



The Future of the World Bank: A CGD Symposium September 23, 2005

Votes and Voice: Who Should Control the World Bank?

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[TRANSCRIPT PREPARED FROM A TAPE RECORDING]

MR. MacDONALD: Our third topic today, Votes and Voice: Who Should Control the World Bank, that was my effort to come up with something that was a little more interesting than "global governance," which always causes me to nod off. But it's the same important question.

And in the same spirit of noting that there are, in fact, answers to these questions, I would refer you to the Cliff Notes version of the Report of the Working Group on the Future of the World Bank. On page 27, it makes a very specific recommendation to the new president: Ask for an independent assessment, to be made public, of voting shares and board representation, including options for changes. And although the symposium today is not designed for our distinguished panelists to necessarily respond to the report, I'm hoping that we'll hear from each of them what they think about these suggestions.

Many of you have sat in on a World Bank board meeting. Some of you perhaps have been members or alternate members of the board. I must say, I've had the privilege of being at those meetings. And I always feel really puzzled, because on the one hand it's immensely boring and on the other hand you have the feeling that something incredibly important is happening, and that is that the nations of the world are actually exchanging ideas about what should be done about a particular problem.

When Kemal Dervish spoke here yesterday, he alluded to the example of the Bank's board which, while it's very far from perfect, does have some kind of weighted representation. And unlike the U.N. General Assembly, it therefore actually can grapple with problems. So the proposal, as I understand it, is to try and improve upon that weighting so that the main developing countries, the largest borrowers in particular, the many small countries, would have more voice on the board.

We are delighted to have two very distinguished panelists to discuss this with us. As I did last time, I will introduce them in reverse order, so I'll introduce our second speaker first.

John Taylor is known to many of you. He was the Undersecretary of Treasury for International Affairs, where he had operational responsibilities for developing and implementing U.S. international financial policy. He was very actively and heavily involved in exactly the kind of issues that we're discussing today, including the future of the World Bank.

Our second speaker, Masood Ahmed, is the Director General for Policy at the International Department of DFID.

We're really fortunate today to have had Pierre Jacquet and Masood here, representation from two of the largest and most important bilateral aid programs, who are of course important partners to the World Bank.

Masood was for many years in the bank, including when I first knew him as the Director of the International Economics Department, which was the counterpart to the research department that Nancy headed. So Masood, I've had the pleasure of knowing you over many years and delighted that you can be here.

The floor is yours.

MR. AHMED: Thank you very much, Lawrence. Thank you, Nancy, for organizing this.

I want to talk about governance of the bank, and maybe start by going back to the conversation we were having yesterday in this same room with Kemal Dervis when he was talking about the U.N., but more broadly about some of the issues of global governance.

And I was struck by one point he made, which is that to be effective in terms of being able to provide advice and he was also saying conditionality in the Bretton Woods institution, there needed to be a greater sense that the Bretton Woods institutions--and I am going to talk about the bank--had to have more legitimacy in terms of their acceptance in the broader international community and in particular, in developing countries.

So one stream of concerns about why governance is important comes from this gnawing feeling that the Bretton Woods institutions and the bank, in particular in this case, don't have the same kind of legitimacy that would enable them to be effective in terms of conveying their message and their policy.

I want to add just one small twist to that which is that unlike the sort of first panel we had this morning, or the panelists we had in the first session this morning, I believe

that an important role for the World Bank in low income countries in particular is to help countries provide a framework within which other donors can operate.

I now work for DFID. And for DFID, I am struck by the fact that in so many low-income countries, there are multiple donor interventions in the same area, overlapping with each other, creating extraordinary demands on the times of very scarce numbers of officials and trying to get them all to focus on each donor's strategic plan, each donor's set of conditionalities, each donor's set of specifications for how they operate. And countries frequently don't have the capacity. Middle-income countries do, but low-income countries, particularly in Africa, many of them don't have the capacity to be able to provide a framework that within each of us could operate. And I see the World Bank as providing that role.

But again, to provide that role, it needs to have legitimacy. So that's my link to the point about legitimacy.

The other reason why I want to focus on governance is because I think just sitting back and looking at corporate governance outside the World Bank, outside the IFI, looking at what's happening in the not-for-profit sector, looking at what's happening in the profit sector, the for-profit sector, in the corporate world, corporate governance has evolved a long way in the last 20, 30 years. And a whole set of principles and approaches and good practices in corporate governance and many of these conversations that are happening in the corporate sphere aren't being fed back into what that means for the governance framework within which management, executive and non-executive directors and shareholders, how they interface and how they operate and the role of the board.

