WORLD BANK PROJECT APPRAISAL AND AN EMERGENT DEVELOPMENT PERSPECTIVE: THE ITERATIVE/PARTICIPATORY APPROACH

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ABSTRACT

WORLD BANK PROJECT APPRAISAL AND AN EMERGENT DEVELOPMENT PERSPECTIVE: THE ITERATIVE/PARTICIPATORY APPROACH

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This study aimed to investigate the strategic assumptions and practices in World Bank project appraisal programs. Semi-structured interviews of senior World Bank field officers in Addis Ababa and Nirobi and extensive review of World Bank appraisal directives and related documents provided the data for the study. The purpose was to see the correspondence between Bank project appraisal methods, assumptions, and criteria and the iterative/participatory development model.

The findings suggest that despite the Bank's awareness of the inherent value of the iterative/participatory development model and expressed interest in changing the direction of the Bank's development practices towards it, the project approach with appraisal emphasis on monetary and quantitave measures of development continue to dominate. The findings also imply the importance of broadening the Bank's professional mix if significant movement towards an iterative/participatory strategy is to be realized.

ACRONYMS

BN	Basic Needs
CD	Community Development
IRD	Integrated Rural Development
TVS	Training and Visit System
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund

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Introduction

The field of development and its models are subjects of lively philosophical and methodological debate. The failure, of almost half a century of concerted development effort following World War II, to up-lift the lives of hundreds of millions caught in the cycle of poverty in much of the Third World provides the backdrop for this debate.

The World Bank, also called the International Bank for Reconstruction and Development (IBRD), has been in the forefront of international development finance since its creation at the Bretton Wood Conference in 1944. It was founded as the single most important institution to serve as the capital and technological instrument of development for war devastated Europe, Japan, and the Third World (Payer, 1982, 21-22). The creation of the Bank was essential since the weak economies of these countries rendered them non-creditworthy to borrow on the international capital market.

The Bank's sister agency, the International Monetary Fund (IMF) was also created at the Bretton Woods Conference to provide short-term balance of payments loans to countries in need. Much later, in 1960, the International Development Association (IDA) was founded to address the need for low-interest credit of the poorest countries whose impoverishment had started to escalate. Special loan arrangements for this group of countries was made urgent by two factors: 1) as Western European countries, Japan, and others developed fast and achieved creditworthiness to borrow independently on the international capital market, the Bank's role as a major capital supplier and loan garantor for these countries was diminished; 2) Third World countries fast sliding into severe development problems had started to complain about the Bank's loan at close to market rate of interest. They were vigorously and vocally demanding that special low-interest capital supply arrangements be made for them under the United Nations.

For both these reasons, the Bank established IDA as its low- interest, long-term lender servicing special cases from among the least developed countries in lieu of a UN sponsored institution demanded by the poor countries (Payer, 1982, 32-33). Together, the IMF, IDA, and IBRD form what is called the World Bank Group. The group is bound by common policy orientations and operational philosophy in the realm of international development (Mason and Asher, 1973, 380).

Critiques maintain that the United States government has been the dominant architect of the World Bank group in which a preeminent role is assigned to IBRD or the World Bank. The US government is said to be the principal source of the Bank's lending orientation and policies (Payer, 1982, 22-35, Willoughby, 1992). These critiques further assert that US dominance has led to the selection of lending proposals on ideological and other preferences of the US rather than the objective criteria of development needs and prospects of borrowers.

The criticism of the Bank is not limited to the undue policy influence of the US.

Equally vigorous criticisms are levelled at the Bank's internal operational logic and management style. The Bank is given the label of being excessively self-indulgent (Hancock, 1989, Willoughby, 1992, World Press Review, 1991). Serious misgivings are also recorded by these critiques and others (Payer, 1982) about the Bank's seeming unresponsiveness to clear signals and evidences of the failures of its approach and lending results. Its alliance with corrupt and despotic Third World governments that contribute to the underdevelopment of their societies invites special blame in the circles of Bank critiques.

A recent hunger strike by Indian Villagers against Bank sponsored construction of a major dam that allegedly damaged the local ecological balance driving out thousands of peasants from their livelihoods; the storming of the Bank's Earth Summit Exhibit in Rio de Janero by local youth (World Press Review, 1993, Vol. 40, p. 38) underscore the need for the Bank to go down to basics and strive to involve the people whose lives are likely to be affected by projects it sponsors and funds. This needed change in development approach involving local peoples and institutions requires a radical departure from the Bank's established top-down approach to development problems. Whether the Bank can readily change course to adapt to growing development challenges remains a big question.

This limited Plan-B paper will, devote itself to exploring the specific philosopy and mechanics of the Bank's project appraisal, with emphasis on how this relates to evolving and holistic views on and models of development represented by the Iterative/Participatory model. At the core of this model is its concern with linking those affected by development with those trying to engineer it in a mode that exploits the full potential of the human, social, physical, and institutional environment.

Third World countries have for long accused the Bank of ignoring or refusing their input in favor of program decisions mandated by Bank policy alone (World Press Review, 1993, Vol. 40, p. 38). The participatory concern in this paper goes far beyond involving governments in loan decisions. In fact, without the full participation of local people and institutions in Bank financed projects, government involvement is not likely to make development efforts focused on the real needs of people or to improve current Bank practices.

This concern for needed partnership between the Bank and Third World people is particularly validated by current realities of the Bank's global role and financial power. At present, the Bank's role is extending far beyond the management and allocation of its development resources. Presently, it frequently coordinates other bilateral and multilateral development resources for the Third World. In 1992, for instance, the Bank was instrumental in pooling a coordinated allocation of $762 million for emergency assistance and for the rehabilitation of Ethiopia's economy which continues to be devastated by gross mismanagement and oppressive rule, especially since 1974. These funds were drawn from Scandinavian countries, the EEC, and the Bank itself. More importantly, Art Van de Laar (1980) discusses the Bank's growing tendencies to create creditor cartels. All of these issues make it essential that the Bank's operational philosophy and critical points of development decision making affecting Third World countries be understood as fully as possible. This study aspires to contribute modestly to such an understanding.

This study particularly focuses on the Bank's appraisal activities since it provides the critical phase at which the Bank's development philosophy, strategy and their practical implementation converge. Consistent with this perspective, World Bank project appraisal methods, objectives, and procedures, are studied and the origins of the Bank's development philosophy that led to the adoption of its appraisal criteria and strategy are briefly discussed. The study will attempt to relate its findings to recent synthesis of general development models built around empirical evidence underscoring the centrality of bringing into the development equation the holistic and simultaneous interplay of five major engines of development; human capital, resource availability, institutional possibilities and constraints, technology, and finance capital. Necessary and sufficient conditions for development are met only when these major engines constitute the basis of planning and plan implementation.

Layout of the Study

Chapter 1 provides a general outline of the nature of the development problem and the origins of development assumptions, philosophy and strategy that have remained dominant in World Bank development orientation. Chapter 2 will investigate the origin and etiology of the project approach to development. It will examine the core features and content of project appraisal as the critical tool of development intervention by the Bank. The Bank's definition of appraisal as well as its objective and method, will be discussed. Chapter 3 surveys the evolution of conceptual and problem-solving approaches in development studies spanning the past 12 years in particular. The role and definitional changes of appraisal as a part of problem-solving strategy will also be examined. This section of the analysis will draw on the impact of earlier development formulations and experiences, as deemed appropriate, to give the discussion of the past 12 years empirical and conceptual meaning and context. In Chapter 4, the seeds of renewed search for more relevant development models and the Bank's awareness of the need to make a radical departure from some established and dominant development assumptions and strategies are examined. Chapter 5 will provide a summary and conclusions as well as some recommendations that logically draw on the findings and analysis of the study.

CHAPTER 1

The Problem and Method of its Investigation

The Problem

By the end of World War II, there still remained a challenge to global security and stability. This challenge was the poverty and underdevelopment of the Third World (Meier 1984, 1-15, Mikesell 1983, 1,) and the rebuilding of war devastated countries. Economists were challenged to articulate concepts and design strategies that could assist in the attainment of improvements in the standard of living of Third World countries in a few decades (Meiers, 1984, 2-4). As stated in the introduction to this study, the World Bank was created as the single most important institution to serve as the capital and technological instrument of development in war devastated Europe and the Third World.

The Bank's charter, drawn up at the Bretton Woods Conference in 1944, gave it the dual function of promoting the reconstruction of war torn developed countries and promoting economic development in the least developed ones through development assistance and loans (Mikesell, 1983, 1). The concept of development assistance was defined in terms of promoting the flow of private international capital in the form of loans or direct investment (Mikesell, 1983, 1). Following this concept, the Bank's early policy was to make loans for specific projects in developing countries that met its conditions for creditworthiness and self-help but had difficulty attracting capital on the free capital market (2).

