

CONTENTS

Volume 1 Analysis and policy proposals

<i>List of figures</i>	viii
<i>List of tables</i>	ix
<i>Preface</i>	xiii

Part I Background

1 WORLD DEVELOPMENT AND INTERNATIONAL FINANCE SINCE 1970	3
1.1 <i>Introduction</i>	3
1.2 <i>The international economic context</i>	4
1.3 <i>The intellectual background</i>	9
1.4 <i>A digression on the New Political Economy</i>	13
1.5 <i>The World Bank's changing views</i>	21
<i>Notes</i>	25
2 THE WORLD BANK'S MOVE TO POLICY-BASED LENDING	27
2.1 <i>The early history of policy-based lending: India</i>	27
2.2 <i>The problems of project lending in the 1970s</i>	29
2.3 <i>The invention of Structural Adjustment Lending</i>	32
2.4 <i>SALs in Practice: 1980-6</i>	39
2.5 <i>Lending versus leverage</i>	45
2.6 <i>The World Bank/IMF relationship</i>	51
<i>Appendix A sample policy-based lending agreement</i>	56
<i>Notes</i>	60

Part II The dynamics of policy reform

3 CONDITIONALITY AS BARGAINING PROCESS	65
3.1 <i>The character of World Bank conditionality</i>	65
3.2 <i>The three stages of the conditionality game</i>	67
3.3 <i>Extensions of the game framework</i>	79

<i>Appendix A possible solution: potential strategies for donor and recipient in Acts 2 and 3</i>	82
<i>Notes</i>	87
4 PROGRAMME DESIGN	90
4.1 <i>Introduction</i>	90
4.2 <i>Diagnosis</i>	91
4.3 <i>Prescription I: Bank-Fund relations</i>	95
4.4 <i>Prescription II: The size and sequencing of the dose</i>	103
4.5 <i>Bank negotiation strategies</i>	116
4.6 <i>Recipient negotiation strategies</i>	121
4.7 <i>Outcomes: some hypotheses tested</i>	124
4.8 <i>Conclusions: what has the Bank learned from experience? What else could be done?</i>	128
<i>Notes</i>	129
5 IMPLEMENTATION AND SUSTAINABILITY	134
5.1 <i>The analysis of slippage on loan conditions</i>	134
5.2 <i>The politics of implementation</i>	145
5.3 <i>The 'economistic hypothesis': the role of alternative sources of finance in relation to the depth of crisis</i>	162
5.4 <i>Donor response to slippage and the sustainability of the reform process</i>	165
<i>Notes</i>	177
Part III Assessment of effectiveness	
6 EVALUATION METHODOLOGY: SIMPLE TABULAR COMPARISONS	181
6.1 <i>Alternative evaluation methods</i>	181
6.2 <i>'Programme' and 'non-programme' countries: tabular comparisons</i>	188
<i>Notes</i>	206
7 REGRESSION-BASED RESULTS	208
7.1 <i>The relationships to be estimated</i>	208
7.2 <i>Results</i>	210
7.3 <i>The direction of causation</i>	224
7.4 <i>Conclusions</i>	229
<i>Appendix Data and sources</i>	233
8 MODEL-BASED RESULTS	241
8.1 <i>Introduction</i>	241
8.2 <i>Results from a multi-market agricultural sector model: Malawi</i>	243
8.3 <i>Results from a CGE whole-economy model: Morocco</i>	252

CONTENTS

8.4 <i>Comparison of alternative evaluation methods</i>	282
<i>Appendix 1 The Malawi multi-market agricultural sector model</i>	282
<i>Appendix 2 The Morocco CGE model</i>	286
<i>Notes</i>	295

Part IV Conclusions

9 SUMMARY OF ARGUMENT AND POLICY PROPOSALS	299
9.1 <i>Summary of argument</i>	299
9.2 <i>Implications</i>	302
9.3 <i>Policy proposals</i>	304
<i>Notes</i>	308
<i>Bibliography</i>	309
<i>Index</i>	315

Volume 2 Case studies

10 Introduction and synthesis	
<i>Paul Mosley</i>	
11 Turkey	
<i>Colin Kirkpatrick and Ziya Onis</i>	
12 Philippines	
<i>Paul Mosley</i>	
13 Thailand	
<i>Chaipat Sabasakul</i>	
14 Ghana	
<i>John Toye</i>	
15 Malawi	
<i>Jane Harrigan</i>	
16 Kenya	
<i>Paul Mosley</i>	
17 Jamaica	
<i>Jane Harrigan</i>	
18 Guyana	
<i>Jane Harrigan</i>	
19 Ecuador	
<i>Paul Mosley</i>	