So both of these take me to the question of how we are going to move forward. And I'd like to suggest that there is some kind of immediate things that we can do. And I'm just going to list them now rather than talk about them because many of them are issues that many of you will have already been involved with. And some of them are from the report that Laurence cited.

And then throughout too, sort of longer term ideas, which I think we should explore a bit more.

The sorts of things that I think we should just pursue more and more vigorously now are the question of disclosure. Bank has come along way in terms of disclosure, but there's still more that we can do in terms of the approaches we have for strategies, country level or assessment ratings, which can be pursued more vigorously and aggressively.

The second is the issue of decentralization. And we talked yesterday about--well, we've talked perhaps early this morning a little bit implicitly about that. But decentralization of decisions as well as people accepting a bit more, the sort of relativism of policy options, this is another area where I think it will improve governance and legitimacy.

Third is trust funds. I find it extraordinary that last year the World Bank got more in trust funds than it got in IDA (ph). So we set up this elaborate mechanism of setting priorities and discipline in the bank and then we as donors--and DFID is pretty good at it, you know--we bypass this whole thing by setting up our little trust funds to get the bank to do what we want which is different from what the bank's board, on which we put our director, has just instructed it to do.

I had a very interesting conversation with the bank's senior manager about six months ago, who said to me, you know, my budget has been cut by management, and I want to continue this work. Can you fund it for me?

And I thought to myself, well, I pay an executive director to sit here to set priorities and now I'm basically subverting those through another window. So trust fund, I think, is a real problem.

And the question we talked about earlier, which is independent evaluation. I think independent evaluation not only has all of the benefits that we've talked about in the previous panel. It has a huge payoff in terms of improving the legitimacy of the policy prescriptions that come out of that institution. So I want to kind of link that as well.

So those are, if you like, the sort of immediate things that I think we should move forward on.

Now there are two, perhaps, more radical questions which I'd like to throw on the table for us to explore. One is one that I think people have talked about a lot--but we don't seem to be able to make enough progress on it--and that is really to think about whether it's time to revisit this model of a 200-person plus resident board that sits there and that effectively results in a degree of involvement of the shareholders in the day-to-day management of the institution, where the lines between management and shareholders begin to get blurred.

There are pros and cons to it. It's not obvious to me that it's a simple answer in terms of saying, you know, that you go to a small non-executive board is the answer. But it certainly does seem to me to be an issue, which we have to ask ourselves in terms of cost and in terms of whether we actually need to have all of those people sitting in Washington working every day. And I'm not even counting in the dollar costs of the sort of \$90-odd million of board operations the cost of staff and management time that is generated by responding to those regular requests.

The second question is, is this one all? How do we introduce more voice for developing countries in the decision-making process in the Board? And I think my--increasingly I'm beginning to come to the view that in effect, we're trying to solve two sets of problems here with one instrument.

We have two problems of voice. One is that the emerging markets don't have adequate representation in their perspective in IBRD, which is sort of market-based cooperative, of which they are part.

And that's a different issue from the fact that the poorest countries, particularly in Africa, who are the primary beneficiaries and participant recipients of IDA (ph) financing, don't have enough voice in the IDA decision-making process.

The IDA problem is compounded by the fact that from that perspective, it's compounded by the fact that we have the this sort of IDA deputy structure which is essentially an IDA donor based, capital based structure, which sets increasingly the sort of framework within which IDA operates. And obviously its relationship with the IDA board is difficult at some points to clarify, to say, what is it you want to do with at the IDA deputy's level? What do you do at the IDA board?

And in that IDA deputy, of course, although there are half a dozen now borrower representatives who sit there, they don't have anywhere near the kind of intervention and capacity to shape the policies of IDA as you would expect.

So I think the question that we should be asking ourselves is, is whether the track of trying to solve all of these problems--these are emerging markets issues for IBRD, the recipients of IDA share in the shaping of IDA policies--can all be done by trying to reconfigure and add a couple of seats to the board of IBRD. Or whether we need to step back and think more about whether you need a framework for the business of IDA, which brings in the stakeholders, which is primarily the donors to IDA and the recipients of IDA in a conversation and shaping of rules and operating criteria that they would all feel more ownership of and have another discussion about how you make the sort of emerging markets participation in the market-based cooperative of IBRD come together in a way that that would represent ownership from them of the role that IBRD plays in their economy.