This concept and practice of development, some believe, derived from the conviction and enthusiasm of early development economists that development could be fast realized through strengthening capital and technology availability in regions where these were in scarce supply (3-5). This conviction and enthusiasm arose with and from W.W. Rostow's stage-wise evolutionary development theory (3-5). According to Rostow's (1960) theory, development follows five distinctly identifiable stages; 1) traditional society characterized by subsistence home production and consumption 2) the long period of social, cultural, and institutional evolution in which preconditions for economic growth and exchange are developed, 3) the stage of take-off into self-sustaining growth characterized by great capital accumulation and investment in the economy, 4) the stage of attainment of development maturity, and 5) the stage of stable, high level production and consumption.

In this development continuum, the take-off stage in which capital availability is seen as the major mover of development is believed to have captured the imagination of many development specialists (Mikesell, 1983, 2-4). There was evolving a general and simplified notion of development that increasing capital availability could solve the problem of supply by enabling investment and demand through increasing expendable income. This was expected to result in sustained development.

Though development perspectives have undergone significant changes over time, capital transfer through project intermediaries run by state or international organizations has remained the core strategy of the World Bank.

After more than three decades of this brand of development strategy, poverty and underdevelopment have persisted in most of the Third World, particularly south east Asia and Africa (Mikesell, 1983, OAU 1986, Chambers, 1983, World Development Report 1991, 1-11). This persistence of poverty is at the core of all methodological and empirical inquiries into development at present. The World Development Report 1991 had this to say about the inherent problems of the capital driven strategy;

> ...the clearest lesson from work on development during the past thirty years is that there is a premium on pragmatism and an open mind...There is no magic cure for economic backwardness. There is more than one way to succeed if only because there are many different sorts of successes. And success needs to be evaluated according to the various dimensions of development (49).

The notable infrastructural development successes of this capital driven strategy not withstanding, its ability to stimulate meaningful and self-sustaining development in vital sectors like agriculture and industry has remained scant. The problem is particularly acute in Africa. Africa has been rapidly sliding into conditions often described worse now than twenty years ago (OAU 1986). In its essence, this study focuses on this problem by looking, in some depth, at the appraisal criteria of development projects. This reduces the research problem to studying one critical stage in World Bank development involvement in the Third World with the expectation of bringing about sustained development.

As part of its traditional development strategy, the World Bank has used the instrument of project appraisal as the key starting point for project funding. Project appraisal is the key instrument for judging a development project as worthy of Bank support. For this reason, project appraisal can be considered the first serious step in World Bank financing involvement. This study's concern with the objective, method, and procedure of project appraisal, includes the investigation of the impact of an emergent development model-the iterative participatory model (Ruttan, 1984, Korten and Klauss, 1984, Johnson, 1988, Johnson, Bonnen, et al 1991) has had on them. This model expands the concept of development to include essential changes in the behavior and function of the human, social, market, technological, and institutional aspects of the development context. A more focused definition of iterative/participatory development will be offered later.

Method of the Study

Two methods of data collection were employed; 1) document study, 2) semi-structured interviews with senior World Bank field officers in Addis Ababa, Ethiopia and Nairobi, Kenya. The document research focuses on project appraisal issues. It includes examination of appraisal trends and correspondence with emergent development perspectives and frameworks.

Collection of relevant documents was effected through personal visits to the headquarters of the Bank and the two field offices studied. Documents on project design and appraisal were also secured through correspondence with relevant authorities.

While the scope of the document study was generally limited to examining documents spanning 1982-1992, it was found necessary to consider prior periods to connect current appraisal methods, objectives and procedures to their historical predecessors.

The semi-structured interviews in Addis Ababa and Nairobi sought to discover the role of these offices in the identification, formulation, and appraisal of development projects in their respective countries. The two senior people interviewed were Mr. Shiferaw Jammo, an Ethiopian Senior Program Officer in the Addis Ababa office, and Mr. John Mcgregor, Senior Operations Officer in the Nairobi office.

At the time of my arrival in Addis Ababa, the country World Bank representative Dr. Theodore Goering and his deputy were recalled to Washington. Mr Shiferaw was the next senior professional available. He is a economist of extensive expertise and experience both in the Bank's country office and in the Ethiopian government. Mr. Shiferaw gave generously of his time to discuss extensively issues related to six central research questions. These questions were:

1) What are the main categories of World Bank projects in this country?

2) What role did the government and the field-office play in the identification, design, and appraisal of these projects?

3) If the office had innovative ideas in development design and appraisal, could it influence the Bank to implement them?

4) What does the office know about the Bank's perspectives on iterative participatory development?

5) If iterative participatory development had been suggested, how far down, in the institutional hierarchy would iteration go?

6) What are the prospects for the field office to iteratively design development with the participation of local people and institutions?

These questions were designed to match the research focus on "what", "how", and "why", of project appraisal stated in terms of objectives, procedures, and methods of project appraisal practiced by the Bank. The interview findings in the two East African offices will be organized in sequential responses to the research questions.

CHAPTER 2

The Role of Project Appraisal

The Origins and Etiology of The Project Approach To Development

From the beginning, the concept of project was defined as a "set of interrelated expenditures designed to achieve in a specified time period, specific objectives" (World Bank, Operational Manual No. 2.20, 1984). Further, an Operational Policy Manual issued on March 31, 1971 (Operational Policy Manual No. 2.20) specified that project appraisal is an essential part of the Bank's activities. The Bank is a "development institution and as such is concerned that the capital it lends should make maximum impact on the economic development of its member countries". Designing a project blue-print and appraising it for its efficiency in development became the instruments for clearing development projects for World Bank financing.

Objectives of Project Appraisal

Appraisal is understood at the Bank as an exercise undertaken "to examine the economic need which a project is designed to meet, to judge whether the project is likely to meet this need in an efficient way, and to conclude what conditions should be attached to eventual Bank financing" (World Bank, Operational Policy Memorandum, 2.20, 1971). It is for this specific purpose that appraisal focuses on the six economic performance aspects mentioned below.

Appraisal documents spanning 1980-1992 and many going back to the early 1970s, show the objective of appraisal to be the testing of the validity and consistency of a project against six aspects of performance; a) economic, b) technical, c) managerial, d) organizational, e) financial, and f) commercial. It would also look at each project in the framework of the whole economy of which it is a part to ascertain that the goals set for the project are both attainable and worthwhile. (World Bank, Operational Policy Manual No. 2.20, 1971, Operations Policy Note 2.07, 1983, Operational Manual Statement No. 2.12, 1983, Office Memorandum by Shahid Javed Burki, 1992, Baum, 1980a, 1980b, 1980c).

The framework and prescriptive methods of World Bank project appraisal (Baum, 1982a, 1982b, 1982c) are consistent with Price Gittinger's benefit and cost analysis formats. First published in 1972 and reviewed in 1982 (Gittinger, 1982, xiii-xv), this format defines a project as a "complex of activities in the undertaking that uses resources to gain benefits..." (4). Gittinger's benefit and cost analysis methods are extensively used by the Bank's Economic Development Institute to teach staff project analysis techniques (xv). Staff are trained to use these methods in appraising Bank funded projects.

Among the dominant features of this method of project appraisal is its dependence on existing prices and the assumed utilization of local resources such as land and water and external capital to estimate expected production gains. This does very little to help us see the intersectoral and interpersonal dynamics that determine project outcome and the distribution of benefits that can impact the society or community at large.

As Schmid (1989) convincingly argues, benefit cost analysis of a development enterprise can often be a means for reinforcing an existing inequality in the structure of wealth and power distribution. Because of this, even after successful implementation of profitable projects, the poor may be rendered poorer since they have never been placed in a position where they could negotiate their claim over parts of the benefits resulting from a Bank financed project. Development remains illusive after project implementation because the general human and institutial envioronment and positions of relative economic power and social status remain qualitatively unchanged. As many Bank financed agricultural projects like the WADU (Wolamo Sodo Agricultural Development Unit) project in Ethiopia demonstrate, the poor people end up enduring the aggregate short and long-term negative effects of Bank projects that leave behind a lot of debt, abandoned farm equipment, staff residences, etc, all built for the duration of the project, and not originally designed to fit into the local institutional, technological capabilities, and ownership by the local people. An iterative learning and participatory context engaging those delivering development intervention and the local people on the receiving end would create conditions for project ownership and continuity of project objectives far beyond the life of the project itself. Example of such possiblities become real in the empirical experiences of organizations like the Bangladesh Rural Advancement Committee (BRAC) which will be mentioned in more detail later.

In rhetoric, the World Bank appears to realize all this (Jay Cox, 1988, World Bank, The MacNamara Years, 1981, 445-446). The Bank's practice, however, appears a long way from transforming its approaches to correct the very evident flaws now observable in much of the development outcomes attributable to its intervention criteria and methods.

