

The Post-Washington Consensus and Lending Operations in Agriculture: New Rhetoric and Old Operational Realities*

Jonathan Pincus

1. Introduction

Many observers of the World Bank have commented on the disjuncture between the World Bank's rhetoric and the reality of lending operations. 'Schizophrenia' is a favoured characterisation (Rich 1994, 182; Kapur, Webb and Lewis 1997, 125; Winters 1997; Gavin and Rodrik 1995, 331) although Gustav Ranis prefers a metaphor that goes literally to the heart of the organisation, positing "two separate circulatory systems [in the Bank] with relatively little real capillary action between them":

One, encompassing the President's office, the Bank's research wings, and usually, the chief economist in each of the operating regions, is concerned with generating, or at least propagating, innovative ideas and analyses...The other encompasses the operating departments, where the continuous flow of project and programme lending approvals is what matters, where the frequent arrival of 'new direction' ideas is met with a jaundiced eye and the well-worn bureaucratic response that 'we are already doing it', and where it is generally recognised that the bottom line chances for recognition and promotion are largely tied to being polite but getting on with the lending (1997, 79).

The perception that inconsistency (or a "development gap" in the Bank's terminology) persists between the World Bank's rhetoric and the design and implementation of projects has important implications for the institution's perception of itself as a *development agency* rather than solely, or even primarily, a development bank. Since its founding, the Bank has stated consistently that the ideas and expertise that it brings to poor countries are more important than its financial contribution (IBRD 1948, 17; Mason and Asher 1973, 331; Wolfensohn 1999). This is in part a defensive argument put forward as an answer to the fungibility problem and, in

*This paper is forthcoming as Chapter 9 in Ben Fine, Costas Lapavitsas and Jonathan Pincus, eds., *Development Policy in the 21st Century*, London, Routledge, 2001, ISBN 0415228220.

later years, to evidence of the tenuous links between loan conditionality and policy change (Stiglitz 1999, 580; Mosely, Harrigan and Toye 1995; Killick 1998). The Bank has also found it necessary in the 1990s to focus increasingly on nonfinancial justifications for its existence as private sector flows have come to dominate capital transfers to developing countries (Gilbert, Powell and Vines 1999, 607). But, more positively, it also reflects the Bank's self-image as a leading generator, repository and disseminator of knowledge relating to the development process, and the importance that the leadership attaches to closing the "knowledge gap" between rich and poor countries (World Bank 1998a; 1998b).

The Bank's aspiration to reinvent itself as a "Knowledge Bank", and more specifically as an "honest broker" (Stiglitz 1999, 590) providing objective market and technical information to governments and investors alike, hinges crucially on the proposition that its activities as an intellectual actor and as a project lender are consistent and mutually reinforcing. The idea of a "comprehensive development framework"—now the centrepiece of Wolfensohn's efforts to re-emphasize the Bank's technical and motivational roles—assumes that the experiences gained from past projects will inform the country's development strategy just as the strategy shapes the selection, design and implementation of new projects (Wolfensohn 1999). To the extent that changing ideas about development feed into lending operations, and, conversely, project experiences inform development theorizing, the Bank is uniquely placed to "bundle" these disparate activities within one conceptual framework (Gilbert, Powell and Vines 1999, 615). If, however, as Ranis suggests, the gap between rhetoric and reality is structural rather than incidental, the Bank will find it increasingly difficult to justify combining responsibility for these various functions within one institution.

Recent years have seen the publication of numerous studies examining the extent to which Bank operations have lived up to the institution's rhetoric with regards to poverty alleviation, environmental sustainability and other aspects of the its core development mission (for example, Ayres 1983; Kapur, Lewis and Webb, 1997; Caufield 1996; Rich 1994). This chapter takes up the more specific question of the institutional obstacles that exist within the Bank to achieving greater convergence between theory and practice. Based on examples taken from the agricultural sector in general and Indonesia's agricultural portfolio in particular, the chapter focuses on a set of operational imperatives that influence project selection, design and implementation. Although these operational imperatives do not determine the Bank's lending strategy, they do make some strategies more feasible than others. More specifically, I will argue that the Bank's evolving agricultural development strategy has—at least since the McNamara presidency—failed to take sufficient account of the institution's strengths and weaknesses as a lending institution. As a result, the Bank's rhetoric has outpaced its capacity to deliver in operational terms. The problem has become more acute in recent years, as the Wolfensohn Bank's rhetorical emphasis on participation, knowledge and institution building has not been matched by a convincing effort to address the Bank's operational limitations in these areas.

The remainder of the chapter is divided into four parts. First, we briefly describe a set of four operational imperatives that have exerted a powerful influence on the content and impact of the World Bank's lending programme. The following section reviews the evolution of the Bank's approach to rural development since the 1960s, and gauges the extent to which operational imperatives have shaped these strategies. We then move on the specific case of the agriculture portfolio in Indonesia, taking a closer look at two projects from the 1990s that have attempted to live up to the Bank's new rural sector rhetoric. The final section concludes and

briefly discusses the implications of the analysis for the World Bank ambitions as a development agency.

2. Operational imperatives

The idea that operational imperatives constrain the way the World Bank goes about its business is not new. Indeed, internal Bank documents—particularly studies produced by the Bank’s Operations Evaluations Department (OED)—offer some of the sharpest insights into the nature of these constraints and strategies to overcome them. At times the issue has leapt to the top of the agenda—for example following the release of the controversial Wapenhans report on portfolio management—only to retreat into relative obscurity (World Bank 1992a).

This section reviews four key operational imperatives: the Bank’s status as a preferred creditor, pressure to lend, centralisation and institutional capture. Although this is not an exhaustive list, these closely interrelated imperatives together add up to a powerful force for conservatism within the Bank’s operational divisions. They have also proven to be highly resistant to organisational restructuring or changes in the style and operational priorities of upper management. As we shall see in the next section, these four imperatives have played a particularly important role in the evolution of the Bank’s agricultural portfolio.

2.1. The Bank as a preferred creditor

The World Bank’s original mandate was to provide foreign exchange for specific projects for which private financing was unavailable, and for which a government guarantee could be obtained (IBRD 1948, 14). In its early years the Bank favoured large-scale investments in infrastructure such as ports, power and communications, while steering clear of so-called “social-overhead” projects like health, sanitation and education. Social lending was considered undesirable on several grounds: first, the projects were not obviously self-liquidating; second,

the foreign exchange component was typically small; and finally, avoiding “soft” projects was thought to reassure the financial markets and hence improve the Banks’s credit rating (Mason and Asher 1973, 154).¹

Over the years the Bank has relaxed these criteria to allow for a larger and more diversified lending programme and in response to changing external conditions. The project focus, weakened by structural adjustment lending in the 1980s, is now largely defunct: in FY 1999 adjustment (non-project) lending accounted for more than half of new commitments for the first time in the Bank’s history. Social lending now makes up more than one third of the Bank’s project portfolio, and local cost financing is now well-established. As of June 1999, local expenditures accounted for 42 percent of cumulative IBRD and IDA disbursements (World Bank 1999a).

The one facet of the original mandate that has remained intact is the requirement of recipient governments to guarantee all IBRD and IDA loans.² This provision is viewed as essential to the Bank’s credit rating and hence the institution’s ability to raise finance at reasonable cost.³ In operational terms, the guarantee assigns ultimate responsibility for the end

¹ In the words of Robert Cavanaugh, the Bank's chief fund-raiser for 1947-1959, "[I]f we go into the social field...then the bond market would definitely feel that we were not acting prudently from a financial standpoint...If you start financing schools and hospitals and water works, and so forth, these things don't normally and directly increase the ability of a country to repay a borrowing" (Kapur, Lewis and Webb 1997, 119-120).

² According to the IBRD Articles of Agreement, “When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan.” This provision does not apply to the International Finance Corporation, the Bank’s private sector investment division.

³ The International Financial Institution Advisory Commission set up by the US Congress (and more commonly known as the Meltzer Commission) argues in its final report that if private lenders were given similar guarantees they would be indifferent to the use of loan proceeds and would therefore be willing to finance social sector projects. The report therefore questions the need for a public sector institution to perform this function (International Financial Institution Advisory Commission 2000, 82).

use and repayment of Bank loans to the host government. This essentially defines the Bank as a public sector lending institution: governments were and remain the Bank's primary clients.

The function of providing government loans was broadly consistent with the Bank's early role of financing investments in public goods, usually large infrastructure projects. It is less suited to many of the institution's contemporary concerns, for example, policy reform, institution building and governance. As we shall see in the next section, agricultural sector loans are a good example of the failure of loan conditionality to induce policy change. The Bank's own work on aid effectiveness blames bad government policies and weak institutions for poor loan performance, and recommends making loans only to governments with good policies (as defined by the Bank) already in place (Dollar and Pritchett, 1998). Yet if this conclusion were pursued to its logical limits, the Bank would quickly deplete its own client base: the Bank cannot both focus on the poor and restrict itself to countries with strong public sector institutions and ready-made neo-liberal policies.

One strategy that the Bank has pursued to broaden its constituency base is to increase the role of non-government organisations in the identification, design, implementation and evaluation of projects. NGO participation rates as reported in successive annual reports have increased from 20 percent of projects in FY 1989 to slightly more than half of all projects in FY 1999, with even higher rates in agriculture and social sector projects. Critics point out that quantitative measures do not tell us much about the depth or quality of NGO involvement, and that the Bank tends to use these organisations as low cost service providers rather than active participants in the entire project cycle (Covey 1998, 89). Certainly there remains scope for improving the quality of projects through greater public participation, a theme which has been

picked up enthusiastically by the Bank in recent years.⁴ Yet the extent to which NGOs are able to move into a real decision-making role is limited by the Bank's status as a lender to governments: it is ultimately governments that must repay the loans, and for obvious reasons they jealously guard their right to determine how the funds are used.

Another important implication of the government guarantee is that the World Bank does not have a simple, market-based measure of project success or failure. The Bank enjoys preferred creditor status, meaning that borrowing countries continue servicing their Bank loans even if they are in default on commercial loans. Unlike commercial banks, therefore the World Bank does not measure the quality of its portfolio based on the share of nonperforming loans. Project and programme loans, however risky, and whatever the final outcome, are typically repaid in full. The Bank must therefore rely on ex-post evaluations as a guide to the success or failure of projects. However, the Operations Evaluation Department—although often a source of objective, informed criticism of Bank activities—is widely recognised as marginalized within the Bank and largely ineffective (Rich 1994, 171).⁵

2.2. Pressure to lend

By the early 1960s the Bank was already faced with the twin problems of high earnings from its portfolio and a shortage of 'bankable' projects (Mason and Asher 1973, 418). The response at the time consisted of expanding lending operations and staff, taking on riskier projects and eventually including the kinds of 'social-overhead' projects that had earlier been ruled out as inappropriate to the Bank. This process accelerated under Robert McNamara, who

⁴ With, inevitably, its own website (<http://www.worldbank.org/participation>).

