



[Jump to main content](#) | [Jump to sidebar](#) | [Jump to navigation menu](#)

[Home](#) [About the Project](#) [Topics](#) [Institutions](#) [Regions](#) [Publications](#) [Calendar](#) [Resources](#) [Search](#)
[Español](#)

U-turn on Doing Business: time to withdraw from the knowledge bank?

News|Bretton Woods Project|10 July 2009|update 66|url
[print](#)|[email](#)|[bookmark](#)       

The World Bank Group recently admitted that crucial assumptions of its *Doing Business* report were misguided, and faces a fundamental critique of its knowledge role.

In April the World Bank's private sector lending arm, the International Finance Corporation (IFC), executed a massive u-turn, by ditching its 'employing workers indicator' and promising to review its 'paying taxes indicator' for its flagship *Doing Business* annual report. The report ranks countries according to how easy the IFC judges it is for companies to operate. It has been criticised by trade unions (see *Update 60*, *57*, *53*) and the Bank's internal evaluation unit (see *Update 62*) for encouraging countries to adopt controversial policies, such as weakening labour market regulations and social security programmes.

In a statement posted on its Doing business website in April, the IFC said that they would now, contrary to their previous system, "accord favourable scores to worker protection policies that comply with the letter and spirit of the relevant International Labour Organisation (ILO) Conventions, recognizing that well-designed worker protections are of benefit to the society as a whole."

Furthermore, the employing workers indicator "does not represent Bank policy and should not be used as a basis for policy advice or in any country programme documents". It will

Articles: 2545

[Advanced article search](#)
[Search newswire and resources](#)

Special coverage of the financial crisis, G20 summits, and moves towards a Bretton Woods II conference can now be found on our partner site:
www.rethinkingfinance.org

["A big increase in Bank lending will stir up existing controversies"](#)

Newswire

[World Bank arm sees China as Africa energy partner 29 July](#)

[World Bank asks Indonesia to raise share 28 July](#)

[IMF defends Sri Lanka loan amid human rights worries 27 July](#)

[Romania to ask IMF for more leniency on budget gap 27 July](#)

[Debate rages in Iceland: independence](#)

be "removed as a guidepost in the Country Policy and Institutional Assessments (CPIA)." The CPIA, which controversially assesses countries' governance and policies (see [Update 52](#)) is a critical feature of Bank planning and budgeting decisions, particularly for the allocation of IDA funds to the poorest countries. However, in early July, the unchanged methodology and indicator were still on the *Doing Business* website.

The International Trade Union Confederation said it was pleased that "the World Bank is turning the page on a one-sided deregulatory view on labour issues and proposing to adopt a more balanced approach."

According to the IFC, "A working group including representatives from the ILO, as the international standard setting body, trade unions, businesses, academics and legal experts" will help devise a new 'worker protection indicator', as well as re-examine the 'paying taxes indicator'.

The paying taxes indicator, which the IFC developed with multinational accounting firm Price Waterhouse Coopers (PWC), has been described by Richard Murphy of Tax Research UK as "fundamentally flawed, and horribly biased to value-added tax - which is deeply regressive and wholly unsuitable for the uses PWC propose for it through the World Bank."

Bank research under fire again

In a recent World Bank publication assessing the Bank's *World Development Report* (WDR), Princeton economics professor Angus Deaton produces a withering critique of the Bank's role as a global provider of research and knowledge services. In 2007, Deaton chaired a panel of academic experts that found that key Bank research was "not remotely reliable" (see [Update 54](#)).

Deaton argues that WDRs are expensive, and that evidence that they influenced opinion or guided development strategies is "notably thin". "The WDRs have not had a distinguished history of handling empirical evidence; too often bad - or simply incredible - evidence is presented along with useful and interesting new findings."

Though he does support the Bank's role as a collector and measurer of data, he is scathing about the declining quality of staff in the Bank's research department. He "suspects" that "the decline in the attractiveness of being a Bank researcher results from a growing scepticism that the Bank is doing much for

[vs IMF cash 27 July](#)

[US, UK and others abstain from IMF vote on Sri Lanka 26 July](#)

[The IMF reform: Aged wine in new wineskin 19 July](#)

[US Congress, activists push for conditions on IMF funding 17 July](#)

Latest video from IFIwatch.tv

["I want money!" - action on EIB loans to companies registered in tax havens 16 July](#)



Subscribe

- Bretton Woods Update*, 6 emails/year:
- highlights fulltext pdf
 - Alerts of new web content
 - Weekly newswire email