Returning to the specific issue of World Bank appraisal approach, Operational Manual Statement No. 3.04 issued in December 1977 stipulates the format and content of Staff Appraisal Reports as follows:

> Staff Appraisal Report should show clearly the assumptions, judgements and analyses on which the loan/credit recommendations rest, together with a clear indication of the risks or uncertainties that are attached to the conclusion reached. The following broad topics are covered: sector,subsector of project area, borrowing/executing agency, project concept and financing, demand and market aspects, technology and production specification, project implementation, financial analysis, economic analysis, other summary agreements to be reached on loan conditions.

On the principles of Project Appraisal, Operational Manual Statement No. 2.12 issued in August 1978, states that;

> The Bank's approach to the appraisal of projects reflects its character as a development institution. It considers projects accordingly, from a broader point of view than that of a creditor, a promoter or supplier of equipment. It looks at each project in the framework of the whole economy of which the project would form a part.

The purpose is to enhance quantitative output of a project and measure its impact on relevant sectors. But a number of real and practical question arise: What are the units of measurement of project output? How are the impacts of these outputs on people measured? What kind of impact defines a project as beneficial?

There is a great deal of controversy about the Bank's judgement on development projects and the impact they are envisioned to produce. Often, observers insist that some Bank projects like the forestry project in Brazil, have contributed to the destruction of much of the rain forest, and that projects for irrigating the Nile Delta in Egypt have destroyed farm lands (World Press Review, Vol. 40, 1993). Many such examples abound in the chronicles of critiques. Yet the Bank may consider these same projects successes in terms of acres of land irrigated or lumber harvested.

There is blame being thrown at the Bank from borrowing countries and now from internal critiques. The World Press Review (Vol. 40, 1993) cites leaked insider information in which Bank staff are said to insist on using international experts to design projects without the benefit of adequate information available only through close consultation with local people. When they say local people, government officials only have themselves in mind, and this is not sufficient either for accessing vital information essential for realistic decision making. Much wisdom and knowledge about local problems and constraints impeding their solution are resident in local people and communities.

The same source complains that the Bank conceals its project plans from affected peoples. Hence the hunger strike by Indian villagers against the Bank and the storming of Bank Earth Summit exhibits and burning its documents by angry local groups (World Press Review, Vol. 40, 1993). The signs seem to be clear. People want and are ready to participate in their own development.

Part of the Bank's problem of aloof development orientation perhaps arises from well intended assumptions that designing, appraising and installing top-down blue-print production enterprises financed by the Bank or in partnership between the Bank and borrower country, would constitute a short cut driving force to development. This capital and investment doctrine of development has a long and interesting history which will be examined in chapter 3.

Appraisal Methods and Procedures

The methods and procedures of appraisal are established, elaborated upon and its procedural steps specified in three categories of appraisal documents. The detail of issues in each category is overwhelming. Numerous documents specifying assumptions, methods, procedures and their logic are issued each year. Each new document is aimed at perfecting a point and procedural step missed in a previous one, or correcting perceived errors in current procedures.

The three main categories of appraisal related documents are: 1) Operational Policy Memorandum; documents coming under this label specify why appraisal is conducted and what its elements are or ought to be. 2) Operational Directives; these specify precise variables that must be included in appraisal. 3) Operational Manual Statement; reviews the Bank's approach to appraisal. It explains appraisal concepts and variables in detail.

Each category of documents is issued in series, with each issue striving to perfect concepts, steps, methods and procedures deemed ambiguous in previous issues or complementing them with new ideas. There are, in addition, office notes of various types on appraisal issues.

During the 1960s and early 1970s, the definitions of development and project were cast strictly in terms of growth variables like GNP and per capita income. Because of this limited conception of development, projects could "originate from a multiplicity of sources"; from within the country and from abroad including the Bank (World Bank, Operational Manual Statement, No. 2. 12, August 1978). Operational Policy Memorandum No. 2.30 issued on March 31, 1971 defined the development entities with which the Bank deals in project management. These entities are, public boards and Authorities, gvernment departments or offices, and private companies.

Though Gittinger's (1982) framework for project analysis are adapted to World Bank appraisal, there appears a significant departure from his prescriptions. Gittinger's analysis is generally focused on micro enterprises or firms. Family labor and managerial capacity is central to his production estimation. His methods endeavor to relate production planning and appraisal to real life situations. He uses marginal analysis of production with and without a project to estimate net benefits. World Bank appraisal seems to rely more on abstracted forecasting largely dependent on quantitative estimates of expected monetary returns to investment. Appraisal also includes specifying institutional preconditions that must be in place in the host country for these estimated returns and benefits to materialize. Appraisers not only used theoretical calculations, but also made repeated visits to borrowing countries to verify that the managerial, institutional, and procurement capacities existed or could be installed by the borrower prior to project implementation.

Statistical details and descriptive data on the monetary and production capacity of the environment in which a project is to be implemented is to be provided. Detailed discussion of project-management capacity including financial accounting, management, procurement of needed capital equipments, their maintenance etc. must also be included in the appraisal process.

The variables, methods and procedures of project appraisal focus on two basic dimensions (World Bank, Operational Policy Memorandum 2.20 March 31, 1971). The first dimension centers around the attributes of a borrowing government or parastatal-especially its capacity to meet the operational specifications of a project and its credit worthiness. The borrower's capacity to raise necessary matching funds for the project is also important. Here, appraisal even goes deep into assessing the capacity of a government or organization to raise the required revenues internally.

The second dimension is the production and monetary feasibility of the project (World Bank, Operational Policy Memorandum 2.20, March 31, 1971, Operational Manual Statement 2.12, Aug, 1978, Operational Manual Statement 3.04 Dec. 1977, Operation

Policy Note 4.01, Aug. 29, 1983, Operational Directive 9.00, June, 1991). Extensive examination of documents under these categories reveals the compellingly deterministic nature of appraisal.

In the continued search to perfect appraisal methods and procedures as reliable predictors of development outcomes, appraisal directives and expectations have become so vastly complex over time that the variables to be dealt with have grown to 500-600 (Ritchie, 1992). The technical detail required by the appraisal method and procedures have correspondingly become so overwhelming that the task over-load they entail often renders them impracticable. As a result, appraisers frequently overlook the excessive details demanded. We will, in chapter 4, refer to the counter productiveness of this highly complex appraisal machinery and emerging staff attitudes towards it. The elaborateness of the appraisal method and procedure form a textbook case of how a bureaucracy extends its operational logic and structural modeling to abstracted perfection. Appraisal and implementation experience following this logic now indicate that most projects actually fail to meet their expected targets despite staff exhaustion in rigorously appraising their effectiveness (Ritchie, 1992).

This appraisal of immense detail must pass through a number of phases before a project is ready to be presented to top executives for approval and implementation.

Projects originating in a department of the Bank, or a borrower government, are walked through these phases of incremental improvements. The first appraisal phase may lead to major improvements consistent with Bank standards. After this initial review, the document receives a white cover. Then the second, third, and fourth stages of appraisal proceed, making each version closer to ultimate appraisal expectations. As the appraisal progresses through these stages, it is given green, yellow, and buff colored covers respectively. By the time it reaches the yellow stage, it is already deemed ready for submission for financing even as refinements and further specification of operation procedures and methods are made and expenditure schedules worked out.

Appraisal variables and mechanisms are amenable to quantitative evaluation using aggregate GNP and per capita income measures. Non quantitative information is gathered on political and institutional matters. However, this information generally does not figure in the appraisal analysis or process and, until recently, the estimation of development effects.

Old Appraisal Methods, New Development Dimensions

In recent years, terminologies like poverty focused, participatory development, policy impact, and women in development form parts of the World Bank appraisal lexicon (World Bank, 1992, Annex D to Operational Directive 9.00, of 1991, Operations Policy Note 2.07, 1983, Office Memorandum, 1986, 1985, by Shahid, H.). However, there seems to be great bewilderment and frustration as to what constitutes participation, poverty focus, policy impact, or women in development, and what variables could measure them. As the Bank's definition of development widens to incorporate such qualitative and nonmonetary values, the established appraisal instruments become increasingly inadequate and even diametrically opposite to the implied requirements of evaluating progress in these new dimensions and values. This contradiction of ends and means often results in frustration all around (Office Memorandum 1986, 1985 by Shahid H., Ritchie, 1992, Jay Cox, 1988). It seems that this frustration is leading to a new awareness that the whole approach to development ought to be transformed in line with the growing literature in development studies, and new theoretical and practical propositions such as the emergent iterative participatory development approach.

This emergent development analysis and framework views the beneficiaries themselves and their institutional and technological capacities along with their resources, as the major vehicles of change and development. It views development as a process driven by a number of complementary factors. The most important of these factors are identified to be technological, human capital, and institutional as well as capital and natural resources enhancement (Johnson, 1987, 1986, 1988, Johnson, Bonnen et al, 1991, Dunn, 1971). Natural resources include ecological resources. A technology that performs well in one ecological setting can break up environmental balance in another.

