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Assessing the World Bank's influence on the good governance paradigm

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Assessing the World Bank's influence on the good governance paradigm

Abstract. What does governance mean for the World Bank (WB) and how far does the organization influence the world community with this concept? The World Bank primarily focused on economic aspects of governance in the 1980s and progressively moved to its political dimensions in the end of 1990s. The paper discusses the reasons for this global shift and its consistency with regard to the values of the liberal society. Bibliometric methods are used to evaluate the role of the Bank as a producer of knowledge on this specific issue. In addition the academic relationships that the organization built to shape the 'good governance' concept are explored. As well as networking, which contributes to the promotion of its worldwide influence, the *soft* and *hard* powers of the Bank are seen at work through aid allocation systems. The potential influence of the main WB's governance indicators (CPIA, WGI and Doing Business) is depicted through what donors claim, and beyond rhetoric, through what correlations suggest. For each of the main international donors, cross-sectional econometric regressions are run on large samples of developing countries (2005-2008). According to the donor we look at, empirical results do not reject strong covariations between new commitments and the CPIA or the WGI.

Keywords: The World Bank, Governance, liberal society, Knowledge, aid commitments, Soft and Hard power.

JEL Classification: F3, H7, K2, O2,O5

1. Introduction

Many social sciences refer to good governance practices. Political scientists define the subject through the analysis of the relations between rulers and ruled, the functioning of political regimes, and the way institutions work. Economists focus on the quality of resource allocation, and the best way to provide the largest utility within the community. In the liberal contract, together political and economic values combine in a normative situation, in which the maximum individual freedom goes along with the market as the main institution for resource allocation within the economy. The objective of this paper is neither to discuss the concept at length nor to depict practical problems arising with the measurement of governance indicators. Our intention is to shed some light on how the World Bank (WB or the Bank) contributed to shape a consistent and influential concept over time. The issue of governance rose to the forefront of development agendas at the end of the 1980s. At that time the Bank referred to this phenomenon to explain major economic failures in the public management of the poorest countries¹ (World Bank, 1989). The organization progressively moved to the political dimension in the 1990s². The fall of the Berlin wall, and the end of the post-second world war ideological competition, contributed to the attempt to standardize the concept of liberal governance³.

The next section of the paper outlines the genesis of ideas on governance within the Bank. The organization proved sensitive to the external thinking of academics and itself contributed to shape the paradigm of good governance over nearly three decades. Section 3 focuses on the relationship between the 'Knowledge Bank' and the governance issue. We quantify the soft power of the Bank by the relative importance of this theme in the Bank's intellectual

production, and assess the quality of its relationships with academia. Section 4 focuses on the WB's aid allocation system which combines both soft and hard power principles.⁴ The WB's main governance indicators: the Country Policy and Institutional Assessment (CPIA), the Worldwide Governance Indicators (WGI), and the Doing Business indicators (DB) are briefly described, as well as the importance that the donor community assigns to them. Beyond what donors claim, we also explore how actual financial commitments correlate with these indicators, controlling for some structural determinants of aid allocation. For each donor, cross-sectional regressions run on developing countries over a four year average period (2005-08) do not reject the presence of correlations. For some donors the CPIA proves to be the most important, especially for regional multilateral banks; but for some others, the WGI greatly matters. Section 5 provides conclusions.

2. The Bank and the governance paradigm over time

The Landell-Mills coordinated 1989 report: *Sub-Saharan Africa, from Crisis to sustainable Growth* (World Bank, 1989) has generally been considered as the first official WB publication which refers explicitly to the "governance" issue (Williams and Young, 1994; Shihata, 1995; Stein, 2008). This does not mean that the problem was ignored before, as evidenced by the CPIA which was initiated in the 1970s and which focuses on the quality of macroeconomic management. At the beginning of the 1980s, the so-called Berg report explained the low economic growth rates in Sub-Saharan Africa, and called attention to the responsibility of non-Weberian African public bureaucracies (World Bank, 1981). Governance was not explicitly designated as a crucial problem, but the poor management underlying public sector weaknesses was denounced as a major hindrance to the development process⁵.

Rebalancing state interventions and market mechanisms was the challenge of the neo-liberal wave,⁶ *getting the prices right* becoming the credo of structural adjustment programs. Within the Bank the liberal option took a decisive turn in 1981 with the appointments of Claussen and Krueger, respectively as the President and the Chief Economist of the organization, succeeding the charismatic tandem of MacNamara and Chenery. While the liberal concept of economics spread worldwide (Williams and Young, 1994), the Reagan administration exhorted the Bank to use its financial leverage more efficiently to support market rules. All the chief economists from A. Krueger (1982-86) to M. Bruno (1993-96) adopted this free market perspective, the “augmented Washington consensus” modifying it by adding some institutional, political and social aspects.

In 1992, *Governance and development* brings further information on what governance means for the Bank, highlighting both the course of history and the institutional constraints inhibiting the evolution of the organization⁷. On the one hand, the introduction of the pamphlet refers to a general definition of governance which can be seen as the exercise of authority, control, management and power of government; On the other hand, a pragmatic definition drives the Bank to interpret governance as the manner in which power is exercised in the management of a country's economic and social resources for development. The concern is that good governance is to be seen as synonymous with sound development, thus extending beyond public sector management to the principles of accountability, and the legal framework. While the Bank seems to reject the political dimension, the booklet suggests that there is no taboo anymore on the subject (World Bank, 1992, 1994).