Now I haven't gotten beyond posing the question. So I don't have a view yet on precisely how you--whether there is enough traction in this, how you could set these out the issues this raises and the long-term about the relationship between the two parts of the bank, which have lost of synergies. But I do think that this is a question along with a question of the non-resident board that we need to think more about because frankly I don't see easily another way in which we could find a solution that would both give more voice to the poorest countries in the decision-making that affects them which is primarily IDA, and more voice to the emerging markets in the decision-making that affects them, just primarily IBRD set of issues and do it all within a set of corporate governance rules that wouldn't result in more complicated and cumbersome procedures.

So I wanted to throw that on the table for you to consider as well.

Thank you very much.

[APPLAUSE.]

MR. TAYLOR: I want to thank Nancy for inviting me and for organizing yet another very productive series of talks. I recall participating in one of these the spring of last year.

It was held at the Jury (ph) Hotel I believe. And there was a great session on debt relief and grants. And I think that basically, that session is where a lot of the ideas that eventually came into this G-8 agreement in the summer, came out originally.

So you never know what might happen in another year-and-a-half from now from ideas that come out of meetings like this.

This meeting itself and all of the topics really relate to different aspects of reform of the World Bank and for that matter, the other multi-lateral development banks-- reforms such as governance issues, how much focus there should be, how much voice there should be, how should we measure things.

And to me one of the best ways to think about reforms, per se, in fact the particular reforms in this panel, this panel here is discussing, is to think back on some recent reforms. You know, where have we been successful in making some reforms and why?

So let's just look at some recent experience, if you'd like, lessons learned from the reform process.

And to do this, I want to focus on IDA. I think Masood makes a very good point of trying to remember IDA versus IBRD. I want to focus completely on IDA here. I don't mind doing that. Those are the poorest countries. That's where, when people think about development assistance, are frequently thinking about the IDA only countries for that matter.

So it's an important reason, especially in this post-9/11 world where we want to use those extra motivations to help the poorest countries. So we focus on IDA. Obviously, there's lots of major governance issues related to IDA. And moreover, there's been quite a few reforms recently in the operation of IDA.

So let me just go through the reforms that I know about and have been involved with to some extent, and if you like, talk about it from the trenches of the U.S. government.

First of all, there's the reform to move IDA to grants. Second, the very recent reform to try to have a 100 percent cancellation of IDA debt to the HIPA (ph) countries. Third, the use of IDA of funds in the private sector. Basically, that was an IDA-13 accomplishment, using funds, for example, to support small business lending through the IFC, using IDA funds to support. That's the third. And then fourth, really trying to set up a measurable result system within IDA that also came out of IDA-13. Some of you may

remember the part of the deal there was for the United States to give extra funds to IDA if a good measurable result system was set up.

That measurable result system was set up and extra funds were provided to IDA as a result.

So it seems to be if you look back, you're moving away from loans to grants. Steve Radelet calls that a stale debate any more, the debate between grants and loans is a stale debate. It wasn't stale very long ago. But we're definitely moving I think in a very important way towards grants away from loans. And then the measurable results and the debt forgiveness itself.

I must say, these reforms are significant. They just didn't happen. You know, somebody just didn't sit around at a seminar and say, let's do grants. In fact, people have been saying that for 10 years.

It just didn't happen. Someone set down and said, let's figure out how to get this done. And in particular, what I recall is in the very early days of the Bush administration, Secretary O'Neill, myself coming in with a host of suggestions of what to do.

I just want to quote from a letter I got that first few months from Tein Strenovasson (ph). He said, "I am convinced that the World Bank has lost its focus and is trying to do too many things for which it has neither a mandate or expertise. And if you focused on this you could contribute greatly."

But the suggestions were just as wide as the things the governments were telling the World Bank to do. So the first thing was to really focus on what might get done. We didn't focus on middle income countries. Graduation--and that's an idea that many people proposed, didn't propose, didn't focus on that. Focused on IDA.

Didn't focus on these broader set of voice issues--selection of the leadership. Very controversial. Let's focus on something that we actually might get accomplished. So we did. We focused on just the list, the agenda that I mentioned to you--grants, debt forgiveness, measurable results, using IDA for the private sector.