⁵ Catherine Caufield provides the following anecdote as an example of OED's lack of influence on operations: "Due to a production error, one-third of the paragraphs in a 1990 OED report on a \$40 million agricultural project in Indonesia ended in mid-sentence. Two years later no one outside the OED had asked for the full text" Caufield 1996, 255).

dramatically increased lending and set aggressive annual targets. The primary gauge of operational success became the volume of new lending, and career advancement of operations staff became closely tied to the amount of money that they could move.

By the 1990s this phenomenon had a name: “pressure to lend”. In response to concerns over the trend decline in quality of the Bank’s loan portfolio (see Table 1), Lewis Preston set up a portfolio management task force chaired by Bank vice-president Willi Wapenhans. The resulting Wapenhans report, as it has since become known, drew attention to the declining share of successful projects in the portfolio, particularly in agriculture, and identified the main cause as weaknesses in the project appraisals process resulting from pressure on operations staff to meet lending targets (World Bank 1992a).

Pressure to lend has three immediate consequences, all of which have a negative impact on project quality. First, once a project idea has the backing of the recipient government, operations staff tend to hurry through the design stage in an effort to get the project appraised at the earliest possible date. Not enough time is spent gathering information about past projects or other related activities, or consulting with potential project beneficiaries. Second, once projects have been designed operations staff do not so much appraise them as *promote* them within their departments and ultimately to the executive board.⁶ Finally, staff have little incentive to supervise ongoing projects, and instead concentrate on pouring new projects into the pipeline. Unfortunately, the decline in the quality of supervision has come in tandem with greater project complexity associated with the Bank’s increasing use of conditionality and the trend towards more diversity in the lending portfolio (Rich 1994, 255).

The combination of greater complexity and weaker supervision has meant that borrowers are able to disregard their obligations under loan agreements with little fear of detection or penalty. Wapenhans decried the “evidence of gross non-compliance” suggesting that borrowers had fulfilled less than one-fourth of the legal and financial covenants in existing loan agreements (World Bank 1992a, 8). This problem is greatly compounded by centralisation and institutional capture as discussed below.

2.3. Centralisation

This operational imperative at first glance appears out of place in the context of the Wolfensohn Bank given the current rhetorical emphasis on decentralisation, participation and “empowerment”. As a bank, however, the present management has inherited procedures and practices from a time when the institution was geared towards financing large-scale infrastructure projects with minimal supervision needs (or at least minimal supervision by the task manager on site) and consisting of a few large disbursements. Mason and Asher’s description of the problem in the early 1970s remains apposite:

Once an agency is launched as a centralised institution, it tends to remain so. Key staff members develop a vested interest in the functions they perform and resist sharing them with field personnel. It becomes much more difficult to decide which functions can be decentralised. The dispatch of an almost infinite number of visiting missions to conduct surveys, prepare economic reports, inspect projects and evaluate progress seems more normal than establishing a finite number of resident missions. And if in the process an embryonic ‘foreign service’ is developed but service within it is not made essential to advancement on the career ladder, time so spent can easily become a handicap. Out of sight and without authority, the field personnel are also often out of mind when higher-level, more responsible jobs become available at headquarters. (Mason and Asher 1973, 73).

⁶ This is particularly apparent with regards to environmental impact assessments (EIAs). According to the Environmental Defence Fund, out of 158 agricultural projects during the years 1990-95 only five were assessed on the basis of full EIAs (Kleiner 1996).

From its earliest days, power was heavily concentrated in headquarters, and despite numerous re-organisations the basic pattern has not changed. The focus on headquarters, and the relative powerlessness of resident mission staff, has also made the Bank an exceptionally inward-looking organisation. According to the Volker Commission, the average operations staff person spends only seven percent of his or her time on recipient country contacts (cited in Ranis 1997, 78). In practice this means that shared conceptions (or misconceptions) are rarely tested against field reality, and are thus extremely difficult to dislodge.

Centralisation also complicates the implementation of small-scale, human resource-oriented projects owing to the time and effort required to satisfy the Bank's accounting system and disburse money to the field. Again, this was less of a problem when loans were used to fund capital-intensive projects, since most of the funds in these projects were released on the basis of large, integrated contracts for equipment, construction and so forth. Task managers speak wistfully of the times when they could pay for several years' contracting work with one cheque (carried by hand from the central bank to the finance ministry and then to the project) and supervise the work in an afternoon. Things are no longer so simple. Projects like micro-credit and community-based resource management require processing thousands of small disbursements that must be reconciled against expenditures by the host government and, eventually, the Bank. As we shall see in the case of one project in Indonesia, the system can easily become overloaded affecting the level and timeliness of the flow of funds, and thus project quality.

2.4. Institutional capture

Pressure to lend, centralisation and the Bank's limited client base create the ideal conditions for institutional capture. By capture we mean the process by which Bank operations

staff come to identify their interests with the interests of their clients in the recipient country government. As Kapur, Lewis and Webb note, "much lending takes on the character of a habitual transaction, with few immediate expectations beyond a capital transfer and desire to sustain a long relationship" (1997, 270). The developmental impact of ongoing projects takes a backseat to the next project idea. This future orientation means that task managers are often unwilling to draw too much attention to non-compliance for fear of losing the government's commitment to take on the next round of projects.

The incentive structure for capture is straightforward. Task managers, who typically operate in one sector in several countries or one large country, quickly develop working relationships with government officials in the relevant ministries. These officials, who implement projects under the supervision of the task manager, are also responsible—or are closely connected to the people responsible—for the approval of the *next* proposed Bank project for the sector. Given that the task manager wants the project (pressure to lend) and the government needs the loan, it does not take long for an understanding to develop in which the shortcomings of existing projects are overlooked in exchange for a smooth path for new projects in the pipeline.

The resulting co-operative mechanisms help to explain the lengths to which operations staff will go to oblige their counterparts in borrowing country governments. For example the Morse commission investigating the Narmada dam controversy was stunned to find that "the Bank is more concerned to accommodate the pressures emanating from its borrowers than to guarantee implementation of its policies" (quoted in Rich 1994, 253). Evidence of the impact of the project on local people was ignored, distorted and hidden by both the Indian government

and the Bank in an attempt to protect both parties and to avoid a disruption in the flow of projects and funds.

3. The World Bank's Approach to Agricultural Development

The World Bank's thinking on agricultural development has passed through a number of distinct phases since the 1940s. A general outline of these changes is presented in Table 2, which sets out the Bank's institutional priorities, the public documents most closely associated with these priorities and one or more "showcase" or paradigmatic agricultural projects for each period.⁷ Shifts in policy have come in response to internal changes in top management and to external factors including pressure from member countries and non-governmental advocacy groups. This section will trace the evolution of these policies. As we shall see, there has been a consistent trend since the 1960s towards more complex projects and a more diverse rural portfolio, which for the most part has meant greater demands on operations staff in the areas of design and supervision. These ambitions have proved difficult to realise in practice, not least because of the institutional limits imposed by the operational imperatives described in the previous section.

After a brief period in which European reconstruction dominated the agenda, the Bank sought to establish a role for itself in the developing world. As noted above, the original focus was on public goods, particularly large, foreign exchange-intensive infrastructure projects.

⁷ Such a schematic approach of course runs the risk of oversimplifying the Bank's position. There are plenty of examples in each period of intense disagreements over theory and policy within the Bank's management and among the executive directors. As we shall see, the preoccupations of researchers and technical specialists are often at odds with the day-to-day concerns of operations staff charged with responsibility for putting their ideas into practice. The erratic and sometimes contradictory political demands of the U.S. Treasury and Congress, in addition to competing pressures from other major shareholders, have also hindered management's efforts to articulate a coherent strategic vision (Gwin 1997). Nevertheless, the Bank is and has always been a highly centralised institution and it is probably fair to speak of dominant trends or paradigms in the Bank's approach to rural development issues.

Aside from irrigation projects, and some small loans for agricultural machinery, the Bank largely stayed away from the agricultural sector: through 1961 agricultural accounted for only three percent of World Bank lending (Kapur, Lewis and Webb 1997, 109). This relative neglect of agriculture on the operations side did not reflect, as is often supposed, an anti-agriculture bias within the Bank or among the prominent development economists of the day.⁸ Rather, the Bank felt that its comparative advantage lay elsewhere given the small foreign exchange component of agricultural credit, extension and research projects (*Ibid*, 262). Moreover, the fact that agricultural decision-making was often in the hands of millions of small farmers suggested that the productivity of capital investment in agriculture was dependent on the prior adoption of appropriate policies (World Bank 1972, 36). For this reason it was felt that more rapid progress could be made in other sectors, such as energy, transport and industry.⁹

Agriculture's operational profile was given a boost during the presidency of George Woods (1963-1968). Under Woods, agricultural lending increased to 12 percent of the Bank's portfolio. More significant than the increased volume of lending, however, was the acceptance of non-traditional projects explicitly oriented towards crop production, such as agricultural credit, extension and smallholder development schemes. Woods also oversaw the Bank's moves into non-project lending (in form of balance of payments support for the purchase of necessary inputs and capital goods in India) and investment in primary education.¹⁰ The move towards riskier projects was driven by a combination of factors, notably surplus earnings from existing

⁸ The Bank's earliest statements on development emphasise raising agricultural productivity (see IBRD 1948). On the views of development economists of the period see Lewis 1984, 128.

⁹ In a sense the Early Bank pursued a policy of *ex-ante* conditionality that would return to favour in the late 1990s (Dollar and Pritchett 1998).

¹⁰ The Bank's first education loan was made in 1962 but activity in this sector accelerated rapidly during Woods' term.

loans and a perceived shortage of ‘bankable’ projects in financially solvent countries (Kapur, Lewis and Webb 1997, 175). The appearance of the International Development Agency (IDA) in 1960, set up in part to address these problems and to enable the Bank to refocus its efforts on poorer countries, provided an important vehicle for the new initiatives. Woods also expanded the economics staff and elevated economic analysis to a more central and strategic role from its traditional function as servant to the operations divisions (Kraske 1996, 134). With these innovations, Woods set the stage for the transformation of the Bank under Robert McNamara.

One area of particularly rapid expansion during the Woods presidency was agricultural credit. The share of credit projects in the Bank’s agriculture portfolio rose sharply from five percent during the period FY 1948-1963 to 41 percent in FY 1964-1968. Agricultural credit—channelled through development banks, commercial banks, cooperatives and project authorities—was the most obvious mechanism through which the Bank could provide support for the dissemination of Green Revolution technologies to the small farmers of Asia and Africa. The success of the new high-yielding wheat and rice varieties had reinforced the need for investments in irrigation and drainage while also creating demand for a range of new interventions, including seed multiplication, fertilizer production, distribution of inputs, storage and processing capacity. Access to credit would provide the funds farmers needed for higher current and capital expenditures at the farm level (World Bank 1972, 42). The approach recognised the decentralised nature of agricultural decision-making, but attempted to deliver assistance through the centralised vehicles (banks and agriculture ministries) most accessible to the Bank.