Volume 1 Figures

2.1	World Bank organisation chart since 1987 reorganisation	
3.1	The recipient government's utility function	50
3.2	Donor and recipient objectives and the bargaining range for Act 1	70
3.3	The 'tree' of the conditionality 'game'	74
4.1	A possible sequence for a liberalisation programme	76
5.1	The relationship of condition implementation to commitment to agreed policy reforms	113
6.1	Programme lending: the 'tree' of possible evaluation procedures	138
7.1	Direction of causation between liberalisation and growth: graphical analysis of four country cases	182
7.2	Present versus future consumption: aid allocation choices facing a recipient government	226
8.1	Morocco: simulations of model predictions in relation to actual levels	231
8.2	Morocco: simulated effect of tax reforms	265
8.3	Morocco: effects of financial reforms	270
		274

Volume 1 Tables

1.1	Economic performance of developing and industrial countries, 1965–86	5
1.2	Growth of GDP per capita, 1965–86	6
1.3	Change in export prices and terms of trade 1965–87	7
1.4	Interest rates, 1965–86	8
1.5	External financing by type of flow, 1973–86	9
2.1	Structural adjustment loans by value 1980–6	39
2.2	Status of policy and institutional reforms in sub-Saharan Africa	42
2.3	Types of policy measure requested in return for SAL finance, 1980–86	44
2.4	World Bank net transfers in 1988	47
3.1	Three types of conditionality in financial transfers	68
3.2	Cases 2, 3 and 4 of the ‘game tree’: donor and recipient pay-offs	84
4.1	Nine case-study countries: sequencing of Fund and Bank operations	97
4.2	Division of labour between Fund and Bank in trade and financial policy in certain case-study countries, 1983–88	98
4.3	Nine case-study countries: trends in different components of public expenditure, 1980–8	100
4.4	Seven case-study countries: adjustment-loan conditionality in relation to diagnosis of 1983 <i>World Development Report</i>	106
4.5	Design options for specific structural adjustment measures	110

4.6	Output changes predicted by the World Bank in the event of conditions being met	118
4.7	Possible effect of adjustment measures on different occupational groups	121
4.8	Tightness of SAL conditions and possible determinants	126
4.9	Relationship of tightness to determinants of donor and recipient bargaining position: results of regression analysis	127
5.1	Implementation of conditionality, fiscal years 1980-7; World Bank data	135
5.2	Implementation of conditionality, 1980-8: Case-study countries	136
5.3	Case-study countries: alternative explanations of implementation, I	153
5.4	Case study countries: alternative explanations of implementation, II	156
5.5	Slippage on adjustment loan conditions: the 'economistic' hypothesis tested	163
5.6	World Bank refinance behaviour in relation to slippage in previous periods	168
5.7	High-slippage countries: comparison of bargaining parameters between the 'punished' and the 'unpunished'	171
5.8	Trade policy, agricultural prices and interest rates: preliminary evidence on sustainability of reform	174
6.1	Structural Adjustment Loans approved as of May 1987	189
6.2	Comparison of SAL group and non-SAL control group countries	191
6.3	'Programme' and 'non-programme' countries: Real GDP growth rates	194
6.4	Aggregative comparison of 'SAL country' and 'non-SAL country' macro variables	197
6.5	Effectiveness of adjustment lending: comparison of World Bank results with those based on data used in this study	204
7.1	Results of regression analysis: all SAL countries	212
7.2	Results of regression-analysis: sub-Saharan countries	213
7.3	Results of regression analysis: middle-income SAL countries	214

7.4	Net impact of Bank programme loans on GDP growth rates	216
7.5	Net impact of Bank programme loans on export growth rates	219
7.6	Regression causation tests	229
7.7	Tabular and regression methods: summary of results	230
8.1	Malawi: price policy scenarios for simulation exercise	245
8.2	Malawi: simulation results	247
8.3	Morocco: conditionality attached to World Bank Industrial and Trade Policy Adjustment loans (March 1984 and July 1985)	255
8.4	The disaggregated structure of the Moroccan model	261
8.5 (a)	Basic behavioural elasticities and exogenous growth rates	263
(b)	Main exogenous annual variables	264
8.6	Morocco: main simulation results	268
8.7	Morocco: effects of alternative policy packages by comparison with 'zero compliance'	280
8.8	Effect of Bank policy-based lending. All evaluation methods: summary of results	281