The iterative participatory model of development formulation and analysis in no way undercuts the importance of monetary appraisal of projects. It complements such appraisal efforts by introducing the important elements of human, institutional, and learning factors missing in the conventional development equation. Iterative participation offers access to information and knowledge about local conditions and facts that can impel or impede development. It facilitates prior insights into how the effects of development efforts may impact different sectors of a community or society. For instance, the Bangladesh Rural Advancement Committee (BRAC) and the Addis-Sodo Road construction Association in Ethiopia demonstrate how local initiatives for problem solving can form the core activity in a process of broad-based development with manifest monetary and production objectives. Both of these non-governmental entities being grassroots organizations, start with the assumption that local participation and ownership of projects must form the basis of enduring activities. They negotiate how any given project should be designed and implemented and how responsibilities and benefits can be shared among individuals and/or groups. A brief excursus is in order to identify the characteristics of thes organizations.

BRAC is a non-governmental organization in Bangladesh specialized in working with the most disadvantaged rural people. BRAC's experts approach poor peasants and other rural poor with a sense of partnership in building a better rural life. In this partnership, the people are encouraged and educated to define their problems realistically, and to prioritize actions to deal with them. The people are encouraged to determine locally available resources, especially local labor and skills that could be mobilized for problem solving. BRAC has an extensive network of international donors that could help specific local development undertakings, be these individual, or community based. When local resources are insufficient for the implementation of identified projects. BRAC experts help design and appraise projects in which local and external development participation is clearly spelled out and phased. External resources are secured through BRAC which also provides the managerial intermediary and follow-up during implementation. Donors participate in evaluating the consistency of development processes and results.

BRAC has helped initiate a large number of private rural enterprises through its credit system. Basic education and literacy, health services and other programs have also been initiated throughout Bangladesh. Its programs, whether in rural production, infrastructural development, health, or education are genuinely participatory and the people assume a large bulk of responsibilities in all of them. BRAC experiences are considered a positive model showing promising successes over the last two decades despite a rigid and non-egalitarian political environment. Its lessons are studied by a number of organizations involved in international development.

The per-1974 Addis-Sodo Road Construction Association was a response to opportunities offered by a growing market and a rich agricultural region that could supply it if commodities could be transported to these markets efficiently. The Association was organized by natives of the Sodo and Gurage regions living and prospering professionally and in businesses in major towns and cities throughout the country. Other supporters also joined the Association. The Association's main goal was to build a network of all-weather roads that could link the the fertile Gurage regions to major market centers. In addition, other commercial uses of the road network were designed to benefit the region. Formulas were negotiated to distribute the benefits from the road construction to the local communities.

A number of additional benefits became observable even in the early life of the Association's work. Professionals within it enjoyed public trust and credibility based on their history. These people conducted the business of the Association with honesty, and efficiency and soon it became exemplary in what could be done through broad and voluntary participation and minimum technical assistance from the government. State development planners started to model their efforts in some sectors after this Association. But the spread of the model was interrupted by a violent Marxist revolution that dismantled and centralized everything beginning in 1974.

The extent of World Bank awareness of such iterative participatory phenomenon exemplified by BRAC and the Addis-Sodo Road Construction Association and its implications for the design and appraisal of development is not very clear. However, the growing dialogue within the Bank about the urgency of change in its development approach and programs can be seen from a variety of memoranda and recent workshops on the theme of broad-based participation in development. The Bank's growing concern for needed change is manifest in its sponsorship of a workshop on "Participatory Development" during February 26-27, 1992, and a similar but less known one in 1986 (Bamberger, 1988). More will be said about this in chapter 4.

The Role of Field Officers in Project Design and Appraisal

The six research questions asked of field officers (see p. 12 above) were designed to reveal the division of labor between headquarter and field staff and the nature and extent of iterative interaction between the Bank and field staff, field staff and local people and government and non-government institutions in the process of project generation and appraisal. Investigating these questions helped reveal the extent to which local experiences, practical local innovations in development methods, and public needs filter to headquarters through field staff to affect the World Bank's development approach and strategy. The findings of interviews and discussions in the Addis Ababa and Nairobi offices are presented and discussed below.

ADDIS ABABA: 1) The Addis Ababa Office had remained dormant for over 17 years of Marxist dictatorship and centralized planning in Ethiopia. There has been practically no development funding by the Bank during this time. The Marxist government in power during 1974-1991 offered neither the policy flexibility nor conditions for market economy to warrant the Bank's involvement in Ethiopia's development. The Bank adopted a wait and see attitude until the end of 1990 at which time the dictatorship was relaxing some of its policies. The government had driven the economy to total ruin through 17 years of mismanagement. Now there was nowhere to go and nothing more to do except change some policies at the margins. The Bank then started to review possibilities for involvement. But this process was again slowed by a new political turmoil generated by the Transitional Government which ousted the Marxist one in May 1991.

The above was an introductory response to the first question relating to the type of development projects currently funded by the Bank in Ethiopia. The respondent -Mr. Shiferaw - elaborated that during the past 18 years, the Bank did extend two limited loans. One emergency loan amounting to $30 million was provided during the 1984 famine for food purchases. A similar loan amount was advanced again in 1987 for the same purpose. These loans were not subject to any lending or appraisal standards.

Similarly, at present, the World Bank has put together a loan and credit package of about $672 million from its own funds, the EEC, Nordic countries, and other bilateral sources as an emergency fund expendable within 33 calendar months. This loan and credit package had emergency characteristic not subject to strict advanced program appraisal. It was designed to jump-start the war devastated economy by providing essential capital for the purchase of industrial inputs, rehabilitating war-damaged roads, bridges, communication and other facilities. It was understood that subsequent Bank loans and credits would be subject to standard project formulation and appraisal requirements.

2) The second research question was on the role played by government and the Bank's field office in identification of development needs and design of projects. Mr. Shiferaw's response was very brief. He disclosed that the destruction of the country's economy and infrastructure has been so pervasive that both the Bank and the government believed that any amount of capital could be effectively utilized. No specific projects or expenditure plans are required for present Bank allocations. The Bank's field office simply acts as

the intermediary between Washington and Addis Ababa in the disbursement of allocated funds through the Transitional Government of Ethiopia.

3) To the third question which was about what role development ideas emanating from the field office could play in shaping the nature and orientation of World Bank development strategy, the interviewee had no idea on the matter. To the best of his knowledge, all project guidelines come from headquarters. The local office acts merely as a conveyer-belt between government and the Bank and facilitates the flow of funds, internationally purchased development hardware, and international experts assigned to projects.

4) There was no awareness in the Addis Ababa office about the current debate and movement within the Bank on development models or frameworks. Nothing is known about the growing influence of iterative participatory perspectives on development modeling. The interviewee only knew of the established project approach which is heavily bureaucratic and capital dependent in its formulation, appraisal and implementation.

5) Since there was no familiarity with the notion of iterative development and the role it might play, the fifth question was not and could not be answered.

6) The interviewee was not sure that the Bank would abrogate any powers in setting

standards of project design and appraisal to a local apparatus including its field office. Since the concept of iterative participation and its implications for responsibility and decision sharing by local people and local institutions were alien to the interviewee, the question could not be fruitfully explored. Similarly, ideas on the potential for mobilizing local institutions and groups by the field office for the task of identifying of priorities and designing implementable projects to address them could not be discussed.

NAIROBI: The dynamism and knowledgeability of cutting-edge development ideas of the officer interviewed in Nairobi stands in stark contrast to that in Addis Ababa. Every one of the research questions generated informative and inspiring evidence of the office's drive to take initiatives and experiment with new ideas.

1) The dominant categories of current projects and most of the ones in the pipe-line conform to standards of the established top-down project format. They consist of large-scale infrastructural, communication, and macro-policy development projects. There are, however, a few that were fashioned after the iterative/participatory model. Examples of these include a Rural Access Road Project and a Rural Water Supply Project both of which had strong community inputs in design and implementation.

These projects provided for their clear community ownership which made future maintenance and usability of the facilities remarkably dependable and efficient. Communities took responsibility for maintenance and operation. Often, project ownership and continuity pose problems at the end of project implementation. The World Bank's role terminates at this stage. Once the implementation phase of a project is completed, follow-up and continued maintenance often becomes a problem except where a project is a macro government project under an established government department or authority. There are many white- elephant projects all over Africa resulting from lack of maintenance and ownership. The experience of the two Kenyan projects mentioned above demonstrate that small-scale and relevant community projects could have lasting usefulness and impact when done with the initiative and participation of local people.