All of this changed during the presidency of Robert McNamara from 1968 to 1981. McNamara’s mission was to release the Bank from its self-imposed conservatism and to

transform it from a financial intermediary into a development agency. Within six months of taking office he had announced his intentions to double the volume of lending, to be achieved through expanded efforts in Africa and Latin America and more intensive activity in agriculture and education (McNamara 1981, 6). Lending to agriculture was expected to quadruple by 1973, a target that was not immediately met, but which was easily surpassed in McNamara's second term.¹¹ Overall, lending under McNamara grew from US\$2.6 to 12.9 billion in real terms and the number of Bank staff more than tripled.¹²

McNamara's stressed that his intention was to change the Bank fundamentally and development assistance more broadly, not just to deliver "more of the same" (*Ibid.*, 8). To be sure, the early McNamara Bank was not short of ideas on how to refocus the Bank on poverty alleviation. However, as Kapur, Lewis and Webb show in their encyclopedic history of the Bank, successive initiatives meant to signal the end of "trickle-down economics" were constrained by the real world of operational imperatives. Population control, singled out in the president's first major address, met with immediate resistance in borrower countries (Kapur, Lewis and Webb 1997, 236). Executive directors remained skeptical of housing, health and nutrition projects which were viewed as tackling effects rather than causes (*Ibid.*, 254). Employment generation spoke directly to the relief of poverty but was difficult to translate into self-liquidating development projects, and in any case the Bank in the early 1970s still resisted moves to increase local-cost funding (*Ibid.*, 416). Although lending for primary education—a priority carried over from Woods Bank—grew rapidly during the early McNamara years, it

¹¹ Bank/IDA combined lending for agriculture was US\$600 million FY1964-1968, \$1,906 million for FY 1969-1973 and \$4,814 million FY 1974-1978. All figures are in current dollars calculated from annual reports and exclude non-agricultural rural development projects.

never amounted to more than four percent of the institution's total portfolio. Water and sewerage projects, particularly in urban areas, gained acceptance but their expansion was hindered by persistent implementation problems attributed to weak management in recipient countries (*Ibid.*, 258).¹³

After several false starts, McNamara had decided by 1973 to focus on small farmers as offering the clearest expression of the Bank's commitment to the theme of growth with equity (Cheney *et al.* 1974). In a landmark speech to the board of governors delivered in Nairobi, McNamara set out his vision of development and the future role of the Bank. The problem, he concluded, was that "growth is not equitably reaching the poor...and the poor are not significantly contributing to growth" (McNamara 1981, 242). Since most of the poor live in rural areas, the key to resolving these related problems was to increase the productivity of small-scale farming. Fortunately, recent economic studies had shown that output per hectare was typically higher on small farms, and the dissemination of new technologies could further enhance the productivity of small farm operations.¹⁴ McNamara set a goal of increasing output on small farms at an average annual rate of five percent by 1985. The Bank, he believed, could achieve this ambitious target through support for six components: land and tenancy reform, better access to credit, assured availability of water, extension and research, improved public services and the development of rural institutions. The last, which he viewed as the "most

¹² Lending measured in constant 1982 US dollars. The share of agriculture in the total portfolio increased from 18 to 30 percent from 1970 to 1981.

¹³ Kapur, Lewis and Webb conclude: "Each was relevant to poverty, but none met the Bank's need for 'bankable' projects—large-scale, foreign-exchange, mostly hard terms loans that would be acceptable to borrowers and attractive to the Bank's principal shareholders" (*Ibid.*, 247).

¹⁴ He goes on to assert that "it is, of course, output per hectare which is the relevant measure of agricultural productivity in land-scarce, labour-surplus economies; not output per worker" (*Ibid.*, 247). This is a logical non sequitur given the inescapable link between low levels of labour productivity and low wages and/or returns to family labour.

critical”, marked a radical shift in the Bank’s rhetoric: McNamara’s call for “new forms of rural institutions and organization that will give as much attention to promoting the inherent potential and productivity of the poor as is generally given to protecting the power of the privileged” were suggestive of forms of collectivism that ran counter to the Bank’s historical emphasis on private initiative and minimal government intervention in markets (*Ibid.*, 249).

In practice, however, the Bank’s new rural development strategy was far less radical than the rhetoric of the Nairobi speech. The emphasis on productivity-enhancing technologies and cost recovery effectively removed landless agricultural labourers from the target group even though they are the poorest rural dwellers and account for the largest share of the rural population below the poverty line. Although land reform figured prominently in the 1973 Nairobi speech, it never materialized in project form. Faced with mounting pressure to increase lending, Bank operations managers were not prepared to raise contentious issues of asset distribution with their clients in recipient governments (Kapur, Lewis and Webb 1996, 416).

Pressure to meet McNamara’s ambitious lending targets was the driving force behind the design of the new rural development strategy. Area development projects, including crop-specific schemes such as tea and cotton development, quickly emerged as the vehicle of choice for operations staff.¹⁵ These projects—modelled loosely on India’s community development schemes and pilot projects in Mexico and Bangladesh supported by the Rockefeller and Ford Foundations—were designed to tackle simultaneously the full range of impediments to increasing smallholder productivity (Donaldson 1991, 168). They combined irrigation and other infrastructure with dissemination of seeds, pesticides and fertilizers, credit, livestock, storage

¹⁵ Irrigation and area development projects accounted for 73 percent of all rural development lending for the period FY1974-1986 (World Bank 1988, 4).

facilities, transport and marketing arrangements. Not coincidentally, they also called for larger injections of World Bank funds, which suited the needs of operations staff straining to meet lending targets in the face of the limited absorptive capacity of the poorest recipient countries.¹⁶

Ultimately the size and complexity of area development projects proved to be a weakness rather than a strength.¹⁷ Recipient governments lacked the managerial capacity to coordinate project implementation, and in many locations research and extension systems could not cope with demands for suitable, farm-tested technologies. The creation of autonomous project management agencies helped some projects to meet tight implementation schedules, but worked to undermine institutional development in host government agencies (Donaldson 1991,179). The Bank's own disbursement system could not cope with the vast number of small purchases required, and operations departments lacked the resources for adequate supervision and technical guidance (Cassen 1985, 124). As a result these schemes proved a disappointment: OED's review of the period concludes that more than half of all projects achieved a rate of return of less than 10 percent, the Bank's rule of thumb for economic viability. Moreover, 12 of 15 projects in Eastern and Southern Africa failed (World Bank 1988, 21).

Another intervention designed to reach small farmers was the "training and visit" (T&V) extension system. T&V was first adopted on a large scale in India and then promoted aggressively in other countries and regions. The idea was to create a national network of field-

¹⁶ The Bank's own Operations Evaluation Department concluded that "from the point of view of Bank managers, at a time when the Bank's lending was expanding rapidly, area development projects were an effective vehicle for committing funds. As a result, Bank project staff recall feeling that they were under pressure to produce bigger and broader projects" (World Bank 1988, 22).

¹⁷ Albert Hirschman, for one, reached this conclusion long before the idea of IRDPs became official policy: "The comprehensive program whose many components are given equal emphasis and are pronounced to be interrelated in effect covers up the ignorance of the experts about the real cure of the malady they have been summoned to examine; if they knew, they would be proposing a far more sharply focused program" (Hirschman 1995, 23).

based agents to transmit technical information from the research system to small farmers on the basis of a calendar of daily visits and weekly training sessions. The Bank favoured the T&V approach in part because it was viewed as an improvement over older, commodity-based systems, but also because it fit neatly with the Bank's operational imperatives. New extension networks required large-scale investment in buildings, vehicles and technical assistance. Moreover, the centralised nature of the system facilitated project design and supervision and also suited the needs of the Bank's counterparts in government agriculture ministries (Purcell and Anderson 1997, 88). Between 1977 and 1996, the Bank spent \$2.1 billion on free standing extension projects and another \$2 billion on extension components of larger projects (*Ibid.*, Annex Table 5.3).

Agriculture reached its peak as a share of total lending in the years FY 1976-1978 and fell steadily following McNamara's departure in 1981 (see Table 3). The change at the top was one factor in agriculture's relative decline. Tom Clausen, the new president, did not attempt to emulate his predecessor's fiery anti-poverty rhetoric, and he was more at ease with the conservative agenda pursued by the newly elected Reagan administration in Washington and the Thatcher government in London (Kraske 1996, 214). The appointment of Anne Kreuger as chief economist signalled his support for an avowedly neo-liberal research programme, a stance mirrored on the operations side by a heavy reliance on austerity as the preferred adjustment mechanism to the period's massive external shocks. However, most of the operational priorities pursued by the Clausen Bank were for the most part already in place in the last years under McNamara.¹⁸ Agriculture and Sub-Saharan Africa remained the focus of new lending

¹⁸ Robert Ayres noted in 1983 that the ideological and operational differences between McNamara and Clausen were less pronounced than their rhetoric would suggest: "While McNamara's Bank had for some a 'leftist' image which obscured the

initiatives, but these had to be balanced against increased investment in energy and power (intended to help borrowing countries exploit domestic alternatives to imported oil) and structural adjustment lending. As energy and programme lending increased, agriculture and rural sector spending in general lost their earlier predominance: nevertheless, in real dollar terms agricultural operations remained at the high levels established by McNamara throughout the 1980s.

There was, however, a pronounced shift in the allocation of projects within the agricultural sector itself (Table 4). The defining agricultural operation from 1984 to 1991 was the agricultural sectoral adjustment loan (AGSECAL). AGSECALs made up 17 per cent of agricultural lending during the period, or about six billion dollars. In line with the general reaction against state-led development within the Bank, IMF and among major donors (the U.S., U.K. and Germany), AGSECALs identified government intervention in input and output markets and barriers to international trade as the main cause of poor performance in the agricultural sector, particularly in Africa and Latin America. This stunning reversal in the Bank's approach from the micro-management of the McNamara years was expressed most forcefully, and controversially, in the 1981 Berg Report (World Bank 1981).

AGSECALs called for a combination of reduced or eliminated subsidies, price liberalisation of agricultural inputs and outputs and reform of trade policy and exchange rates. The main thrust of the new approach was that alignment with international prices for agricultural inputs and outputs would increase efficiency and stimulate agricultural

real nature of its operations, Clausen's Bank has acquired for others a 'rightist' image which likewise obscures what the Bank is really doing" (Ayres 1983, 238).

production.¹⁹ Although there was plenty of evidence of price disincentives in African agriculture, the Bank did not set out the case systematically until the publication of a major study on agricultural pricing policy in 1992 (Schiff and Valdes 1992). Nevertheless, idea of a large and significant supply response to agricultural prices was accepted as an article of faith on the operations side and guided the design of AGSECALs throughout the 1980s.