And I must say this was much more than just the idea. The first thing was to get approval in the administration. Get approval from the secretary of the Treasury. Get approval from the President. President Bush was very interested in this. I remember a meeting in the Oval Office in the spring of '01 with President Wolfensohn and President Bush talking about the importance of these kinds of reforms.

President Bush gave a speech on July 17, 2001, outlining these reforms. That was just the beginning. And then there was the negotiation, the presentation, the controversy, the debates with our colleagues in the G-7. It took a whole year of intense negotiation to basically move towards what President Bush proposed. Lots of debate.

And in the end, compromise. Any kind of reform, let's face it, when you think about where you're going, there's going to be a compromise at the end. You can have some great ideas, but you got to compromise to get something done in government.

So there was a compromise, not quite as much as President Bush asked for in terms of the grants. Not as a developed in measurable result system at the start, but one which could come later. Not as much funding for private enterprise, but in the right direction.

So there was agreement, and believe it or not, a very good agreement in the summer of 2002.

Now what I observe--and this is in some sense I think also a lesson learned from for reformers like all of us are--and that is once there's an agreement, the next step is implementation.

And I must say this is really a lessons learned for me. Agreement on the grants in the summer of 2002. The summer of 2003, my staff--I see some here who remember this--I say, well why don't we go to visit some of the countries that are using the grants. It's been a year since it's been agreed to. Let's go visit some of the countries.

So I asked for a list of the countries that have been awarded this grants. Came back with a list of about 25 projects. And said, chose which ones you want to go to, sir. So I said, well, before I chose, why don't we go back and find out which ones are actually operational, where there's actually something happening.

[LAUGHTER.]

MR. TAYLOR: So my very able, dedicated staff went back and came back with five. Well, we don't have to chose. We got to go to those five. I think it was four or five countries.

Then we started making plans for the trip. And as you got actually talking to people on the ground, talking to the representatives, it turns out that only one of the five was operational.

So I said, well, I don't think we'll do the trip right now, but in one quarter, in three months, I want at least five operational so that the Undersecretary of the Treasury can go visit and exercise his responsibility. And indeed, there were five going by the time we went three months later.

But I must say here is another aspect of implementation, which relates very directly the previous session. I thought that once you had the projects and the grants going and went to visit, that I could go to a project with a timeline and the dates of what would be done, say delivery school books or HIV-AIDS drugs or community development projects.

So I said, okay, before we go, I want to study these because I want to go ask the guys what they're doing. Believe it or not, I couldn't get anything on any project like that. A very dedicated World Bank employee, Jim Adams, was very helpful in getting me as much as they had. But it was very, very minimal.

So what I've observed here, and I think this is so important to get a feel for, is if we can just measure--not so much evaluate, evaluate is important, but evaluate tends to get you on the expenses and the academic side of this, which is important believe me because I'm an academic now. But I'm talking about just the operations. How many miles, kilometers of road are you going to build by this date? How many school books are you going to deliver to this school district? How many kids are you going to have in school? Even better, what's going to be the test scores?

So evaluation is important, but just getting the job done at some point is important. And I believe that we're not doing that yet. And that is where I think, in many respects, the governments of IDA should be focused.

Not to say this is bad in all cases. I saw a wonderful project in Kenya where school books were delivered all over the country and on time, in time for school, and everybody was happy.

I also a project in Najir (ph), a community development project where all of the idea was to get refrigerators to small villages. And it was like a year, six months overdue. That just doesn't need to happen. The money was in the bank. Part of it was a coordination problem that Masood referred to.

So I think we can do a lot better and simple--if you like project management I would put it that way. You say what you're going to do, what the dates are it gets done, and then believe me, the transparency becomes very important here because if you talk about passing things up through the line, the chain of command in the World Bank, believe me if the results timelines, benchmarks were made public and you knew if you were behind or not, it would go right up to the top of the management very quickly.

So I think the transparency is a very important part of the governance.

So my lessons learned from this exercise is when you want to do reforms like we're talking about now in governance, focus on a few. Think about the time it's going to take. What I just sent through took four years. Think about the time it's going to take. Don't spend a lot of time debating. Decide what you're going to do and do it.

And I think there are some things further to do in addition to what I just mentioned in terms of measuring results. Regarding representation, the United States government has already indicated interest in changing representation to reflect the growth of different countries, especially in Asia. So there's a foot in the water with respect to that movement. And I think that kind of adjustment is important, especially if it will

make IDA more effective. And IDA deputies are a very important process in IDA. Masood is right.