At present, the Rural Access Road project is under completion and unlikely to be replicated. There was hope that the Rural Water Supply project would be replicated else where. This project was strongly community based, cost effective, and efficient. But the government would not include such projects in the present World Bank financing package. The Government was not impressed with involving the people and communities in development decision making. Since under present practice, the government is the borrower of Bank loans, this useful experience in development management has been abandoned for lack of host government support. But the office is not giving up and is working on a number of potential projects with indigenous groups.

2) The second question was answered consistent with the first one. At present the government formulates and proposes development projects for funding. These are then

revised to meet project submission and appraisal requirements of the Bank with appraisal being done by headquarter professionals. There are only few projects qualifying as community-based or locally initiated efforts. Where these exist, their funding is often limited to a single funding cycle.

The interviewee was not aware of project ideas originating from World Bank headquarters for Kenya. Kenya must be among the countries that account for about 10% of projects originating exclusively from participating countries (Ritchie, 1992). The discussion at the Nairobi office also revealed that the field staff does play many creative roles within the Bank and in the Kenyan government in shaping development projects that will be relevant for different sectors of Kenya's economy.

3) The Nairobi discussions revealed that staff in the field office had worked with local groups and assisted them in identifying development problems and in designing implementation strategies for World Bank financing. The Rural Water Supply project had such inputs.

The interviewee strongly believed that if field offices come up with innovative development ideas and strategies, the Bank will accept them. He asserted, however, that this does not deny the existence of powerful interest groups within the Bank that resist significant initiatives of field staff. The hard-liners want to stick to the old ways of doing things because they feel safe and in control of everything. But the progressive and pragmatic elements within the Bank who are in active and honest pursuit of new ideas to replace the old and failed ones are growing stronger. Often creative field staff well versed in the available development alternatives derive support from these elements.

4) It was clear that the discussant knew a great deal about the literature on iterative participatory development and the current debate within the Bank about this development framework. Mr. Mcregor is of the view that the Bank's hesitation on adopting it is a function of institutional lag. He believes that the model is sufficiently developed conceptually and that the absence of determinate prescriptive methods should not hold back its implementation. Valid practical prescription and specification of methods could only emerge through tested contextual and empirical experience. An iterative/interactive model of development, in fact, should be situation-specific and fashioned by firing-line field staff and local people directly dealing with local problems, constraints, and opportunities.

5) It emerged during the discussion that the Kenyan experience indicates that the Government would put insurmountable obstacles to having iterative participation and interaction go beyond Bank- government partnership. The bureaucracy has already proven resistant to field staff attempts to work with local people and groups on development problems. They consider efforts "subversive". A few staff have continued working with and encouraging citizens' groups that are beginning to take some decisions into their own hands. While Bank staff must abide by standards and expectations of government, they work in subtle ways to sustain and encourage the emerging capacity

of non-governmental groups' in policy analysis, project design and development participation. This may be a painful and slow change process but it is well worth working on.

The growing tendencies within the Bank are likely to make it more ready than ever to study possibilities to take iteration down to the most basic development units within local communities. No concrete evidence in the negative or affirmative could be offered on this yet since experience was so limited. In general, there is ample evidence of wide ranging interest in and commitment to iterative development. The interviewee reminded, however, that this must not be taken as a total denial of the existence of powerful centers of resistance to such a change within the Bank. These forces favor the customary pattern of rigid, quality- controlled, highly centralized, top-down project design, appraisal, and implementation.

6) The sixth research question is related to the fifth and fourth, and most of its answers are summarized there. However, there were additional points discussed that are worth recording. It was clear that the caliber, commitment, and experience of field and headquarter staff determines their activism in iteratively designing participatory development programs that are relevant and efficient in a given environment. Staff caliber, expertise, and philosophical perspectives need to be changed through new recruitment or rigorous on-the-job training and education. The World Bank needs to take an activist stand in demonstrating that honest policy and program transformations with

tangible results are in every ones long-term interest.

Movement in this direction is evident within the Bank. But changes within the Bank alone will not obtain and implement an iterative participatory approach. The Bank and field staff will need to work on governments, constantly reminding them of the corrupting and inefficient outcomes of unaccountable social and political systems. The interviewee stressed the inexorable barriers to iterative participatory development that governments are able to construct. The World Bank is governed by the will and demand of its member governments. If Third World governments were serious about development and measured loan financed programs by their national benefits and costs, the Bank would respond positively to enlightened development strategies. In such a scenario, analyses of benefits and costs could even look into project effects on different social sectors and the economy as a whole.

The message emerging from both field and document study seems clear. The project blue-print with standardized and deterministic appraisal as its validating prerequisite forms the dominant core of World Bank development strategy at present. While this approach may be useful for technical projects like building a dam, an industrial enterprise, a highway system etc., its validity is questionable when the factors of development discussed earlier need to be factored into appraisal. The argument here is that while quantitative appraisal as currently implemented is a necessary technical part of development decision making, unhindered participation and input by local people and institutions at all levels of decision making also need to be incorporated into it. For such areas as agricultural development, integration of national markets, cottage industries, home production, and integration of women in development, other iterative participatory and quantitative appraisals need to be interfaced.

At the beginning of World Bank involvement in Third World development, top-down projects and abstract calculations of outcomes were legitimately conceived as stop-gap measures to expedite development even in regions that did not have the necessary critical mass of institutional and human capital or technology and investment capital to launch their own development. Given the definition of development at that time (see pages 7-8), such a project approach was a convincing alternative. Subsequent experience, however, has demonstrated the need for different approaches to different development agendas. We now need to distinguish between methods for people-centered, resource and institution dependent development, and development concerned with mere creation of physical infrastructures.

Our understanding of the complexity of the development process when improvement of human life is of central concern suggests the need for insightful flexibility in development approaches. Making allowances for complementarity among the four major forces of development -- human capital, resource availability and enhancement, technology, and institutional capabilities -- discussed earlier in this paper should form the core of efforts. That a shift toward a flexible and complementary approach in the tradition of iterative participation is yet in process and not a reality in the World Bank could be a function of time lag between definition of problems, and the design and implementation of appropriate solution. The various workshops and exchanges of notes between departments on needed new approaches to development are all indicative of an institutional change going through the pains of birth. What is critical in this process, as the conceptual gap between the Addis Ababa and Nairobi office interviews shows, is the capacity and dedication of staff assigned to the task. The Bank has been blessed with large numbers of dedicated staff. It is probably time to review where dedication abounds but skill lags and where skill abounds and dedication lags to bring both competency and dedication into synergy in the interest of accelerated future development. More will be said about this in the concluding chapter.

CHAPTER 3

Redefining the Development Challenge: Continued Search for a New Development Strategy

As far back as the mid 1970s, presidents of the World Bank have strained to make the Bank's development program relevant and effective. President Robert McNamara, for instance. was concerned about the persistence of poverty and underdevelopment in the face of the Bank's intensified development intervention. He had this to say about development and poverty reduction in his address to the Board of Governors, on September 26, 1977;

> Another characterization of the performance of the developing countries over the past quarter of century is that they have failed to eliminate, or even significantly reduce the massive poverty in their societies...reducing poverty is a realistic objective, indeed an absolutely essential one. And it is true that some developing societies have had ineffective policies in this matter. In retrospect,it is clear that too much confidence was based on the belief that rapid economic growth would automatically result in the reduction of poverty, the so called "trickle down" theory. For several years now the Bank and the countries it serves have been striving to develop effective strategies for dealing directly with the poorest elements in society (World Bank, The MacNamara Years, 1981, 445).

In a similar address to the Board of Directors on September 30 1980, this was what he had to say about the subjects of development and poverty and the Bank's approach to poverty alleviation;

> None of us, of course, can pretend that our understanding of the complexities of the poverty problem is complete. We are all still learning. But I believe we can

> take a measure of satisfaction that many governments and institutions throughout the international development community, including this Bank, are beginning to think about poverty in a more thoughtful way than they did a decade ago. And they are beginning to ask themselves how they can reshape their own efforts to deal with it more effectively (657).

The striking difference between these two pronouncements is the shift in perspective on poverty or underdevelopment within the decade of the 1970s. Less confidence is placed in the effectiveness of expert mastery of development problems. By definition, development is now seen as more complex than originally thought, and the need to reorient approaches to this complexity is underscored.

The project approach always focuses on one or two physical factors of development. The purpose of the Bank's intervention has been the removal of constraints in these selected factors. The development factors isolated for intervention usually consist of capital or technology or both. There is an emerging awareness that this does not always create development. Results often show that even when GNP grows, it can do so without affecting underdevelopment and rampant poverty in a significant way. Consequently, a search for thoughtful approaches that would make development intervention successful in its mission has maintained currency in important Bank circles.