OED's internal review of AGSECALs, however, could identify only one case in which the intended supply response had materialised (Meerman 1997, 58).²⁰ Later AGSECALs, perhaps with an eye to improving internal evaluation results, sidestepped the issue entirely by omitting all references to the intended output effects of reform. Yet OED also failed to detect the missing link between theory and performance: in their view, the reason for poor performance was that AGSECALs were not radical enough. According to OED, "The Bank bought into the public-production-and-control model and sought to make it efficient" rather than focus on privitisation and competitive local markets (*Ibid.*, 1). Other, more convincing explanations for the weak supply response, including those based on careful empirical work in Africa, did not figure in the Bank's rhetoric or project design.²¹

By the end of the 1980s the poor performance of AGSECALs posed a major dilemma for operations staff. OED studies revealed that agriculture had consistently performed worse than other sectors since the 1970s (Table 1). This was an important factor underlying the shift

¹⁹ This conclusion was recognised in the Bank's review of AGSECALs: "Supply response, the change in production due to such adjustment, is the acid test of the theory" (Meerman 1997, 31).

²⁰ The successful project was the 1986 Kenyan Agricultural Adjustment Loan.

²¹ The relationship between output prices and supply response is greatly complicated by factors on both the supply and demand side, including labour constraints, limited access to industrial inputs and incentive goods, shortages of working capital, the continued need for public investment and the weakness of domestic food markets owing to deflationary policies associated with stabilisation and structural adjustment programmes (see, for example, Moseley, Weeks and Subasat 1995, Sender and Smith 1990, Berthelmy, and Morrison 1987).

towards sector reform programmes and away from large-scale area development and crop-specific projects. Until appropriate macro policies were in place, the argument went, the Bank could do little to promote technological change at the farm level. Yet by the early 1990s it was clear that AGSECALs had performed no better than investment projects. Having already undermined the logic of public investment in agriculture, there appeared to be few viable alternatives on the horizon. Agricultural credit programmes had also received low marks from OED (World Bank 1993a), as did the T&V extension system (Purcell and Anderson 1997). Meanwhile, advocacy groups had launched successful international campaigns calling attention to the negative environmental and social impacts of large-scale irrigation and frontier resettlement projects, notably in India, Indonesia and Brazil (Rich 1994).

As a result of these internal and external pressures, the scale of agricultural operations declined sharply in the 1990s. By the end of the decade agriculture lending had dropped 40 percent in real terms from its mid-1980s peak, and accounted for less than 12 percent of the Bank's overall portfolio (Table 3). The Bank was in clear need of a rethink of its sectoral strategy as a means toward divining a new rationale for agricultural lending.

In 1997 the Bank published a revised agricultural strategy in a report entitled *Rural Development: From Vision to Action*, co-authored by then Director of Rural Development Alex F. McCalla (McCalla and Ayres 1997). *Vision to Action* is a remarkable document in many ways, not least of which is the bluntness of its criticism for past Bank efforts in agriculture. The report contains an incongruent mix of themes drawn from advocacy groups—such as environmental sustainability, gender awareness and the need for more local participation—and items drawn from the traditional Washington Consensus agenda like government retrenchment and market liberalization. Acknowledging the relatively poor performance of rural sector loans,

the authors single out traditional investments such as area development projects, irrigation and agricultural credit as needlessly top-down, ecologically unsound, inefficient and insensitive to the needs of the poor (McCalla and Ayres 1997, 33). Crop production, input supply, processing and marketing—to the extent that these are supported by the public sector—are also off the agenda. Underlying the change in focus is a return to the theme of the World Bank as a development agency rather than a development bank. Building on the “knowledge bank” concept spelled out in the 1998 World Development Report, McCalla and Ayres describe the Bank as

a knowledge-based institution with a global mandate. It has limited capital transfer capabilities, compared with overall development needs: it fosters development primarily by synthesizing and disseminating knowledge. It is not a technical agency but a user, collaborator, developer, and financier of technical capacities around the world (*Ibid.*, 27).

In the context of rural development, the report argues, the Bank should concentrate on policy, research and extension, reform and privatisation of agricultural services, and participatory resource management: for example, social forestry, water users groups and micro-credit.

Like much of the Bank’s recent rhetoric, *Vision to Action* implicitly assigns blame for the poor performance of agricultural projects to recipient country governments.²² Institutional development and decentralization—the two *idées fixes* of the report—are equated with government withdrawal from agricultural services. In line with OED’s analysis of AGSECALs, sectoral adjustment programmes are to emphasize privatisation of production, input supply,

²² “Promoting local and community development is one of the most important activities in which the Bank is engaged. Experience has shown that projects are much more likely to reflect people’s priorities, reach their goals, and be sustainable when they are designed and executed with a high degree of influence from beneficiaries. Local and community-driven development therefore addresses the failed approaches of the past, which were too centralized and statist to effectively reach poor rural communities” (McCalla and Ayres 1997, 82).

seed multiplication, research, extension and marketing. Agricultural credit, meanwhile, is to be delivered through non-government organizations as preferred intermediaries. User associations will supplant specialized government agencies—many of which were established by the Bank as part of area development projects—in the development, operation and maintenance of irrigation and drainage schemes. Community development is to be pursued through matching grants to communities, in this case meaning either NGOs or local governments.

The Bank's embrace of a decentralised, community-based approach to agricultural development raises a number of immediate issues. First, and most incongruously, the report uncritically adopts the language of neopopulism, largely redefining power relations in terms of access to government patronage while studiously avoiding discussion of social relations of production in general and class power in particular.²³ Second, and of more direct relevance to the problem at hand, is the question of the Bank's comparative advantage as a development agency. The role of the Bank as a public sector lender would appear to be limited if the state is to restrict itself to the creation of an “enabling framework” for decentralisation and community participation. Moreover, as we shall see in the following section, the skills and resources needed for successful participatory development along the lines of the populist model are precisely those which the Bank does not possess: namely, operational flexibility, institutional independence, an intimate knowledge of local economic, political and cultural conditions, and ample staff time for identification, design, public consultation, supervision and evaluation.

²³ This is a general problem for Post-Washington Consensus writers. Power is discussed in terms of the relationships between central and local government and between local government and ‘civil society’ (World Bank 2000, 122). Civil society itself is treated as an undifferentiated mass, omitting reference to power relations not directly involving government institutions. This is most apparent in the reports produced by the Poverty Group’s “Consultations with the Poor”, which reduce “powerlessness” to the effects of arbitrary or corrupt bureaucracies (see Narayan, Chambers, Shah and Petesch 1999). This fits in neatly with the Bank’s agenda of government retrenchment and decentralisation, but fails to address the real issues of poverty and exploitation (see Ben Fine’s chapter on social capital in this volume).

In at least one sense, then, the Bank has come full circle after fifty years' experience of rural development. Like the Early Bank, the Post-Washington Consensus Bank is once again stressing its role as a provider of public goods, a desire to supplement rather than replace private investment and a limited role for the state. However, by the 1990s, definition of public goods has changed in ways that would mystify the Bank's first generation of managers. Physical capital accumulation has been relegated to a supporting role in favour of intangibles such as knowledge, governance and 'social capital'. This represents a high-risk strategy for the agricultural operations divisions: at a time when overall spending on agriculture has declined precipitously in real terms, the Bank has chosen to distance itself from its historical strengths and move headlong into areas in which it has no demonstrable comparative advantage. As we shall see in the case of Indonesia, the future prospects of the Bank's agricultural portfolio hinges on the extent to which the institution can demonstrate that it can acquire these traits, and thus close the gap between rhetoric and operational reality.

4. The Case of Indonesia

Indonesia enjoyed a uniquely intimate relationship with the World Bank during the country's three decades under General Suharto. The U.S. trained technocrats in charge of economic policy developed an enduring rapport with senior Bank management based in part on shared values and perspectives, but also on the political importance of these ties for both sides. As the Bank's position in India weakened in the 1960s, Indonesia stood as an example of a populous Asian country that had emerged from economic autarky to embark on a successful, outward-oriented stabilisation programme. Indonesian technocrats, meanwhile, valued the leverage that Bank resources and policy support gave them in their internal clashes with some

of the more nationalistic—and often more corrupt—members of Suharto’s inner circle.

Indonesia was the first country to host a Bank resident mission, and even as the personalities changed the policy dialogue was held at an unusually senior level on both sides (Kapur, Lewis and Webb 1997, 471).

Lending gathered pace in the 1970s, with particularly fruitful links emerging in the technocrats’ strongholds of the finance ministry and the state planning agency (BAPPENAS): financial sector and structural adjustment lending accounted for 21 percent of the Bank’s total portfolio by the 1990s. Such was the Bank’s faith in Indonesia’s economic team that no policy conditionality was attached to structural adjustment loans in the 1980s and early 1990s (World Bank 1999b, 17). Strong operational relationships were also forged with the agriculture, transport and public works ministries, and with the State Electricity Company (PLN). By the early 1990s IBRD disbursements to Indonesia had reached \$25 billion or about 10 percent of the institution’s total lending portfolio.

According to OED, Bank projects in Indonesia have achieved exceptionally high performance ratings across all sectors. Of the 167 loans evaluated between 1968 and 1996, 87 percent of projects (by lending amount) received a satisfactory rating as compared to the Bank-wide rate of 75 percent. Remarkably, 100 percent of power projects, which make up one-fifth of the total portfolio, were judged to be satisfactory. Even the relatively low rate of 75 percent in agriculture compares favourably with the Bank-wide average of 65 percent (World Bank 1996, 25).

The Bank also took great pride in its policy role in the “Indonesian miracle”, delivering criticism behind closed doors but offering enthusiastic public support for the government.