But if we can somehow think about voice and vote and representation and evaluate it by the basis of how we're going to fulfill the obligation of reducing poverty in the IDA countries, IDA-only countries especially, I think we'll come up with a much better proposal and a reform that will actually go through.

Thank you.

[APPLAUSE.]

MR. MACDONALD: I think we'll go straight to questions, if there are any, or comments.

One, two, three, four. If you can keep them brief, please. I'm going to try and catch us up a little bit on our schedule so that people will be able to stay towards the end of the symposium.

Please.

QUESTION: My name is Tim Hoffett (ph) from the International Finance Corporation. I'm one of the writers of a book called, "The Market for AID." And I had a question for Masood Ahmed.

Your heart tells you that you shouldn't be sending money to the trust funds and undermining the management of the World Bank. But your head tells you to keep funding them because you have direct control over what they do. And you know, this is your real way to influence.

So the result is decentralized decision-making with all of the donors picking their own trust funds and funding them. That sounds a little bit like the way that my local supermarket decides what to do. Everyone goes in, picks what they want and they pay for it. Is it really such a disaster?

MR. MACDONALD: Thanks very much.

And I think the fact that was brief. I'm going to hold that as the new standard.

QUESTION: John Sanford. I'm with the Congressional Research Service at the Library of Congress. Talking about talking about changing the governance in particularly on IDA, to bring up the influence of developing countries. I perceive there to be a dilemma here.

It's important, I realize, to enhance the legitimacy of the multi-lateral banks, the World Bank, in the eyes of the developing countries, in the eyes of the recipient country

populations. But I also believe it's important to maintain or enhance the legitimacy and confidence in the international institutions on the part of the populations of the donor country governments.

And if the international institutions were to be perceived as institutions where the decisions are made by the recipients for the purposes of the recipients, it might be difficult to persuade legislature to come up with additional billions of dollars annually to fund that activity.

MR. MACDONALD: Thanks very much, John.

If you can't raise the microphone, if you want to step forward and use the other ones, you don't have to bend over to speak.

QUESTION: [Inaudible] Thompson, consultant at the World Bank. We heard in the first few sessions that the World Bank has got a range of issues that it has to deal with. And just with the developing countries, there's a range of issues that we have to tackle. And Steve mentioned that it's important to prioritize, otherwise, we tend to get lost in the fog.

In regards to the bank, I'll be interested if you can give us an idea of your sense of the priorities on these reforms and particularly where the governance issue sits in that. Thank you.

MR. MACDONALD: Thanks very much.

QUESTION: My name is Dale Fitchett (ph). I've worked at the bank for 24 years. I've now retired, but I still do some consulting for them.

The last session and this session have very important implications for the bank's administrative budget. The Operations and Evaluations Department does not evaluate 80 percent of the bank's projects. Only 15 to 20 percent of the projects are evaluated by OED.

Another problem is you don't just do your ex-post evaluation. You put sufficient resources into project supervision. The project supervision function, which goes over a four to six year period, a project implementation isn't starved of resources.

Until you reallocate resources into that part, one of the problems is that all of these pretty, glossy reports that come out of the bank, are absorbing bank money, and bank staff time.

If you want the promotion at the bank now, you either publish or you commit resources. You commit resources and make loans and move on to another part of the institution.

So there has to be some serious reallocation of resources administratively within the bank. If you have good supervision of the projects, a lot of the problems that finally accumulate and cause the project perhaps not to perform well at the end could be avoided.

Thank you.

MR. MACDONALD: I see that Nancy Birdsall is now in line. So that will be our final question.

[LAUGHTER.]

QUESTION: Hello, I'm...

MR. MACDONALD: I was tempted to say, Nancy, we don't have time for your question. But I'm not going to go there.

[LAUGHTER.]

MR. MACDONALD: Please, go ahead.

QUESTION: Hi, my name is Bruce Jenkins with the Bank Information Center. I was glad you mentioned progress in the corporate governance reform over the last 20, 30 years and that the issue of transparency has really taken hold and is very much one of the current main considerations in looking at corporate governance.

I wanted to hear your thoughts on why we're not seeing any progress in reforming the leadership selection process at the World Bank and the IMF? The boards of the institutions had established working groups back in 2000, 2001. They issued reports and then subsequently the main powers just ignored those reports in a very rampant display of unaccountability.

What is it going to take to actually move the World Bank and the IMF to adopt transparent, accountable processes for leadership selection?