Historical Bank Attempts to Change Its Development Approach

At the margins of its operations, the Bank had experimented with various approaches to development. The Community Development (CD) strategy which had gained influence in Southeast Asia and Africa during the 1960s (Ruttan, 1984) was more or less the first such experiment. The focus of CD was rural enlightenment for self-help. After a period of trial, the Bank abandoned it as slow in process and results though it was evident to this author who, as a young professional participated in CD efforts in Ethiopia, that the problem was not the slowness of the process, but the absence of resources and technology to match the fast growing rural awareness and desire to change the scale and mode of subsistence production.

Conceptual and practical experimentation moved towards integrated rural development (IRD) which was claimed to correct the process errors of CD. It sought to bring about development through intensified delivery of a prepackaged network of development and service programs designed and implemented by experts in a top-down fashion in targeted regions considered high-potential development areas. Although remnants of this strategy still persist, it was largely declared ineffective and ill conceived. The Bank moved on to support other strategies like the Basic Needs (BN), and Training and Visit System (TVS) at different times. All of these were project variants originating outside of the beneficiary community (Ruttan, 1984). As such, they could not address the fundamental issues of development rooted in local history, institutions, human capital, resource base, market, and technology.

Iterative participatory development approaches are the natural consequences of decades of observing inadequate development resulting from top-down interventions focused on supplementing selected factor inputs. The iterative participatory model articulates in theory and practice, the need for a holistic and interdisciplinary approach to development

(Malone and Malone, 1958, Johnson, Halter et al, 1961. University of Missouri, n.d, Chawdhari et al, 1969, Johnson, 1988, 1987, Johnson, Bonnen et al, 1991, Dunn, 1972, Korten and Klauss 1984). The range and chronology of the development literature shows that in a sense, the current iterative participatory development models and perspectives represent a systematic synthesis of earlier experiential discoveries. The success of injecting external capital into Europe's and Japan's war devastated economies with dramatic results may have foreshadowed all the other essential development factors that had received realistic attention in earlier development work, particularly in the design of rural, farm and home development programs in the US. The Land Grant Colleges and the Cooperative Extension Programs in the US have a far reaching vision of the role of learning and participation as central to the development of peoples. Some mention of this was made earlier and more will be said about it later.

Each development context has its peculiar sets of factor deficits or constraints that need to be complemented for successful development. The World Bank is currently moving to examine rigorously how an iterative participatory model which starts with the local identification of such deficits and constraints can be applied. Deficits and constraints may be predominantly institutional, or resource, or human capital, or technology, or monetary and finance, or any combination of these. Given its traditional responsibility to member states rather than to local people, many new arrangements in the Bank's relations to people and their legitimate governments need to be worked out before the iterative participatory model designed to address the relevant factor deficits can be fully adopted. Fundamental institutional changes have long gestation periods owing to, among other things, developed loyalties to ideas and people nurturing them, as well as institutional adaptations not unlike those described by Thomas Kuhn (1970) for evolutionary changes even in science itself. Similar considerations may also play a large role in retarding Bank-wide changes favoring iterative participation.

In this respect, it may be useful to examine more closely, how the top-down project approach came to be institutionalized and the difficulties in disengaging from it after half a century of its application and refinement.

Background of the Project Approach

When the Bank launched its Third World development efforts at the end of World War II using the assumptions and strategies of top-down, capital driven development, Third World countries generally lacked the institutional capacity and a critical mass of human capital needed for governments and private enterprise to absorb the development capital made available by the World Bank. What scarce human capital existed was in the public sector (Meier, 1984, 13-20). This scarce commodity needed to be expanded and deployed for development. Political and structural problems in the Third World also made it necessary that the elite in government play central roles in development partnership with the Bank.

In this Bank-State partnership, only the state elite of a country became economic decision makers and development designers. Where the elite lacked this capacity, the Bank itself identified development problems, designed and appraised projects and passed them for state implementation (Ritchie, 1992). This centralized top-down approach to development by the World Bank was encouraged by the perceived and actual successes of the centrally planned Soviet economy, the US Marshall Plan for Europe and Japan, and US public work (federal) programs during the Depression of the 1930s (Meiers, 1984, 14).

Shifting Concepts and Development Approaches
A Dominant Role for the Bank

In its early years, the Bank's staff initiated many development projects in many Third World countries (World Bank, Office Memorandum No. 2.09, 1983, Ritchie, 1992, World Bank, Operational Policy Memorandum No. 2.3. 1971). Those that formulated their own development projects followed strict Bank Guidelines. It seems that even today, this pattern has not changed radically. Government initiated projects account for 10% of all projects under Bank financing while 90% are artifacts of Bank staff. Despite all the technical details devoted to them, over one third of all currently Bank financed projects are in need of either restructuring or cancellation owing to serious malfunctioning in some aspects of these projects (Ritchie, 1992, 5). This shows the difficulty of externally tailoring relevant development initiatives.

Conceptual Shifts in Development Modeling

Earlier, we mentioned the Banks interest and involvement in projects with different focuses. Community Development, Integrated Rural Development, Basic Human Needs, Training and Visit Systems, and other top-down development models were tried (Ruttan, 1984, Mikesell, 1989, 21ff). These shifts constituted adjustments at the margins.

Development concepts and frameworks justifying significant modeling shifts matured primarily during the 1980s and are only beginning to make their way into the thought pattern of some authorities in the Bank. We will discuss briefly the iterative participatory approach which can be considered the most evolved of development concepts recognizing the interplay of intricate factors and dealing with them in very innovative ways.

The Iterative Participatory Approach

The iterative participatory model is largely indigenous to Western intellectual analysis. It resulted from decades of study by developed countries' scholars and development practitioners. This experiential rootedness gives the emergent development concept and model empirical and theoretical validity.

The iterative participatory framework can be defined as an approach to development which recognizes and deals with the overlapping and mutually interdependent social, individual, institutional, technical, resource, and environmental dynamic over time and space as well as analysis and estimation of productions as well as benefits and costs, to different social sectors, from the series of interdependent costs to be incurred in a development project. The iterative participatory mode of analysis and development approach is, in reality, not a unique invention of the present. The rural and agricultural development approach in the United States implemented through the cooperative extension system spearheaded by land grant universities, for instance, is consistent with the iterative participatory model. Learning, participation, and control of affected peoples over programs form the core of its operational mandate. The cooperataive extension program has empowered the farmers technically, institutionally and individually to monitor and benefit from all forms of extension services. Inasmuch as the extension programs are partially funded by county governments (with the federal government providing substantial financial support) local farmers have strong influence and control over what goes on in the extension establishment and actively learn from and contribute to the definition of farmer needs and ways of meeting them. The system still endures, though less than 3 percent of the US population remains engaged in agricultural production.

Earlier, we identified the four major factors of development as human capital (skills and knowledge of individuals), technology, resource availability and enhancement, and institutional capabilities. Iterative participatory development in the Third World context can present a condition in which individuals representing a range of concerned people including those from headquarter Bank staff, local government, and the local poor aspiring to change and improve their circumstances are brought into a single operating nexus. Institutions having vital roles to play represent groups, communities, bureaucracies, churches, and systems of transaction such as the law, price and market mechanisms. Iteration and participation provide possibilities for realistic individual, collective, and institutional management of technology generation and supply appropriate to the local environment and resource base. The implications of this can be central to the design of development programs that are sustainable in terms of capacity building to master and manage technology beyond a project life, the effective and non-destructive use of resources, and the building of institutions capable of continually generating conditions for incremental development over time. Iteration and participation assume continuous and dynamic learning process linking people and national or expatriate development authorities in a given socioeconomic, resource, and ecological environment on a learning type curve on which each new stage of effort exceeds the level of preceding ones. For this reason, the iterative participatory model can be seen as offering a comprehensive insight into development processes.

Different analyses and models in the iterative participatory tradition put emphasis on different dimensions (Dunn. 1972, Korten, and Klauss, 1984, Johnson, 1986, 1988, Kolb, 1984, Karim, 1985/86, Jacobs, 1971, Malone, 1958, Johnson, et al 1961). When realistic, they deal with appropriate combinations of attention to the major driving forces of development; a) technical advance, 2) institutional and policy improvements, 3) the development of human capacity, and 4) resource endowments and 5) investment capital. Resource endowment can include enhancement and conservation of natural and manmade resources (Johnson, 1986, 124, 151, Johnson, Bonnen et al, 1991, I-5).

Whether poverty alleviation, enhancement of general well-being, and productivity are the objectives of development, an appropriately balanced program designed to take into account relevant development factors is likely to be a starting point for success. The implication is that future development interventions should be designed as enabling measures acting as catalysts for indigenous development with relevant focus on indigenous problems and issues. Current project emphasis on technical estimation and projection of returns to investment are essential tools in development work. However, unless these techniques are complemented by realistic attention to the multiplicity of human capital, institutional, environmental, and other factor that can condition the outcome of capital and technology investment, efforts will continue to miss the essence of Third World development problems and their potential solutions. This is why this study has stressed the process of development as practiced by the Bank rather than engaging in the simpler task of studying production functions and constructing benefit/ cost ratios for specific projects.