Strong evidence of institutional capture did not go unnoticed within the Bank. For example, in a memorandum to McNamara in 1979 Shahid Husain, then vice president for East Asia, wrote:

I have a very uneasy feeling about the nature of this relationship. It has been too personal...I have been appalled to see how little and how restricted the discussion of our economic reports on Indonesia has been...[T]he discussion that has taken place has been in the nature of negotiations on wordings and phrases and much less on objectives and policies" (Kapur, Lewis and Webb 1997, 323)

Despite these concerns the situation remained essentially unchanged. Twenty years later, as the Bank attempted to come to grips with its role in Indonesia's economic meltdown, internal documents again raised the issue of capture. A draft country assistance review concluded that:

"The Bank became prisoner of 'group think' whereby questioning Indonesia's success (going against the group's perceptions about Indonesia) was unwelcome. The resistance to warnings that risks were mounting, heard within and outside the Bank, was prevalent at all levels in the Bank. The incentive to take a close look at Indonesia's development model was also reduced because, for many Bank staff, association with a 'successful' large country had had a beneficial impact on career opportunities" (World Bank 1999b, 10)

'Group think' manifested itself at every level, from the Bank's continued support for the failed transmigration programme to self-censorship in semi-public (gray cover) policy documents. When the government objected to a draft poverty assessment report in 1990, for example, the Bank simply changed the numbers (Pincus 1996, 18 n. 21). In 1992, when Suharto disbanded the Dutch-led Intergovernmental Group on Indonesia in response to the Netherlands' position on the East Timor question, the Bank stepped in to lead the newly-formed Consultative Group on Indonesia. Similarly, in 1997 the Bank's resident representative in Jakarta, Dennis de Tray, vehemently denied allegations that up to one third of World Bank funds were being lost to corruption. Less than a year later it emerged that as he was making these comments an internal Bank memorandum was being prepared that not only substantiated the charges but also

confirmed that the Bank possessed detailed information on how the money was being lost (Schwarz 1999, 316).

The economic and political uncertainties of the post-Suharto era have left both parties groping for new rules of engagement. Now free to discuss Indonesia's "critically weak institutions" and the attendant problem of "endemic corruption", the Bank has placed governance and institution-building at the top of the agenda (World Bank 1999c, 1). The new government of Abdurahman Wahid, meanwhile, has adopted a more nationalistic, and at times openly hostile stance towards the Bank and IMF in an attempt to distance itself ideologically from the Suharto regime (Shari and Cohn 2000). For now, however, the rhetoric on both sides is tempered by the immediate need to get on with the lending: Indonesia, once again eligible for IDA credits, obtained approvals for new credits worth \$2.7 billion in the last fiscal year mostly in the form of quick-disbursing non-project loans.

4.1. Indonesia's Agriculture Portfolio

Indonesia's agricultural loan portfolio has broadly followed the Bank-wide trends reviewed in the previous section (Table 5). Irrigation was the logical point of departure for the Bank when it returned to Indonesia in the late 1960s: a 1967 Bank report indicated that 50-60 percent of irrigation systems were in disrepair and were servicing only a small fraction of their respective command areas (Van der Eng 1996, 62). Over the three ensuing five-year plans, the Bank carried out 19 separate irrigation rehabilitation and construction projects, centred mostly on Java but also contributing to a doubling of technically irrigated area in the outer islands.

Irrigation and drainage have remained the most important subsector through the 1990s, although recent loans have focused on improving management and efficiency of operations

rather than new construction.²⁴ As in other regions, controversy arising from the negative environmental impact of dam construction and botched resettlement programmes has had a chilling effect on lending for new irrigation schemes. By far the most spectacular case in Indonesia was the mishandling of resettlement from the reservoir area of the Kedung Ombo dam in Central Java. During the course of the project, funded in part by a \$156 million loan, villagers were subject to abuse at the hands of the military, forced to relocate to unsuitable and poorly serviced transmigration sites and denied claims to compensation. The Bank's performance stands as an extreme example of deficient supervision, bureaucratic capture and unresponsiveness to public pressure.²⁵

The Bank's second major interest in Indonesian agriculture in the 1970s and 1980s was the government's transmigration programme. Transmigration sought to resettle poor people from the populous islands of Java and Bali to the outer islands of Sumatra, Kalimantan and Irian Jaya (West Papua). The Bank provided loans totalling about \$500 million for transmigration up to 1985, and another \$1 billion for related smallholder and nucleus estate projects. These area development and crop-specific projects (rubber, coconut, palm oil) shared the integrated rural development approach common to the period, and were plagued by the problems associated with these projects in other countries. Poor site selection, failure to deliver land and services to

²⁴ Indonesia's embarked on its first agricultural sector loan with a \$300 million water resources adjustment project signed in 1999.

²⁵ According to OEDs review of events, the task manager disregarded the warnings of the Bank's internal sociology advisor that the resettlement plans were deficient, paid no attention to the processing of compensation and organisation of the transmigration sites and ignored the intervention of the Jakarta-based Legal Aid Foundation (LBH) in 1987. The Bank then compounded the problem by denying the charge of negligence and attempting to shift the blame to the government. The report goes on to say, "When LBH provided the Bank a copy of its chronology of abuse in September 1987, the task manager considered the informal transmission irregular and did not warrant a response. Even after the Bank's first resettlement expert visited the site in May 1988 (no Bank resettlement expert visited the site during preparation or appraisal), the resident mission was uncomfortable with his observations and felt his report was emotional and exaggerated. In fact, the headquarters division

settlers, cost overruns and poor co-ordination between the agricultural, agro-processing and agricultural service components of the projects reduced their effectiveness and economic viability (World Bank 1986). Transmigration, nucleus estate and swamp reclamation projects almost without exception received unsatisfactory ratings from the OED.

Transmigration was also widely criticised by environmentalists for causing deforestation and destruction of coastal wetlands, charges with which the Bank now concurs (Rich 1994, 36).²⁶ Yet transmigration was a high priority for the Suharto government, and despite repeated failures the Bank soldiered on. The focus shifted from the development of new resettlements to “second-stage transmigration” aimed at improving the economic situation of thousands of previous transmigrants and encouraging more sustainable farming practices. In line with the Bank’s new approach to agriculture, these projects sought to decentralise design and implementation and to put greater emphasis on the ecological limits of development in fragile agro-ecosystems.²⁷ One such project, the 1994 Integrated Swamps Development Project, is reviewed briefly below.

Research and extension was the third investment priority in agriculture. The Bank promoted the T&V system through three free-standing national extension projects beginning in 1976 and supporting investments in the research system and secondary-level agricultural education. The system was also adopted by the area development and nucleus estate projects associated with the transmigration programme. The government accepted the T&V approach

responsible for the project as well as the resident mission were uncomfortable even that his mission had been planned—by AGR [Agriculture and Rural Development Department] and outside the regular supervision routine” (World Bank 1998c, 28).

²⁶ The 1999 draft country assistance review laments the Bank’s role in the transmigration programme and the inattention paid to environmental concerns: “Even though seven Bank loans eventually materialised in support of transmigration, the Bank’s financial contribution to the programme was relatively minor, yet its catalytic role in revitalising the program was substantial. Unfortunately, environmental impact concerns were not on the agenda at that time” (World Bank 1999c, 20).

enthusiastically, largely because it fit neatly with the *Bimas* (mass guidance) rice intensification programmes already in place. *Bimas* provided farmers with subsidised credit packages consisting of cash, seeds, fertilisers and pesticides. Farmers, organised into groups, communicated with the extension service through “contact farmers” who met regularly with extension agents, who in turn received new information from subject matter specialists.

Although *Bimas* was phased out in the 1980s due to high default rates, the programme had proved an effective means of rapidly disseminating a uniform package of inputs. The centralised extension system was retained, and the number of field-level extension agents rose from 5,200 in 1975 to 36,500 in 1990 (Van der Eng 1996, 104).

As in other countries where it was adopted, T&V was too rigid and centralised to involve farmers in the processes of technology generation, testing and learning. Packaged technologies proved ineffective at helping farmers to manage diverse farming systems, and hence made little impact outside of the main rice growing areas. Even within the major “rice bowls”, command-style extension could not cope effectively with ecological, social and economic heterogeneity (Antholt 1991). Inadequate budgetary support and poor research-extension linkages also weakened the sustainability of the system in Indonesia. According to OED “[I]mposing a uniform extension method in a country like Indonesia, with its wide range of production and socio-economic circumstances, was unlikely to be the most cost-effective use of public extension investments” (Purcell and Anderson 1997, 76).

By the late 1990s Indonesia’s agricultural portfolio was in decline and in search of new direction. The showcase projects of the past three decades—irrigation development,

²⁷ See Table 6 for a list of area development projects approved in the 1990s.

transmigration and agricultural extension—could no longer provide a convincing rationale for continued lending. The latter half of the decade has seen the portfolio pulled in opposite directions: on the one hand towards large, non-project loans reminiscent of the SECALs of the 1980s (for example, in water management and the fertiliser industry), and on the other “second-stage” area development projects. These changes reflect similar trends in the country-wide portfolio. With regards to the second group of projects, the challenges facing the Bank are to demonstrate that it possesses the operational capacity to implement community-based, decentralised rural development projects, and to convince the government that these projects represent a productive use of loan funds. The two examples discussed below suggest that the Bank still has some way to go reach these objectives.

4.2. Two Examples

Integrated Pest Management Training Project

It would be difficult to imagine a project that is more in harmony with the rhetoric of the Wolfensohn Bank than the Integrated Pest Management Training Project (IPMTP). The original idea is simple: indiscriminate use of broad-spectrum insecticides disrupts the ecological balance of flooded rice fields, increasing the risk of pest infestation. Farmers were introduced to chemical pesticides through *Bimas* packages that encouraged them to use the same inputs on every field and in every season regardless of local conditions. Over time the mismatch between input use and local farming conditions proved to be destabilising. Farmers needed to learn how to apply the basic principles of agro-ecology in order to tailor their cultivation practices to the specific conditions in their own fields.

The elimination of pesticide subsidies in the late 1980s set the stage for the large-scale IPM training. After a failed attempt to deliver IPM training through the existing T&V system,

the government experimented with a new approach under a USAID-funded grant project implemented by the national planning board (BAPPENAS) with technical assistance provided by the Food and Agriculture Organisation (FAO). The planning agency was chosen as lead agency because of fears that the close links between the chemical companies and the agriculture ministry would scupper the project (Hammig 1998, 6). Under the new approach, training was conducted on the basis of season-long “farmer field schools” consisting of 25 to 30 farmers working with an experienced trainer-cum-organiser. Each week during the season, the farmers conduct “agro-ecosystem analysis” of two fields: one cultivated using the standard package system and other based on agro-ecological principles. Field schools were intended not only as a means of training farmers, but also as an organising tool to help revive the largely moribund farmer groups established under the T&V system. This “learning by doing” approach proved to be exceptionally successful: from 1989 to 1992 about 200,000 rice farmers attended season-long IPM field schools, and an estimated 30,000 farmers learned IPM through informal field schools set up by trained farmers on their own initiative and using their own resources (*Ibid.*, 10). A 1991 survey indicated that these farmers had reduced insecticide use substantially and there was some indication of positive yield effects (World Bank 1993b, 4).

IPM fits neatly with the Bank’s new priorities for the agriculture sector as expressed in *Vision to Action*. The main objective is to increase productivity and promote environmental sustainability through the dissemination of knowledge; it aims to build local institutional capacity and a vehicle for enhanced local participation; and it called for a radical decentralisation of agricultural decision making from the extension system to farmers. IPMTP, appraised in 1993, was designed to expand the existing project to reach 880,000 farmers over a five-year period. The Bank provided a loan of \$32 million to be supplemented by \$14 million in

government financing and a grant from USAID of \$7 million to cover the costs of technical assistance.

