involvement constitutes interference in the political affairs of a member nation?
- (2) Who decides and enforces such incentives?
- (3) Why are these incentives not discussed in the draft of a review which is ostensibly concerned with policy implementation and which calls attention to numerous failures of implementation? Do you plan to raise this issue on your return to Washington?
- (4) Whether or not such incentives exist, what legal or other independent recourse do affected people have to ensure that the Forest Policy's clauses are followed?

I appreciate that, as members of the Central Forestry Team without perhaps a great deal of seniority, Horst and Rachel may not enjoy the undivided attention of Bank operational staff. But I would like to hear what results they expect from the actions they will take on these questions on their return to headquarters.

Before Horst and Rachel try to answer the questions I have raised, finally, I want to offer them three cautions that may save valuable discussion time later.

First, I don't want to hear that the evolution of incentives motivating staff to abide by the Forest Policy is a "matter of time", that it is too early to expect results right now of the Bank's efforts to improve policy, but that things are sure to be different in the future. Article IV of the World Bank Charter has been in effect for around half a century, yet Bank staff's meddling in the internal political affairs of member countries has not let up in any way over that time, merely shifting its emphasis from constructing old-boy networks and docile institutions to rewriting policy, adjusting legal structures, etc.

Second, I don't want to hear that when a Bank-financed project stifles participation of local people in resource management, or fails to integrate environmental assessment into its early phases, that is the fault of the client government. It must be the responsibility of Bank staff to evaluate in advance whether or not a government is likely to support local participation and continuous and transparent environmental assessment, and not to get involved if this evaluation is negative. If this evaluation turns out to be incorrect, and leads to Bank involvement, that must have an effect on the relevant Bank staff members' career advancement and employment status.

Finally, I don't want to hear that enforcing and providing incentives for the effective implementation of the Bank's Forest Policy is a matter for "partnership" with villagers, local people and NGOs. It is not the responsibility of villagers in Thung Yai - Huai Kha Khaeng to see that the Bank obeys its own Forest Policy. Nor should it be our responsibility as Northern NGOs to force the Bank into taking action about the failures in implementation of the Forest Policy which its own Implementation Review neglects to mention. We have better things to do with our time than to correct the World Bank's incompetence and institutional incoherence, and in future would hope to keep our role as its institutional appendages to a minimum.

NOTE

1. Ferguson, James, *The Anti-Politics Machine*, Cambridge University Press, Cambridge, 1988.