Email:

Bretton Woods Project
needs your support.
[read more...](#)

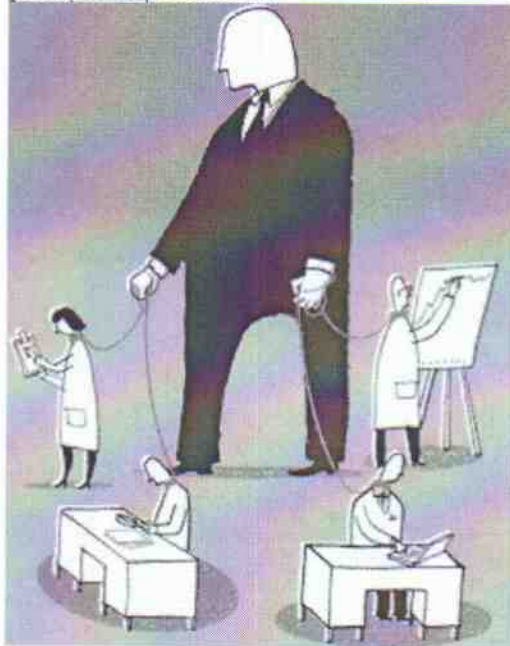


[Jump to main content](#) | [Jump to sidebar](#) | [Jump to navigation menu](#)

[Home](#) [About the Project](#) [Topics](#) [Institutions](#) [Regions](#) [Publications](#) [Calendar](#) [Resources](#) [Search](#)
[Español](#)

Knowledge Bank-rupted: Evaluation says key World Bank research 'not remotely reliable'

News|Bretton Woods Project|31 January 2007|update 54|url
[print](#)|[email](#)|[bookmark](#)   



Robin Heighway-Bury/Thorogood.net

An evaluation by a panel of self-described 'academic superstars' has cast doubt over the independence and reliability of World Bank research. However, in failing to address fundamental

Articles: 2545

[Advanced article search](#)
[Search newswire and resources](#)

Special coverage of the financial crisis, G20 summits, and moves towards a Bretton Woods II conference can now be found on our partner site:
www.rethinkingfinance.org

“An international monetary system dominated by a single sovereign currency has intensified the concentration of risk and the spread of the crisis.”

Newswire

[World Bank arm sees China as Africa energy partner 29 July](#)

[World Bank asks Indonesia to raise share 28 July](#)

[versión en español](#) [IMF defends Sri Lanka loan amid human rights worries 27 July](#)

[Romania to ask IMF for more leniency on budget gap 27 July](#)

problems in the Bank's role in development research, the report misses an opportunity to provide a clear signal for donors to shift support to developing country research institutions.

The evaluation covers Bank research - conducted in the development economics vice-presidency (DEC), regional and thematic departments, the World Bank Institute, and that by consultants - in the period 1998 to 2005. Chaired by Angus Deaton, professor of economics at Princeton University, the evaluation says that, overall, the Bank's researchers "have done a creditable job of delivering on the many, potentially inconsistent, demands made of them". "Much of what we read was of very high quality", say the report's authors.

But this praise is scant recompense for what follows. The report finds that "there is a great deal of research that is undistinguished and not well-directed either to academic or policy concerns". Amongst this 'undistinguished' work, the evaluators found research which is "technically flawed and in some cases strong policy positions have been supported by such (non) evidence". In some cases, "the Bank proselytised selected new work in major policy speeches and publications, without appropriate caveats on its reliability". The ensuing litany of critiques is withering:

- New research methods have been promoted "without adequate evaluation";
- Many Bank researchers try to prove causality by tinkering with economic models; in the words of the evaluators, they "appear to think that the attribution of causality can be solved by technical means";
- In some cases, "the degree of self-reference rises almost to the level of parody"; and
- There is "remarkably little work co-authored by non-Bank researchers from developing countries".

The evaluators posit a number of reasons to explain the breakdowns. Most damning for Bank senior management is their finding that researchers are "under pressure from the Bank presidency and elsewhere not to say things that go directly against the broad policy line that the Bank is espousing." Researchers are chosen by country teams who are looking for "a particular answer or a particular researcher who they know and like working with, or perhaps someone known for not rocking the boat." The researchers themselves say it is not unusual to be told that "we should do an evaluation to prove that X programme works".