Operational imperatives were in evidence from the earliest days of project implementation. Although the project design called for BAPPENAS to maintain administrative control, it quickly became apparent that the key players in the agency had been reshuffled following the 1993 elections, and the new team in BAPPENAS was not committed to the project design. After a lengthy period of bureaucratic skirmishing, the project was transferred to a special project management team in the office of the secretary general of the ministry of agriculture (Hammig 1998, 12). This was a risky move, not only because of the continuing links between the agriculture ministry and the chemical companies, but also because resentment within BAPPENAS threatened to deprive the project of government budgetary allocations. Government funding had indeed emerged a major problem by the time of the midterm review in October 1995: during the first two years of implementation, actual expenditures were only one-third of the levels envisaged in the project design, and the government allocation for the third year was set at two-thirds of the target (World Bank 1995, 16).²⁸ Despite a project extension and increased allocations in subsequent years, the government was forced to cancel \$6 million of the original loan.²⁹

Project management in the agriculture ministry remained “weak and ineffective” according to periodic World Bank supervision missions (World Bank 1997, 8). The planning and budgeting processes, originally envisioned as decentralised and farmer-responsive,

²⁸ The author was a member of the midterm review team.

²⁹ Curiously, the Bank’s final evaluation report applauds the government for “the high priority in its funding in spite of severe budget constraints” (World Bank 2000b, 8). In fact, funding levels increased after the onset of the financial crisis, and were lowest during the period 1993 to 1997.

remained opaque and tightly controlled by the centre. An important indicator of the government's lack of commitment to the project was the ministry's repeated refusal to comply with provisions in the loan agreement calling for project activities to be included in the official job descriptions of IPM trainers (*Ibid.*, 2).

Another reason for the slow pace of disbursements was the cumbersome process through which Bank loan funds were delivered to field activities. Funds were delivered through the central finance ministry through provincial and district finance offices and then to district-level agricultural service agencies before finally reaching field staff. In view of the vast number of small expenditures involved in training (plastic sheeting, pens, paper, transport costs) the system amounted to, in the words of one member of the technical assistance team, "trying to buy lunch with a home mortgage".³⁰ Not surprisingly, disbursements arrived after the season had already begun, and field operators received only a fraction of the budgeted sums. This had a negative impact on training quality (Braun 1997). Disbursements had not been a problem during the initial USAID project owing to the greater flexibility possible using grant funds. Throughout the course of IPMTP control over budgets tended to drift upwards within the bureaucracy, and successive Bank supervision missions failed to put corrective measures in place (Hammig 1998, 14).

Nevertheless, enthusiasm for IPM at the local level remained high. An independent review of the project documented numerous cases in which village heads and farmers groups funded their own field schools or follow-up activities. Farmer-trainers assumed a progressively

³⁰ Field interview, October 1995.

larger role, and the evidence suggests that the quality of farmer-led activities equal to that of government trainers (Braun 1997).

From the Bank's perspective, the experience of IPMTP was mixed. The institution demonstrated its eagerness to fund an innovative, decentralised training project that amounted to a reversal of the previously dominant T&V strategy. In terms of implementation, however, the Bank was constrained by two important factors. First, the project highlighted the problems associated with using loan funds to finance community-based activities. The Bank and government's disbursement mechanisms did not allow for local control over planning and failed to deliver resources in sufficient amounts or in a timely manner. Second, the Bank's supervision mechanisms proved inadequate to the task of monitoring a project consisting of tens of thousands of individual activities implemented by hundreds of local authorities. The Bank carried out nine supervision missions by Washington-based staff over a six year period, for which it awarded itself a "highly satisfactory" rating (World Bank 2000). Yet, as noted in the Wapenhans Report, arms-length missions of this sort are ineffective in the face of persistent noncompliance with the loan covenants and the project design (World Bank 1992a, 20). Despite these problems, the Bank was eager to persevere with plans for similar projects, notably a second integrated pest management project and a decentralised agricultural and forestry project borrowing the farmer field school approach (World Bank 1999c).

Integrated Swamps Development Project

Coastal swamps are fragile ecosystems that can support limited agricultural production given judicious selection of sites and crop mix, careful management of soils and water and protection of surrounding ecosystems such as forests, estuaries and mangroves. Close attention

to water supply and drainage are required to prevent the build-up of soil toxicity. Swamp development is also limited by social and economic factors such as distance to markets, labour availability and farmers' understanding of swamp ecology.

The Integrated Swamps Development Project (ISDP) is an example of the Bank's efforts to rejuvenate traditional area development projects through decentralisation of design and implementation. It will be recalled that area development projects came to the fore during the McNamara years, and in Indonesia these project were closely associated with the government's transmigration programme. The Bank supported two swamp reclamation projects in the 1980s with loans totalling \$87 million.³¹ The objective of the projects was to develop swamp lands for the settlement of 14,000 transmigrant families in Sumatra. Both fell short of their goals as set out in the appraisal documents. Swamps I eventually received an unsatisfactory rating from OED, while Swamps II was substantially reprogrammed, with responsibility for implementation transferred from the transmigration ministry to the South Sumatra planning agency (World Bank 1994, 7). Poor site selection, labour shortages, absence of support services and pest infestations combined to reduce the estimated economic rates of return of the projects to six and two percent, respectively (*Ibid.*, 8). By 1992 the Bank was urging the government to cease further expansion on swamps (World Bank 1992b, 115).

The aim of ISDP, approved in 1994, is to upgrade drainage, flood control and transportation infrastructure and to provide a range of services including agricultural extension and clean drinking water in an area of 78,000 hectares in Sumatra and Kalimantan. The project is a "second-stage" area development designed to improve the living standards of previous

³¹ Swamps Reclamation Projects I and II, approved in 1981 and 1984, respectively.

transmigrants and to learn from the mistakes of the earlier swamps projects. As such it includes a strong community development component, including the strengthening of farmer groups, participatory extension and collaboration with local NGOs on environmental monitoring. Credits provided to farmers to cover one season of inputs were to be repaid into revolving funds controlled by farmer groups.

Beginning in May 1997, the Indonesian NGO Yayasan Duta Awam (YDA) conducted an independent monitoring exercise of project activities in West Kalimantan and Riau province, Sumatra. The evaluation, conducted over a 15-month period, was originally intended as part of a broader assessment of pesticide use in agricultural development schemes.³² YDA discovered that input packages promoted by the project included highly toxic (WHO category IA and IB) pesticides in contravention of World Bank and government guidelines. Use of pesticides, and the incidence of pesticide poisoning, increased in the fifteen villages surveyed. The evaluation also found evidence of the kinds of systematic corruption that had plagued earlier area development projects. Drainage works were improperly sited and poorly constructed, resulting in flooding of fields and villages. Project officials levied unofficial “fees” on project participants, and farmers were asked to sign blank receipts for inputs that never arrived. The delivery of promised credits was irregular and interest charges were not fully explained to participants.

YDA also noted an absence of consultation mechanisms to involve farmers in project implementation. “At present”, they write, ‘farmers’ participation’ consists of ISDP paying farmers to clean canals of weeds rather than engaging them in the design, implementation and

³² The exercise was carried out in collaboration with Pesticide Action Network, North America with financial support from the Rockefeller Brother Fund.

evaluation of project goals in accord with community goals" (Pesticide Action Network, 1999).

Subsequent consultation missions carried out by the project met with village headmen but did not involve project participants.

The resident mission in Jakarta responded promptly to these charges by proposing a fact-finding survey with university and NGO input to investigate the situation in the field. The Bank also assured YDA that farmer groups would be involved in the reprogramming of activities and the design of a follow up project. Some of the defective drainage works were repaired, and some farmers received compensation for irregular fees that they had paid for project services. However, the fact-finding survey was postponed for nearly a year, and ultimately the Bank declined to take part in the mission. The Bank did not respond to YDA requests for the release of the project's financial audits and the creation of an independent body to receive complaints from farmers. Moreover, no action was taken on the pesticide issue, despite the project's clear contravention of the Bank's own operational guidelines.

The immediate problems associated with the implementation of ISDP are unfortunately common in Indonesia, and suggest that the government is not fully committed to community-based, "second-stage" area development projects. The experience of ISDP also has broader implications for the Bank. As YDA concludes:

So the obvious question arises: even when field-based participatory monitoring is carried out—by project beneficiaries themselves, with training and guidance from a local NGO, and at no cost to the Bank or government, and when recommendations are hand-delivered from the field and presented in the capital as well as to the project task manager and other Bank officials, with a commitment from the local people to assist the Bank in correcting its mistakes—why is the Bank still unable to implement mid-course corrections in a timely fashion? (Ibid.)

This demonstrated lack of responsiveness to public pressure is, to say the least, at odds with the Bank's pronouncements on participation, governance and local empowerment. The evidence

from both projects reviewed here suggests that task managers still instinctively ally themselves with their clients in the government, and find it difficult to respond to demands for greater openness and accountability. Damage control is the preferred course of action. This behaviour is understandable given the operational imperatives discussed in this chapter, yet it calls into question the Bank's capacity to operate as a development agency rather than a public sector bank.

5. Conclusions

The Bank is the world's leading development institution in terms of size, money and policy influence. But strength carries with it costs as well as benefits. The Bank has been constantly buffeted by a wide range interests and agendas emanating from donors, borrowers, non-government advocacy groups and the private sector. Left and right-wing populists have found the Bank to be an attractive target, often for what the institution symbolises rather than what it actually does.

In response, the Wolfensohn Bank has launched a rhetorical offensive aimed at satisfying all of these competing demands. To its core objectives of poverty reduction and economic growth, the Bank has added governance, participation, decentralisation, gender, knowledge and environmental sustainability. That these are worthy goals is not seriously questioned: rather, the problem facing the Bank is the whether the institution has the capacity to deliver on all or even some of them. Although goal proliferation is not a new phenomenon at the Bank, the institution has in recent years shown less self-restraint than in the past when it comes to adding new items to its agenda (Kapur, Lewis and Webb 1997, 1216). This approach may succeed in quieting critics for a time, but it also has the effect of lengthening the list of success criteria that the Bank

must ultimately meet if it is to retain its special status among the multilateral development institutions.

The Bank's ability to meet this challenge will depend on the extent to which it is able to close the gap between its rhetoric and the reality of lending operations. This is most apparent in agriculture, a sector that has traditionally performed poorly in operational terms but remains vital to the central objectives of poverty alleviation and economic growth. This chapter has shown that the Bank's current rhetorical preoccupation with decentralisation, participation and environmentalism has thrust it into operational domains that are out of step with its managerial capacity and comparative advantage as a lending agency. In short, the Bank increasingly thinks like an NGO but still acts like a public sector bank. The result of this mismatch is a widening gulf between the institution's ambitions and what it can achieve on the ground.