Thanks.

MR. MACDONALD: Thank you.

Nancy, and this will be our last question.

NANCY BIRDSALL: Thank you, Lawrence, for giving me this extra minute. I wanted to comment on the issue of the votes, which neither of you really completely joined. And in response to John Sanford's point, note for all of you who may not know that at the Inter-American Development Bank, there is a 50-50 split between the borrowers and the non-borrowers. And the United States continues to exert considerable influence because it's the single largest shareholder.

And to ask both Masood and John to comment on whether there's any prospect? This would conflate IDA and IBRD, and there are some issues around that. But if you see any prospect over the next five years, 10 years for some sort of a move toward that kind of healthy tension that's created when you have that sort of sharing of decision-making on a 50-50 basis, and also to suggest that we might want to look more carefully at the experience of other multilateral institutions in thinking about what would be effective and legitimate in governance structure.

Thanks.

MR. MACDONALD: Thanks very much.

You will have noticed that several of the questions really did focus on the questions, really, the composition of the board, the selection of the leadership. I'll run down my list while you organize your thoughts of what I heard the questions were. You can be deciding who'd like to go first.

There was a question about, you know, trust funds as a supermarket approach really not so bad maybe. People get to pay for the things that they want to see happen, concern that if more voice is given to developing countries, that might undermine legitimacy in the rich countries.

There is a question about among the many challenges the banks face, how important is changes in governance as a priority.

Concern about supervision funds being starved, which is something that you addressed, John.

Progress in transparency and then two rather particular questions about the selection of leadership in the IMF.

And then Nancy noting that there are other multilateral institutions in which the U.S. is in fact an active and evidently satisfied participant that have other kinds of voting structures and whether there's something that could be learned from those.

So gentlemen, who would like to tackle these first?

MR. TAYLOR: Well, I'll take a couple of them. And you can take what's left.

[LAUGHTER.]

MR. TAYLOR: I'll take the tough ones of course.

I think the question of the selection of the presidents is a very important one. My sense, having you know, gone through IMF MD, the president of the World Bank, the president of the Asian Development Bank, and now just recently president of Inter-

American Development Bank, is that there is an improvement. There is a greater degree of consultation and a greater degree of transparency.

I think the first of those was the MD of the IMF in that list that I just made. And it was basically a lot of consultations. The Europeans talked about a couple of candidates. The chancellor made many, many calls to people. And in the case of the World Bank, this same kind of thing. We always mention more difficult to have two or three people out there for public discussion.

But there was a huge amount of consultation. I personally went and visited and made at least a dozen meetings with myself and the board members of separate different groups, individual, whatever, asking for their opinions about qualities, about what are they looking for in a president. And that fed back into the process. But there are these traditions with the tradition of choosing the Ambassador Morino (ph) the IDB. You don't change that on the drop of a hat. That's a very important thing for the region.

[SIDE B TAPE TWO]

So there is some progress that is being made. And I think those of us--me, using the past-tense--who did this job for a while, listen and to make some improvements. But again, reform is not easy.

And then this brings me to the second question about composition and the effect on really donor contributions. I think, I mean, after all the funds for IDA in the United States have to be voted on and approved by the U.S. Congress. And we heard from someone who is close to the Congress worrying about the notion that the decisions are going to be heavily influenced not by the donors but by the recipients.

So it's something that doesn't instantly jive well to people who are thinking about how their money is going to be used.

Now, that doesn't mean you don't consult out the kazoo as much as you possibly can with the donors. Listen, visit, go to the countries, go to the projects, invite them to your office, even the poorest countries, the ones that never get any play, and listen to what they say.

There was recently a new IMF facility called the Policy Support Instruments. It's an ongoing program. That idea came, to me at least, came from the HIPA countries themselves, some of the ministers in those countries who asked for that. And I think if you go through, and just be sensible about this, you can really make a lot of progress.

So that's my feeling on how you deal with these two conflicting problems that have been mentioned.

In terms of costs, again I'll go back for my evaluation, I'll go back to my, I think, less ambitious way to think about this. Just measure what you're doing in a project, and

make sure that that gets done. That is to me 90 percent of the way to do this. And shouldn't be doing a project if you don't know what's going on. That's 90 percent of the job.

The other 10 percent is this very interesting, longer term evaluation that we heard about in the previous panel. That is very important. But that to me is not the most pressing thing right now. The pressing thing is making sure the money gets used effectively on the ground.