Iterative Participatory Development and the World Bank

Not withstanding the many unresolved issues and concerns within the Bank about the limits and applicability of iterative participatory development, and the institutional inertia forcing slow and cautious changes, there is a general movement in the direction of iterative participatory development (Marc, 1992, Bank News Release No. 92/s57, May, 1992). Many Bank supported and other development practitioners vigorously support iterative/interactive processes and record significant tendencies towards it (Knudsen, 1990, Stone, 1992, Ritchie, 1992, Korten and Klauss, 1984). The interview in Nairobi also reinforces this evident trend as does the 1992 World Bank sponsored workshop on participatory development.

The Bank's seeming ambivalence towards a major shift in operational framework at the field level appears to arise from its ties with borrowing governments. Governments desire be the sole partners to the Bank. Not insignificantly, the Bank's "commitment and capacity to support iteration and participation in Bank financed activities" are also viewed with skepticism (Bhatnagar, 1992). This can arise from the inherent problems of resistance to change in any institutionalized situation where change is associated with a zero-sum scenario with unidentifiable or perceived and real gainers and losers. It may, therefore, be some years before the Bank's development methods and strategy shift from its present dominant project orientation to an iterative participatory orientation. But the signs for change, if gradual, appear to be unmistakably in place.

CHAPTER 4

Seeds of Change : Stressing the Evidence

As stated earlier in this paper, the Bank's movement towards iterative participatory development is evident. In this section, we attempt to catalogue a few of these evident tendencies and opportunities as well as the forces likely to retard full exploitation of of this new approach.

The Bank's dominant development model during the past four to five decades cannot give way to a new one just because the old has proven less effective than anticipated and the new holds many promises. As discussed earlier, human factors play a great role in this resilience and resistance to change. In the case of the Bank, the prospect for radical change in operational modalities is complicated by its structural complexity and the role of Third World governments. In this combination of constraints, perhaps the most critical is the role of the borrowing and member governments.

The Bank is essentially a lending institution governed by the dictates of its members. All borrower countries are members. This means that the unit of its borrowing and governing body is the state, not a project, a community, entrepreneur, groups of persons or a person. Given this serious constraint, the Bank's effort to shift its development emphasis from only state-sponsored borrowing some decades ago to some community and people-centered financing at present (Marc, 1992) is encouraging. The factors working for and against the adoption of an iterative/participatory approach to development may, therefore, be summarized as follows;

Factors favoring a Shift Toward the new Development Approach

1. Understanding and standardizing the concept of iterative participatory development is receiving increased attention. At the February 26-27 1992 Workshop on Participatory Development, a number of papers clarifying the generic meaning of the term were given and methods for its practical application explored (Abed, Caroll, Dichter, Uphoff, Racellis, Cernea, Spitz). This is likely to help settle the discomfort of Bank staff over meaning, scope, and content of iterative participatory development (Bhatngar, 1992). The Nairobi interview and discussion revealed the ease with which staff can creatively adopt the concept.

2. Hands-on experience with the concept and its application has received recent priority. The Bank is currently studying 20 iterative participatory projects in different developing countries. The effort is to understand the nature, dynamic, and process of iterative participatory development (Bhatnagar, 1992, Ritchie, 1992). Selected staff are assigned to monitor and organize the lessons of these projects.

The attempt of the Nairobi office is an additional indication of the Bank's readiness for change. But given its experiences with CD, IRD, and BHN strategies in the past, the caution with which new development propositions are treated by the Bank is understandable. Since the late 1980s, strategic developments consistent with Jaycox's (1988) and general Bank recognition of the need to adopt partnership models that make Third World societies less dependent on the Bank for development ideas and initiatives, have coincided with the vigorous surge of the iterative participatory model as a new alternative.

3. The general mood within the Bank manifests periodic frustration with task-overload of staff and project inefficiency despite efforts to modify and elaborate project technicalities (Ritchie, 1992). It has become clear that however rigorous development predictions in the project tradition and the means for measuring them, this dominant approach has not delivered desired results. There is growing awareness that perhaps the beneficiaries rather than experts should be in charge of the main thrust of development effort, with experts auditing the progress and integrity of development enterprises. Beneficiaries can be governments in the case of macro-policy and infrastructure projects, and people or communities in the case of micro projects.

4. It appears that State membership of the Bank may not be mutually exclusive with financing non-governmental enterprises. There seem to be a number of clear precedents in this (Bhatnagar, 1992, Abed, 1992) and with promising results. The selection of appropriate development clientele consistent with specific development objectives which may involve grassroots people and organizations or government institutions is gaining

measured acceptance.

5. The general development environment is overwhelmingly in favor of shifting development decisions to the people instead of doing it for them as has been done so far. The academic forces favoring this shift are phenomenal, and this is likely to condition the Bank's future perspectives on and strategies for development.

Constraints on Shift of Approach

1. People-oriented, equity based development strategies such as the iterative participatory model are partly art and partly science. Iterative development is an art to the extent that each development problem or issue presents challenges that the artful and insightful can creatively help to manage. It is science to the extent that investments in money, time, and other resources must be combined in efficient ways and the production functions estimated deterministically. The combination of expertise, among staff, in these two separable dimensions may be difficult to attain shortly. Young social scientists with experiences limited to the Bank will need to be retrained. Different kinds of scientists, technologists, and humanists representing the fields of agriculture, rural sociology, adult education, family and social ecology, the humanities, agricultural economics, etc, need to be included to complement present analyses of development problems and programs in their human-capital, technical, resource, and institutional dimensions. As some in the Bank are already pressing, human-capital, technical, and institutional analyses are particularly urgent for the Bank's work in the Third World (Ritchie, 1992). Fulfilling this precondition will take time, and the momentum

for change currently evident within the Bank may suffer setbacks if too much time is lost in starting to harness it.

2. International organizations cooperating with the Bank may also affect the pace and direction of change. The Bank works with other international organizations like WHO, UNESCO, and UNICEF that act as executing agencies for Bank financed projects. Unless the role of these organizations is taken over by the very beneficiaries of development -- the Third World people or their organizations -- iteration may simply mean greater consultation between the executing agencies, government, and the Bank to the exclusion of such essential agents of development as local people and their institutions. In such an event, Bank intervention in development would only change in name and not in substance.

3. Third World governments can present major barriers to genuine and indigenous development as the Kenyan and Ethiopian experiences show. Unless the meaning of the "New World Order" is defined to mean empowering ordinary people in the Third World by giving them significant control over their lives and economies, their governments will continue to use popular energies, creativity, and mobilization of available resources for their own interests rather than the direct benefit of the people. The World Bank needs to confront these governments with these realities and the accumulated evidence from the past relating to the bureaucratic and policy bottlenecks to development in each country.

These are among the readily apparent obstacles to a rapid shift in development philosophy and approach. With good will and determination, all of them can be overcome relatively quickly and without much cost. On balance, the forces for change within the Bank (Jaycox, 1988, Ritchie, 1992, World Development Report, 1991) and the expressed commitment of consecutive presidents from McNamara, to Clausen, Conable, and now Preston, appear more powerful than the potential forces of resistance.

The adoption of an iteratively participatory model can have cost saving effects in addition to generating sustained and relevant development. This model can help move time and money-intensive Bank activities such as project formulation and appraisal to local people and communities at little cost. Some cost in technical assistance or consultation services to facilitate people's initiatives will be inevitable. But modest expenditures in these will not only be cost effective, but also have practical learning and teaching effects that may have far reaching benefits for people and communities. This would enable Bank staff to invest time and energy to evaluating and assessing development programs and outcomes in Third World countries. At present, there is little of this. Rigorous project handling stops at the door of implementation (Ritchie, 1992) with little follow-up concerning the status and consequences of the project.

CHAPTER 5

Summary, Conclusion, and Recommendation

Summary

This brief and limited study on World Bank Project Appraisal, its objectives, methods, and procedures revealed the Bank's heavy emphasis on monetary evaluation of projects prior to implementation. Even as the definition of development expanded in a holistic direction, appraisal remains focused on measurement of readily quantifiable changes. While appraisal of projects in terms of calculable returns to investment is essential, it is not sufficient to forecast development outcomes in the Third World. Monetary appraisal must be complemented by social, institutional, human capital, enviromental, resource and other analyses to successfully address problems of underdevelopment. Project design must also incorporate these concerns with due attention to non-monetary as well as monetary dimensions of development. This should be done in an iterative participatory framework.