Correcting this imbalance will require change on both the rhetorical and operational fronts. As a first step in this direction, the Bank must take greater cognisance of its own institutional capacity when formulating economic policy and sectoral strategies. This amounts to more than a shift from *ex ante* to *ex post* conditionality as favoured in the Bank's most recent work on aid effectiveness (Dollar and Pritchett 1998). The principle of selectivity should apply not only to the worthiness of borrowers, but also to the competence of the Bank to provide analysis and advice in the various fields subsumed under the broad heading of development.

On the operations side, the Bank needs to come to grips with the persistent problems of pressure to lend, centralisation and institutional capture that have stood in the way of efforts to improve project performance. Curiously, despite its professed concern for governance and institution building, the Bank has vigorously resisted attempts to apply institutional analysis to its own operations divisions. Yet as long as these perverse incentive structures remain in place,

task managers will continue to emphasise quantity over quality, to paper over weaknesses in existing projects and to identify their interests with their clients in borrowing countries. Redressing these problems may in the end result in a smaller Bank, but one with a more focussed and hence more durable mission.

References

- Antholt, C.H. (1991) "Agriculture Extension in the 21st Century: Lessons from South Asia", in W. Rivera and D. Gustafsen, eds., *Agriculture Extension: Worldwide International Evolution and Forces for Change*, New York, Elsevier.
- Ayres, Robert (1983) *Banking on the Poor: The World Bank and World Poverty*, London, MIT Press.
- Berthelmy, J.C. and C. Morrison, 'Manufactured Goods Supply and Cash Crops in Sub-Saharan Africa', *World Development*, 15,10, 1987.
- Braun, Ann R. (1997) "An Analysis of Quality in the Indonesian Integrated Pest Management Training Project: Report of a Technical Audit Conducted for the World Bank", Jakarta, Integrated Pest Management Training Project, mimeo.
- Cassen, (1985) *Does Aid Work?* Oxford, Clarendon Press.
- Caufield, Catherine (1996) *Masters of Illusion: The World Bank and the Poverty of Nations*, London, Pan Books.
- Cheney, H.B., et al. (1974) *Redistribution With Growth*, Oxford, Oxford University Press for the World Bank.
- Covey, Jane G. (1998) "Is Critical Co-operation Possible? Influencing the World Bank through Operational Collaboration and Policy Dialogue", in Jonathan Fox and L. David Brown, eds, *The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements*, London, MIT Press, 81-120.
- Donaldson, Graham (1991) "Government Sponsored Rural Development: Experience of the World Bank", in C. Peter Timmer, ed., *Agriculture and the State*, London, Cornell University Press.
- Hirschman, A.O. (1995) *Development Projects Observed*, Washington, DC, The Brookings Institution (reissued, originally published in 1967).
- Gavin, Michael and Dani Rodrik (1995) "The World Bank in Historical Perspective", *American Economic Review*, 85, 2, Papers and Proceedings of the Hundredth and Seventh annual Meeting of the American Economics Association, May, 329-334.
- Gilbert, Christopher, Andrew Powell and David Vines (1999) "Positioning the World Bank", *Economic Journal*, 109, November, 598-633.
- Gwin, Catherine (1997) "US Relations with the World Bank, 1945-19922, in Devesh Kapur, John P. Lewis and Richard Webb, eds., *The World Bank: Its First Half Century*, Washington, DC, Brookings Institution Press, 195-274.
- Hammig, Michael (1998) *USAID and Integrated Pest Management in Indonesia: The Investments and the Payoffs*, Jakarta, U.S. Agency for International Development, June, mimeo.
- International Bank for Reconstruction and Development (1948) *Annual Report 1947-1948*, Washington, DC.

- International Financial Institution Advisory Commission* (2000), Final Report, March,
<http://phantom-x.gsia.cmu.edu/IFIAC>.
- Kapur, Devesh, John P. Lewis and Richard Webb (1997) *The World Bank: Its First Half Century, Volume 1, History*, Washington, D.C., Brookings Institution Press.
- Killick, Tony (1998) *Aid and the Political Economy of Policy Change*, London, Routledge.
- Kleiner, Mimi (1996) "What the World Bank Knows Best: Its Agricultural Lending Fails to Help the Poor or Safeguard the Environment", Washington, D.C., Environmental Defense Fund, October 22, mimeo.
- Kraske, Jochen with William H. Becker, William Diamond and Louis Galambos (1996) *Bankers with a Mission: The Presidents of the World Bank, 1946-1991*, Oxford, Oxford University Press for the World Bank.
- Krueger, Anne O., Maurice Schiff and Alberto Valdes, eds., *The Political Economy of Agricultural Pricing Policy*, London, Johns Hopkins University Press, 1991.
- Lewis, W. Arthur (1984) "Development Economics in the 1950s", in Gerld M. Meier and Dudley Seers, eds., *Pioneers in Development*, Oxford, Oxford University Press for the World Bank, 121-137.
- Mason, E.S. and R.E. Asher (1973) *The World Bank since Bretton Woods*, Washington, D.C., Brookings Institution Press.
- McCalla, Alex F. and Wendy S. Ayres (1997) *Rural Development: From Vision to Action*, Washington, D.C., World Bank.
- McNamara, Robert S. (1981) *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara, 1968-1981*, London, Johns Hopkins University Press for the World Bank.
- Meerman, Jacob (1997) *Reforming Agriculture: The World Bank Goes to Market*, Washington, D.C., World Bank, Operations Evaluation Department.
- Mosely, Paul, Jane Harrigan and John Toye (1995) *Aid and Power: The World Bank and Policy-Based Lending*, London, Routledge.
- Mosely, Paul, Turan Subasat and John Weeks (1995) "Assessing Adjustment in Africa", *World Development*, 23, 9, 1459-1473.
- Narayan, Deepa, Robert Chambers, Meera Shah and Patti Petesch (1999) "Global Synthesis: Consultations with the Poor", Washington, DC, Poverty Group, World Bank, September 20, mimeo.
- Pesticide Action Network (1999) "Indonesian Farmer Call for World Bank Reform", *PANUPS*, May 17 (<http://www.panna.org/resources/panups.html>).
- Pincus, Jonathan (1996) *Class Power and Agrarian Change*, London, Macmillan.
- Purcell, Dennis L. and Jock R. Anderson, Jock (1997) *Agricultural Extension and Research: Achievements and Problems in National Systems*, Washington, D.C., Operations Evaluation Department, June 1.

- Ranis, Gustav (1997) "The World Bank Near the Turn of the Century", in Roy Culpeper, Albert Berry and Frances Stewart, eds., *Global Development Fifty Years After Bretton Woods: Essays in Honour of Gerald K. Helleiner*, London, Macmillan in association with North-South Institute, 72-89.
- Rich, Bruce (1994) *Mortgaging the Earth: The World Bank, Environmental Impoverishment and the Crisis of Development*, Boston, Beacon Books.
- Schiff, Maurice and Alberto Valdes (1992) *The Political Economy of Agricultural Pricing Policy: Volume 4, A Synthesis of the Economics in Developing Countries*, London, Johns Hopkins University Press for the World Bank.
- Schwarz, Adam (1999) *A Nation in Waiting: Indonesia's Search for Stability*, London, Allen and Unwin.
- Sender, John and Sheila Smith (1990) *Poverty, Class and Gender in Rural Africa: A Tanzanian Case Study*, London, Routledge.
- Shari, Michael and Laura Cohn (2000) "The World Bank: Time to Scale Back in Indonesia?", *Business Week*, April 17, http://www.businessweek.com/2000/00_16/b3677158.htm.
- Stern, Nicholas (1997) "The World Bank as 'Intellectual Actor'", in Devesh Kapur, John P. Lewis and Richard Webb, eds., *The World Bank: Its First Half Century, Volume 2, Perspectives*, Washington, D.C., Brookings Institution Press, 523-610 (with Francisco Ferreira).
- Stiglitz, Joseph (1999) "The World Bank at the Millennium", *Economic Journal*, 109, November, 577-597.
- Van der Eng, Pierre (1996) *Agricultural Growth in Indonesia : Productivity Change and Policy Impact Since 1880*, London, Macmillan.
- Winters, Jeffrey A. (1997) 'Down with the World Bank', *Far Eastern Economic Review*, February 13, p. 29.
- Wolfensohn, James D. (1999) 'A Proposal for a Comprehensive Development Framework: A Discussion Draft', Washington, D.C., World Bank, January 21, mimeo.
- Woods, George (1964) "Report of the President to the Executive Directors on Proposed Bank/IDA Policies in the Field of Agriculture", Washington, DC, World Bank, January 17.
- World Bank (1972) *World Bank Operations: Sectoral Programs and Policies*, London, Johns Hopkins University Press for the World Bank.
- World Bank (1974) *Redistribution With Growth*, Oxford, Oxford University Press for the World Bank.
- World Bank (1981) *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*, Washington, DC.
- World Bank (1986) "Indonesia: Tree Crops Sector Review" Washington, D.C., mimeo.

- World Bank (1988) *Rural Development: World Bank Experience 1965-1986*, Washington, D.C., World Bank, Operations Evaluation Department.
- World Bank (1992a) *Report of the Portfolio Management Task Force (Wapenhans Report)*, Washington, D.C., World Bank, July 1, mimeo.
- World Bank (1992b) *Indonesia: Agricultural Transformation, Challenges and Opportunities*, Washington, D.C., World Bank, September 1.
- World Bank (1993a) *A Review of Bank Lending for Agricultural Credit and Rural Finance*, Washington, DC, Operations Evaluation Department, June 29.
- World Bank (1993b) *Staff Appraisal Report: Indonesia, Integrated Pest Management Training Project*, Washington, D.C. World Bank, March 5.
- World Bank (1994) *Staff Appraisal Report, Indonesia, Integrated Swamps Development Project*, Washington, D.C., World Bank, May 17.
- World Bank (1995) "Indonesia: Integrated Pest Management Training Project, Mid –Term Review Mission, Aide Memoire", Washington, D.C., World Bank, Agriculture Operations Division, East Asia Pacific Region, December 6, mimeo.
- World Bank (1996) *Indonesia in Perspective: A Country Briefing*, Washington, D.C., World Bank, Indonesia Discussion Paper Series, Number 5.
- World Bank (1997) "Indonesia, Integrated Pest Management Training Project, Sixth Supervision Mission, Aide Memoire", Jakarta, World Bank, Portfolio Management and Implementation Unit, April 2.
- World Bank (1998a) *World Development Report: Knowledge for Development*, Oxford, Oxford University Press for the World Bank.
- World Bank (1998b) *Assessing Aid: What Works, What Doesn't and Why*, Oxford, Oxford University Press for the World Bank.
- World Bank (1998c) *Recent Experience With Involuntary Resettlement: Indonesia—Kedung Ombo*, Washington, Operations Evaluation Department, June 2.
- World Bank (1999a) *The World Bank Annual Report 1999*, Washington, D.C., World Bank.
- World Bank (1999b) *Indonesia: Country Assistance Review*, Washington, D.C., World Bank, January 6, mimeo.
- World Bank (1999c) *Indonesia: Country Assistance Strategy*, Washington, D.C., World Bank, February 16.
- World Bank (2000) "Indonesia, Integrated Pest Management Training Project, Implementation Completion Report", Washington, D.C., World Bank, East Asia and Pacific Region, January 24.