MR. MACDONALD: Thanks very much.

Masood?

MR. AHMED: Thanks very much.

I will speak up first on this issue of making sure that donor country, parliament and public are comfortable with whatever mechanism we come up with on governance.

And I think John is right. In the end, parliaments have to be comfortable as sovereign donors that the money that they are putting in to any enterprise is money that is well spent, because it's taxpayer money. This applies to us in the U.K. It applies to every country.

But my point is that we can retain that sovereign right as to how much money we put into either. It doesn't stop us from having a framework for looking at the governance of IDA that both ensures it's effectiveness--actually for me, the reason for engaging and having the recipient countries in the decision-making process is because they bring knowledge and expertise to the table we never have.

So in terms of effectiveness, I want those voices, along with other voices, in the decision-making process in the first instance. So it's an effectiveness point.

Secondly, because if it enhances the legitimacy of what the cooperative is trying to do, then that's a big plus in terms of the value for money I'm getting as a representative of my taxpayers for the money that we're putting in.

Now if the result of that combined process of getting the recipients and the donors of IDA together is to generate a set of outcomes on policies which I'm not comfortable with as a shareholder or as a contributor or my parliament isn't comfortable with, Congress isn't comfortable with, then clearly that's a message that has two consequences. One has the consequence in terms of what we put in as donors into IDA. And compared with other alternatives, the African Development Bank, the Inter-American Bank or the U.N. agencies or bilateral operation, and B, it sends a message back to the governance structure of IDA to say, hey guys, we're drifting away from a set of norms that represents the consensus that would enable us to function as a collective cooperative.

So I think there's a feedback loop in there as well. And so I agree with you, that you want to retain that right to choose where you put taxpayer money. There is no obligation on any of us to put money into IDA. We put money into IDA because we think it's an effective way to use development assistance.

But we make it effective by making sure it has that legitimacy. So for me, that's the kind of link to it.

The only other point I'd like to make is the point that was asked about the governance--where does governance stand in this sort of set of priorities for the bank. And I think it's--if I could just make the following point there, which is when you say, what are the priorities for the bank, I mean you can go and list a set of sectoral kind of priorities--education, health, agriculture, whatever and come up with a list of priorities. But I think in each of those areas, what the bank brings to the table for me more than other institutions, including bilaterals, is helping governments create the framework for the effective use of donor support in low income countries.

I keep coming back to this point because I am struck by the fact that there are 14 donors working in health in Tanzania. And the fact is that we can't all be doing our own separate things in the health sector.

Many of our interventions, particularly our bilateral interventions, tend to be vertical in the health sector. So that the bank's role in the health sector is help create the health systems strengthening within which where we provide either medicines or support for nurses, is done in a way that has a maximum impact overall.

And the other priority for the bank is helping to create the conditions, identify and help governments overcome the obstacles to foster poor poor growth in low income countries.

I really do think that the focus on poor poor growth in low income countries is a central agenda item, which the bank is uniquely placed to pursue. And a lot of us as bilaterals don't have the capacity. We can help, but we don't have the same kind of system. That's why they're doing business report (ph). It's such a useful way of doing cross-country comparisons on that issue.

And just, to the market, a point--sure you got a supermarket model. But I think you can't try to run two models at one time. You can't say, we, the collective shareholders have put in place an expensive, elaborate mechanism to govern the institutions set by hierarchies, impose discipline and have it focus on a few things and do it well and then say, and also we the same shareholders are going to subvert it.

--sure you can have a supermarket model, but I think you can't try to run two models at one time. You can't say we the collective shareholders have put in place a less-expensive, elaborate mechanism to govern the institutions, set priorities, impose

discipline and have it focus on a few things and do it well, and then say also we same shareholders are going to subvert it.

Look at what happened to many U.N. agencies where the core funding of those agencies now may be a third or less than the money they get as project-specific funding. In some cases what that means is that they spend all their time rushing around trying to raise money and compete with each other rather than deliver the core expertise for which we helped to set them up.

So I think the problem here is a principal agent problem. We are not arm's length buyers of services from the Bank, we are the shareholders of this collective property.

MR. MacDONALD: Thank you very much. John, did want to add anything to that?

MR. TAYLOR: No, I'm fine.

MR. MacDONALD: I think we're going to end it here. We've got two more panels left. I'd like to thank Masood Ahmed and John Taylor for joining us today.