Conceptual and actual changes in World Bank project appraisal practices are now under active scrutiny. Existing institutionalized development practices may prevail for sometime despite decades of frustration of failed or partially failed development projects that are now acknowledged by the Bank. The reason for this can be partially found in institutional resilience to change attributable to complex factors in which personal, and institutional inertia overlap.

Within the Bank and in the intellectual community, revision of development thought is receiving renewed attention. The relevant and operational definition of development is moving towards a holistic and iterative participatory view. The encouraging movement is toward holistic analyses supported by empirical evidence. This empirical and intellectual understanding of development is fast crystalizing into pragmatic modeling of development using conceptual frameworks that require sustained iterative partnership between people in need of development and the Bank with its development interventions.

The evident eagerness to move in this direction is not unchallenged by skepticism over the methodological ambiguities and lack of conceptual specificities of iterative participatory models of development. It may be a matter of time before the realization is universally accepted that development, as an art and science, necessarily involves randomness and ambiguity as it deals with particular problems made unique and situational in time and space and by unique resource, institutional, human, cultural, and technological contexts. For validity, a model needs to be grounded in a given indigenous context allowing the ownership, design, and implementation of projects through full local participation. This also ensures that the maintenance of project objectives and further development of concepts can remain under the substantial control of those they affect. This is attainable in the iterative participatory model. Solving a complex problem, and not deriving or executing an elegant formula to be aimed at it, must be the litmus test for future problem-solving activities. The problem of development is that of enhancing the quality of human life through positive transformation from within human and physical settings.

At present there is a significant conceptual shift in development definition and World Bank appraisal intents without a matching shift in practice. There are, however, already shifts in development orientation on the horizon.

Recent analyses of change and development (White, 1992, Liang, 1992, Dorsey, Hill & Woods, 1989, Frantz, 1988, North, 1990, Schmid, 1987, Johnson, 1988, Johnson, Bonnen et al, 1991, Dunn, 1972, Black, 1991) inform us of the critical importance of a holistic approach to development. Holistic analysis and modeling in the iterative participatory mode should stress human ends evaluated in qualitative terms as well as aggregate quantitative indices and the logical relationships of means to perceived ends. Holistic problem solving efforts, would enhance strategic program intervention to revitalize various dimensions of Third World economies by involving individuals, local and community organizations and entrepreneurs in development partnerships with national and expatriate authorities, technologies and resources. A strategic intervention needs to be validated with careful diagnosis of the constraints and problems keeping society at low levels of development. Intervention should seek to remove the constraints identified by the diagnostic effort. The relevance of these two phases of action can be ascertained ascertained by the ordinary people suffering the consequences of underdevelopment.

It has emerged from this study, that a critical change in Bank staff profile is needed for the transition from mainly monetary project concerns to more holistic concerns revealed by the participation of affected people and their institutions in development processes. World Bank capital and technological intervention can serve as a critical enabling and empowering force in a new development process centered on local resources, capital, and human talent. Multidisciplinary staff are critically needed to help force to forge this enabling partnership and focus it on real problems and issues.

Conclusion

Given the significant forces for change within the Bank, a shift in operational emphasis is likely. These forces can contribute to the realization of long entertained but inadequately conceived project appraisal ideas. The idea of iterative participatory approach has been grasped. Increasingly, this alternative is seen as capable of facilitating a needed realignment of objectives and intents while providing methods and strategies for realizing them.

The academic community which actively pursues the study of change and development has contributed greatly to the enlarged Bank conception of development. Methodological propositions and analyses presented at the Feb. 26-27 Workshop on Participatory Development (Uphoff from Cornell, Caroll from George Washington, Rudqvist from Stockholm Universities) represented examples of how the world of study and analysis and the world of practice could complement the Bank's development efforts.

Recommendations

It is not easy to make recommendations on any significant aspect of Bank Project design and Appraisal activities without risking oversimplification of the true scope and magnitude of the Bank's operational mandate and without displaying ignorance of the Bank's already existing involvement in manners similar to the propositions below. However, a few ideas that may serve as outside views on some dimensions of concern may be in order. A few may have some originality and usefulness:

1. Two streams of activities for Bank involvement in Third World development could be envisioned a) the public sector comprising mostly of macro programs and infrastructural development, and b) micro development activities managed by individual entrepreneurs, communities, and cooperatives.

Macro development programs may have a number of characteristics. They may be concerned with policy development, institutional capacity building, manpower development, and infrastructural development represented by such projects as highway construction, washed coffee projects (in Ethiopia) and the construction and equipping of tertiary education institutions. In addition to the customary quantitative appraisal, such projects should be evaluated in terms of populations which they benefit. Mechanisms should be created for wider public input into the conception and design of such projects. In Ethiopia, for instance, individuals, community leaders, local development associations, mutual aid societies called "idirs" and relevant professional associations can contribute to contribute to the processes of project identification and design.

For micro development activities, a spirit of flexibility and experimentation in local program design supported by self-appraisal under the guidance of Bank staff should be considered essential. Such flexible experimentation has immediate positive impacts and is critical for longer term concerns regarding local institutional and human capacity building both in private and public sectors. The strength of the entrepreneurial sector may help draw public sector projects into complementary alliance with private sector projects.

While each developing country has unique institutional and traditional assets to help in a Bank-people partnership, the experiences of such well known grassroots institutions as the Bangladesh Rural Advancement Committee (BRAC), Esquela Nueva in Columbia, the "idir" system and the Addis-Sodo Road Construction Association, both of which are in Ethiopia, and others can be studied for their heuristic values. BRAC engages local people in a multiplicity of learning and doing tasks complemented by relevant external resource, capital and technology inputs. Rural credit, management training, basic education and literacy programs form the core of BRAC's activities. The development successes of this organization are drawing worldwide attention. The idirs in Ethiopia, which started as mutual aid societies, expanded to incorporate cooperative, individual, and regional development efforts supported by locally raised and informally administered credit, and technology support systems. In pre 1974 Ethiopia, idirs were prominent in rural and urban development. Their revitalization could hold the key to democratic and equitable development. Esqela Nueva functions as a powerful non-formal educational network in Columbia. The efficiency and relevance of this non-formal and non-governmental system to address the needs of grassroots people has gained world renown.

Evaluation of results of people and community-centered iterative participatory projects should be done by a combined group representing the local people, the Bank, and local government. Measures of success should include both quantitative monetary estimates, and qualitative evaluations of changes in the quality of human life. The cost of such partnerships and evaluations is likely to be less in time and money than when the Bank does everything pertaining to development projects, making repeated international visits to project sites. The educational and enlightening impact of such efforts on ordinary people and the rural and urban poor will raise the esteem of the Bank among the World's people and the esteem of Bank personnel among local people. This will be an added long-term benefit to the Bank.

2. A selected group of United States Universities and other relevant institutions with experience in international development, a few European universities with similar credentials and regional universities in the Third World itself should serve as anchors for a new participatory development and its on-going evaluations. The reasons for this are: a) Michigan State, Cornell, and other US universities and private development organizations have extensive experience in working with Third World development through AID, the World Bank, and other organizations that has served as the foundation for their uniquely constructive development analyses.

b) An institution such as the World Bank evaluating its own activities is likely to be complacent about the real and inherent problems in its development work that outsiders with fresh thinking and critical perspectives can infer.

Participation of Third World universities would help build their knowledge bases for development. This will create positive ripple effects throughout their respective social, political, and technical spheres of influence. The Bank's Operations Evaluation Division in charge of evaluating its program effectiveness should, therefore, be partially decentralized with activities in relevant academic departments and development studies institutes of selected universities in the US, Europe, and the Third World itself. Many individual scholars and academic departments in universities have accumulated vast knowledge and insight into the issues dealt with in this study. The Bank would be well served by their purposeful and sustained involvement in Third World development.

3. In its micro development participation, the Bank might find it useful to facilitate the development of rural banks and credit organizations by providing revolving capital and credits for indigenous lending institutions serving poor peasants and entrepreneurs. Such institutions are efficient in creating value frameworks and common expectations that discourage debt defaulters, while extending credit where it is most critically needed --to poor farmers and small entrepreneurs. Through them, the Bank can efficiently recover its loans, while increasing local potential for development. These have been successfully tried in Bangladesh through BRAC and other rural institutions in recent times. The Farm

Credit Administration started in the US during the 1930s also provides evidence of the success inherent in such an approach. At present, similar programs are advocated for inner-city poor neighborhoods and people in the United States.

In conclusion, operational adjustments such as the ones outlined above and others, can make the Bank a stronger force for Third World development. Its positive influence in the Third World, its encouragement and teaching (capacity building) among local people and institutions in the iterative participatory framework can be a powerful addition to capital and technology transfers for development.

The present crises in Africa, in particular, offer unique opportunities for the Bank to turn failed state interventions into improved development efforts. To date, governmental constraints on individual and group incentives, institutional adjustments, and human capacity building have diminished possibilities for development and improvement of the human condition.

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