

BOOK REVIEWS

Robert E. Asher and Edward S. Mason, *The World Bank Since Bretton Woods* (Brookings Institution, Washington, D.C., 1973) xxiii + 915 pp.

In the last 25 years the World Bank has become the foremost multilateral aid agency concerned with promoting development among less developed countries (LDC's). It channels funds from donor governments and private capital markets to project and program loans to the LDC's, provides extensive technical assistance, and undertakes research programs on facets of development policy. In a monumental and important effort, Edward S. Mason and Robert E. Asher have written a detailed description and analysis of all aspects of the World Bank's institutional development since its inception at the Bretton Woods conference. As such, it will undoubtedly prove of use not only to economists but also to political scientists and historians.

The book is divided into four principal parts and a statistical appendix. Part I traces the institutional history of the Bank's formation and describes its organizational structure. This provides a useful background for understanding the political and economic roots of the Bank's priorities and attitudes to development lending. Although evolution has brought greater flexibility to the criteria and forms in which loans are provided, the principles established at the genesis remain important. Part II provides separate chapters describing and analyzing the principal functions of the different components of the World Bank Group (principally IBRD, IDA, IFC), and how these functions have evolved over the period: as a borrower and lender of capital, as a source of technical assistance, as a stimulator of private investment, as an influence in the formulation of country-specific development policy and as a contributor to the understanding of the development process.

Part II is of particular interest to the development economist. It focuses on the Bank's policy toward several important issues in foreign assistance, including: (i) the role of project vs. program lending, (ii) the associated problems of debt burden and debt rescheduling, (iii) the leverage over economic development policy that is associated with aid, (iv) the role of foreign capital in the development process, (v) the relative merits of international competitive bidding vs. domestic supplier preference, (vi) the emphasis to be placed on a project as a 'learning process' relative to ensuring its optimal operation, and (vii) the importance of ecological and environmental considerations in project design. Mason and Asher's treatment of these topics is not theoretical, and primarily provides insight into the arguments that have influenced the Bank's evolving policy. For example, the controversy over the desirability of Bank involvement in program lending simmered for a long time within the Bank, and these differences are fully documented. It is primarily in this form that the underlying theoretical issues are raised.

Part III focuses on the Bank in the 'realm of international diplomacy' and discusses its relationship with bilateral aid agencies, with international agencies (IMF, UNDP, FAO, UNESCO) and Regional Development banks. The Bank's role as a mediator is described in three case studies: the Iranian oil nationalization dispute, the India-Pakistan controversy over the Indus River development, and the dispute over the financing of the High Dam in Egypt. Part IV attempts to appraise the Bank's impact on the development process of its borrowers and to evaluate the critical policy issues confronting the Bank in the coming decade. In addition to evaluating lending policy in specific sectors (transportation, electric power, agriculture and education), there are vignettes on the Bank's relations with five of its principal borrowers: Columbia, Brazil, India, Pakistan and Thailand.

Mason and Asher raise several important issues concerning the Bank's role and policies. First, the evolution of the Bank's perspective on development parallels changes in academic

thinking; in fact, Mason-Asher suggest direct Bank influence on the latter. The putative role that used to be attached to infrastructure as a crucial 'prerequisite' may be traced as much to the Bank's own need for self-rationalization of its lending priorities as to the theories of development economists. Presently, the Bank, through its own research and lending policy, has considerable influence on which policy issues are perceived as critical to the development process.

Yet one also senses conflicting goals and perspectives within the Bank as to its proper role and mode of operation. The Bank is in the vanguard of promoting new perspectives on the development process. It is concerned with equity and income distribution, and with the importance of projects with high social and economic, as well as financial, payoffs. Yet, as a lending agency, its priorities in project selection have been slow to move away from traditional infrastructure-type projects. Indeed, there is considerable sentiment that to so move would push the Bank from those areas where its comparative advantage is greatest. Similarly, the Bank's staff of economists are fully responsible for the development of sophisticated methodological approaches to project evaluation, to the estimation of shadow prices, to the evaluation of debt servicing capacity, and to optimal public sector pricing rules. Yet it is not clear whether these methodological tools and theoretical lessons are meaningfully applied in actual project appraisals or in the establishment of rate covenants.

Moreover, there is a fundamental ambiguity in the role of the Bank in the 1970's. The uncertainty over the political vagaries of the IDA replenishment process and the Bank's dependence on private capital markets for funds can only weaken the Bank's ability to broaden its lending policy. As a lender with one eye focussed on its reputation in capital markets, the credit-worthiness of its borrowers and the outlook for future income from specific projects must remain important. Non-traditional projects in family planning, small farmer credit, rural water supply, and housing and education are risky and financially uncertain. Loans of this type to poor, natural resource deficient LDC's will be harder to justify on the basis of the borrower's credit-worthiness.

Finally, what should the Bank's role be in creating an institutional decision-making capacity within the LDC's? 'Is it better to emphasize the learning process at the expense of possible mistakes or to make sure that the operation is well done, even though done by outsiders?' (p. 259). The Bank has tended to emphasize the latter in various ways. Often it is unwilling to delegate sufficient authority to local managers and excessively uses foreign contractors. The creation of autonomous authorities to administer infrastructural projects in power and transportation may ensure their financial and operational independence from the civil service and government administration, but at the expense of any impact on improving decision making within the latter. In the future, the greater the Bank's involvement in projects with a high local recurrent expenditure component, the more difficult it will be to insulate project implementation from local administration, and the more important will be the task of institution building.

Two omissions, only one intended, weaken the importance of this book. Despite this book, there is still a crying need for more analysis of the developmental consequences of past Bank project loans. Have they yielded the benefits anticipated, and what problems have emerged? As the authors recognize, such a study could 'clearly contribute much both to an understanding of the development process and to an improvement of Bank project lending' (p. 259). Second, the book was unhappily completed before the massive change in the international economic environment due to the change in oil prices, the world agricultural crisis, and world inflation. The future role of the Bank will be heavily influenced by how these problems are resolved.

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