Table 2. World Bank and Agricultural Development

Period	World Bank priorities	Strategic statement	Showcase agricultural project
Early Bank (1947-1963)	Infrastructure (power) European reconstruction Latin America	IBRD 1948	Irrigation Agricultural machinery
Woods Bank (1963-1968)	Food production Economic analysis India	Woods 1964	Agricultural credit Livestock development
McNamara Bank (1968-1981)	Poverty reduction Income distribution Small farmers	Chenery, et al., 1974 McNamara 1981, 231-264 (Nairobi speech).	Integrated Rural Development Projects (IRDP) T&V Extension
Washington Consensus Bank (1981-1992)	Trade liberalisation Price liberalization Privatisation	World Bank 1981 Schiff and Valdes 1992	Sectoral Adjustment Lending (AGSECAL)
Post-Washington Consensus Bank (1992-)	Comprehensive Development Framework “Knowledge Bank” Environment Participation Institution-building Governance	McCalla and Ayres 1997 World Bank 1998a Wolfensohn 1999	Community-based Resource Management Microfinance

Table 3: World Bank Lending Operations by Sector, 1976-1999 (constant 1982 US dollars, millions)

	DFCs/ Financial Sector		Energy and Power			Nonproject	Population, health, nutrition	Transport- ation	Urban Develop- ment	Water Supply	Other	TOTAL
	Agriculture	Sector	Education	Industry								
1976-1978	3,772	1,221	482	1,568	1,016	309	321	1,753	289	497	559	11,788
1979-1981	3,715	986	635	2,397	829	724	107	1,734	439	879	541	12,987
1982-1984	3,353	1,069	578	2,980	725	1,366	129	2,004	468	619	775	14,065
1985-1987	3,765	2596	715	3,555	603	1,398	213	1,894	948	719	784	17,189
1988-1990	3,433	1,579	944	2,797	1,491	2,375	538	2,132	1,159	658	875	17,980
1991-1993	2,937	940	1,662	2,893	1,044	2,603	1,168	1,739	1,254	888	1,169	18,289
1994-1996	2,356	1,418	1,529	2,458	310	2,317	1,129	2,128	938	748	1,474	16,804
1997-1999	2,294	2,616	1,532	1,174	749	4,952	1,023	2,485	667	502	1,547	19,539
1976-1978	32.0%	10.4%	4.1%	13.3%	8.6%	2.6%	2.7%	14.9%	2.5%	4.2%	4.7%	100.0%
1979-1981	28.6%	7.6%	4.9%	18.5%	6.4%	5.6%	0.8%	13.4%	3.4%	6.8%	4.2%	100.0%
1982-1984	23.8%	7.6%	4.1%	21.2%	5.2%	9.7%	0.9%	14.2%	3.3%	4.4%	5.5%	100.0%
1985-1987	21.9%	15.1%	4.2%	20.7%	3.5%	8.1%	1.2%	11.0%	5.5%	4.2%	4.6%	100.0%
1988-1990	19.1%	8.8%	5.2%	15.6%	8.3%	13.2%	3.0%	11.9%	6.4%	3.7%	4.9%	100.0%
1991-1993	16.1%	5.1%	9.1%	15.8%	5.7%	14.2%	6.4%	9.5%	6.8%	4.9%	6.4%	100.0%
1994-1996	14.0%	8.4%	9.1%	14.6%	1.8%	13.8%	6.7%	12.7%	5.6%	4.5%	8.8%	100.0%
1997-1999	11.7%	13.4%	7.8%	6.0%	3.8%	25.3%	5.2%	12.7%	3.4%	2.6%	7.9%	100.0%

Table 4: World Bank Agricultural Operations, 1976-1999 (constant 1982 US Dollars, millions)

	Agricultural credit	Agricultural sector loan	Agro-industry	Area development	Fisheries	Forestry	Irrigation and drainage	Livestock	Perennial crops	Research and Extension	Other	
1976-1978	602	-	131	862	36	62	1,286	300	290	182	21	
1979-1981	481	21	192	760	43	166	1,419	160	269	192	13	
1982-1984	635	168	359	835	15	95	893	28	205	117	3	
1985-1987	683	676	37	702	36	161	930	127	168	243	-	
1988-1990	636	590	366	502	12	228	661	133	138	169	-	
1991-1993	568	576	133	509	32	109	779	17	60	154	-	
1994-1996	113	467	-	594	2	165	666	45	44	102	156	
1997-1999	141	309	-	529	37	100	770	-	20	154	234	
	1976-1978	16.0%	0.0%	3.5%	22.8%	1.0%	1.7%	34.1%	8.0%	7.7%	4.8%	0.6%
	1979-1981	12.9%	0.6%	5.2%	20.4%	1.2%	4.5%	38.2%	4.3%	7.2%	5.2%	0.4%
	1982-1984	18.9%	5.0%	10.7%	24.9%	0.5%	2.8%	26.6%	0.8%	6.1%	3.5%	0.1%
	1985-1987	18.1%	17.9%	1.0%	18.7%	1.0%	4.3%	24.7%	3.4%	4.5%	6.5%	0.0%
	1988-1990	18.5%	17.2%	10.7%	14.6%	0.4%	6.6%	19.2%	3.9%	4.0%	4.9%	0.0%
	1991-1993	19.4%	19.6%	4.5%	17.3%	1.1%	3.7%	26.5%	0.6%	2.0%	5.2%	0.0%
	1994-1996	4.8%	19.8%	0.0%	25.2%	0.1%	7.0%	28.2%	1.9%	1.9%	4.3%	6.6%
	1997-1999	6.1%	13.5%	0.0%	23.1%	1.6%	4.3%	33.6%	0.0%	0.9%	6.7%	10.2%

Table 1 Project Performance, 1974-1999

Sector and Region	Percent Satisfactory				
	1974-1980	1981-1989	1990-1993	1994-1997	1998-1999
<i>Region</i>					
Sub-Saharan Africa	79	58	54	55	61
East Asia and Pacific	92	78	80	84	81
Europe and Central Asia	86	77	73	72	83
Latin America and Caribbean	85	62	64	78	81
Middle East and North Africa	89	78	70	66	69
South Asia	89	73	73	67	66
All regions	85	68	66	68	72
<i>Selected Sectors</i>					
Agriculture	75	58	59	69	62
Environment	--	--	--	56	80
Finance	83	72	57	59	74
Human resources	86	74	78	70	73
Industry	83	61	58	51	40
Programme and Policy	100	64	71	83	65
Technical Assistance/Public sector management	100	56	56	88	80
Telecommunications	97	83	64	82	100
Transport	87	73	74	76	93
Urban	100	80	77	60	85
Water and Sanitation	100	71	69	55	48

Source: Annual Review of Evaluation Results, OED, various years

Table 5: World Bank Rural Sector Projects In Indonesia, 1976-1999 (constant 1982 US dollars, millions)

	Agricultural credit	Area development	Irrigation and drainage	Perennial crops	Research and Extension	Other	US\$ M
1976-1978	14	78	76	150	0	12	- 330
1979-1981	-	80	-	116	142	59	- 396
1982-1984	-	75	22	64	99	20	5 285
1985-1987	43	55	-	117	42	22	18 296
1988-1990	-	-	-	72	-	16	51 139
1991-1993	63	4	61	110	24	9	- 270
1994-1996	-	36	-	59	-	16	36 147
1997-1999	-	9	-	75	-	-	2 86
TOTAL	360	1,008	475	2,288	920	462	334 5,847
1976-1978	4.3%	23.5%	22.9%	45.6%	-	3.7%	- 100.0%
1979-1981	-	20.1%	-	29.2%	35.9%	14.8%	- 100.0%
1982-1984	-	26.2%	7.7%	22.5%	34.7%	7.1%	1.8% 100.0%
1985-1987	14.4%	18.4%	-	39.5%	14.1%	7.5%	6.1% 100.0%
1988-1990	-	-	-	52.1%	-	11.4%	36.6% 100.0%
1991-1993	23.3%	1.6%	22.5%	40.6%	8.8%	3.2%	- 100.0%
1994-1996	-	24.4%	-	40.0%	-	11.2%	24.4% 100.0%
1997-1999	-	10.9%	-	87.1%	-	-	2.0% 100.0%
TOTAL	6.2%	17.2%	8.1%	39.1%	15.7%	7.9%	5.7% 100.0%

Table 6: World Bank Agriculture and Rural Sector Loans to Indonesia, 1990-1999

Sector	Subsector	US\$ M	Project title	FY
Agriculture	Forestry	20.0	Second forestry institutions and conservation project	1990
Agriculture	Agricultural credit	125.0	Second BRI/KUPEDES small credit project	1991
Agriculture	Area development	15.5	Yogyakarta upland area development project	1991
Industry	Fertilizers	221.7	Fertilizer restructuring project	1991
Small Scale Enterprises	Irrigation and drainage	125.0	Provincial irrigated agricultural development project	1991
Agriculture	Agricultural credit	106.1	Agricultural financing project	1992
Agriculture	Irrigation and drainage	225.0	Irrigation subsector 11 (O & M) project	1992
Agriculture	Perennial crops	87.6	Tree crop smallholder development project	1992
Agriculture	Irrigation and drainage	54.0	Groundwater development project	1993
Agriculture	Research and Extension	32.0	Integrated pest management training project	1993
Agriculture	Area development	65.0	Integrated swamps development project	1994
Agriculture	Irrigation and drainage	55.0	Dam safety project	1994
Agriculture	Irrigation and drainage	165.7	Java irrigation improvement and water resources management project	1994
Environment	Conservation	56.5	National watershed management and conservation project	1994
Agriculture	Land titling	80.0	Land administration project	1995
Agriculture	Research and Extension	63.0	Second agricultural research management project	1995
Agriculture	Area development	19.1	Kerinci-Seblat integrated conservation and development project	1996
Agriculture	Area development	26.8	Sulawesi agricultural area development project	1996
Agriculture	Area development	27.0	Nusa Tenggara agricultural area development project	1996
Agriculture	Area development	16.3	Maluku regional development project	1998
Agriculture	Area development	20.5	Bengkulu regional development project	1998
Environment	Conservation	6.9	Coral reef rehabilitation and management project	1998
Agriculture	Irrigation and drainage	300.0	Water resources sector adjustment loan	1999