This evidence is backed up by interviews with former Bank research heads who complain that "there was an enormous amount of interference by the public relations people, especially

[Debate rages in Iceland: independence vs IMF cash](#) 27 July

[US, UK and others abstain from IMF vote on Sri Lanka](#) 26 July

[The IMF reform: Aged wine in new wineskin](#) 19 July

[US Congress, activists push for conditions on IMF funding](#) 17 July

Latest video from IFIwatch.tv

["I want money!" - action on EIB loans to companies registered in tax havens](#) 16 July



Subscribe

Bretton Woods Update, 6 emails/year:

- highlights fulltext pdf
- Alerts of new web content
- Weekly newswire email

Email:

Bretton Woods Project
needs your support.
[read more...](#)

after Wolfensohn became president; research was not supposed to offend NGOs, nor to provide them with material they could use to criticise the Bank." Former chief economist Joseph Stiglitz added that during the Asian financial crisis "the belief that certain policies always worked meant that the more relevant questions of when the policies worked were not addressed."

Bank attempts to silence critics

Update 53 carried an abridged version of American University professor Robin Broad's paper *Research, knowledge and the art of 'paradigm maintenance': the World Bank's Development Economics Vice-Presidency*, which originally ran in the August 2006 issue of the *Review of International Political Economy*. After it was published, Daniel Lederman and Martin Ravallion of DEC wrote to the board of the journal calling into question the quality and accuracy of Broad's article, labelling it as "shoddy scholarship." The journal's editorial board, however, defended its decision to publish Broad's piece and offered the Bank a chance to debate Broad in the pages of the journal. With the impending release of the official evaluation, perhaps it is not surprising they turned down the offer.

"Paradigm Maintenance", or why we can't trust the World Bank's research

D-day for Dollar

The examples given of the best of Bank research include several controversial choices (teacher absenteeism, project evaluation using randomised trials, and the *Investment Climate* and *Doing Business* surveys) as well as elemental statistical work such as the *World Development Indicators*.

When asked to point to the most flawed examples, the evaluators chose some of the highest-profile research conducted by the Bank over the past decade. Of Dollar and Burnside's paper *Aid, policies and growth*, which the Bank has cited repeatedly to argue for increased support for countries which it considers to have 'good policies': "We think that the Bank was unwise to place so much weight on one paper whose evidence is so unconvincing." The implications for the Bank, say the evaluators, are alarming: "once the evidence is chosen selectively without supporting argument, and empirical scepticism selectively suspended, the credibility and utility of the Bank's research is threatened."

Heavily slated is Dollar and Kraay's research providing succour to Bank arguments that trade liberalising countries have seen

greater poverty reduction: "Much of this line of research appears to have such deep flaws that, at present, the results cannot be regarded as remotely reliable." International trade director Uri Dadush will undoubtedly be looking over his shoulder in the new year, as the evaluators find that, in addition to the misplaced advocacy, Bank trade work more generally has "insufficiently addressed the effects of trade on poverty", and has been dominated by arcane computable general equilibrium models. Dissenting research conducted within the Bank, such as that by Branko Milanovic, has been routinely "ignored" (see *Update 30*). This repeats criticisms that were made of the Bank's trade work last year in an evaluation conducted by the Independent Evaluation Group (see *Update 50*).

Other research which comes in for heavy criticism includes that on:

- Pensions and insurance: "The analytical errors referred to are those that would be well understood by a first-year graduate student in economics." Criticism of the privatisation bias of the Bank's pension reform team echoes similar disapproval expressed in two earlier internal Bank reports: *Keeping the Promise of Old Age Income Security*, by the Bank's Latin America department and last year's evaluation of Bank assistance for pension reform by the IEG. Trade union opposition to the Bank's pensions policy was initially rebuffed, but a conference has now been scheduled in 2008 for the Bank to review its policy.;
- Poverty mapping: "Our recommendation is that this work be put on hold until the statistical problems are resolved."; and
- Civil war: Paul Collier's work "lacks an appropriate conceptual and empirical framework".

World Development Reports escape the knife

The survival of the Bank's flagship annual report, the *World Development Report* (WDR), is brought into question by the evaluators' comments. Interviews with former heads of Bank research confirmed Bank critics' worst suspicions that WDRs "were a prime example of research where the conclusions are either predetermined or negotiated in advance."

While the evaluators said that WDRs are valued for providing a comprehensive literature summary and for their "breadth of scholarship", the enormously costly annual exercises tend to downplay critical policy trade-offs, overlap hugely from year to year, and are marred by poor editing and presentation. Of the