As the Berlin Wall falls but the Soviet empire is still collapsing, the organization remains cautious on ideology, and what can be interpreted as an assessment of political regimes. Pluralism needs the promotion of the rule of law, but also the participatory process of the civil society performing “watchdog” functions. The Bank avoids any dangerous assimilation of good governance with the main features of the western liberal system. The first infringement of the political “neutrality” comes from J. Wolfensohn, when in 1996 the agenda for anticorruption was launched. At the joint World Bank-IMF annual meeting, the head of the Bank talks about the need to fight the “cancer of corruption”. One year later the same words come up in “Helping Countries Combat Corruption”, and in the World Development Report which addresses the problem of the *State in a changing world*⁸.

The “good” governance, which was initially linked to public management reforms and later to the building of the free market economy becomes much more complex. The East Asian miracle was largely based on the role of the state, as illustrated by Wade’s controversial article (Wade, 1996). In addition, Stiglitz, who is appointed as the new Chief Economist in February 1997, reminds us that the market left to itself does not always result in the most efficient outcome. The free market economy remains the benchmark, but the Bank becomes more active in rejecting Nozick’s “minimal state”. The *Doing business* project, which will only be finalized in 2003 for the first issue of the report, portrays the missions that are expected from the state. These are supposed to promote market rules and work for transaction cost reductions. Democratic values become the reference system with the presence of “checks and balances”, including those associated with the participatory process of the civil society. In 1999, this political dimension was taken into account to revise the CPIA of the late 1970s. The main outcome of this revision was to incorporate some items relating to property rights and rule-based governance, as well as to transparency and corruption in the public sector. For

a long time, the CPIA had been a pure intra-organizational instrument for the Bank's bureaucracy country evaluations. The transparency rules and the accountability principles, that are required from developing countries and the interest in measuring the political distance to democracy, help the progressive diffusion of information externally. In addition to the CPIA revision and its diffusion within the world community, in 1999, the Bank also launched the calculation of the Worldwide Governance Indicators⁹. Both, the construction of the WGI and its international cover have deeply evolved over the last ten years, but the same philosophy has been maintained. In parallel to this indicator, to which this paper returns later, in 1998 the Comprehensive Development Framework (CDF) was created, which pursues some similar objectives.

The CDF encompasses a set of principles to guide development and poverty reduction, including a holistic long-term vision of development. The country takes the lead to develop this vision, strengthens ownership and directs its agenda. The CDF, which emphasizes partnerships between the different stakeholders (civil society, private sector, external donors) tries to improve both coherence and efficiency in the use of financial resources. The CDF principles inspired the Poverty Reduction Strategies (PRS) and helped to shape the United Nations declaration (2000) about the Millennium Development Goals (MDGs), as well as the Monterrey consensus, which included commitments by developing countries to set up "good" governance. The Bank had to refocus on the social dimension and build "a world free of poverty" in accordance with liberal doctrine. Income inequalities are seen as acceptable, except if they are predetermined by circumstances that are out of the individual control. Equal opportunity might be the basic principle underlying the promotion of equity which means the possibility for individuals to benefit from the same abilities to pursue a life of their choosing and be spared from extreme deprivation in outcomes (World Bank, 2006).

With this reappraisal of the social and political contract, the Bank has completed its liberal interpretation of governance beyond the spirit of welfare state economics. Its philosophy integrates Sen's line of thought, but is also impregnated with Rawls's liberal political philosophy based on fairness in the distribution of "natural" and "social primary goods". Dworkin's vision of the unity of political and economic liberalism through its conception of equality (e.g., luck egalitarianism) is also influential. Accordingly, the Bank has drawn the lessons of the 1980s when it was urged to promote adjustment with a "human face" and criticized for its excess concern for relative prices. After maturing for several decades "good" governance meets the philosophers of the enlightenment, embracing all the political, economic and social aspects that build the equilibrium of a liberal society.

3. The *Knowledge Bank* and the governance issue

The development of the organization as a "Knowledge Bank" was one of the major objectives of Wolfensohn's Presidency. This new vision was the combination of the President's corporate pragmatism and Stiglitz's own academic influence on the emergence of information economics. At the end of the 1990's the organization was more than ever focused on a triptych consisting in creating and sharing knowledge for applying the "best practices" in member states (Squire, 1999; Mehta, 2001; Krueger, 1998; Das, 2009; McNeill, 2006; Plehwe, 2007; Stiglitz, 1999). If knowledge production and its diffusion are mainly attached to the Research Department (DEC), especially through the activity of the Development Research Group and the World Development Report Unit, on the governance issue additional structures also contribute¹⁰. The Poverty Reduction and Economic Management network (PREM) is engaged in the production of the CPIA. This structure operates in close relationship with the

World Bank Institute (WBI), which is in charge of the WGI and the country-governance profiles, the so-called diagnostic surveys of Governance and Anti-Corruption (GAC). Last but not least, the recent Deaton's report on Bank research evaluation has brought attention to the Private Sector Development Group (Banerjee et al, 2006). Based at the International Finance Corporation (IFC), this group is a significant contributor to the governance theme through both the *Doing Business* and the *Investment Climate Assessment* projects. The objective we pursue in this section is inevitably partial with regard to what the Knowledge Bank is. Attention is brought to two points. Firstly, we evaluate what the Bank represents in terms of academic publications on the governance theme; second, we investigate the prevailing channels or the networking systems underlying both the diffusion and the sharing procedures of the governance paradigm.

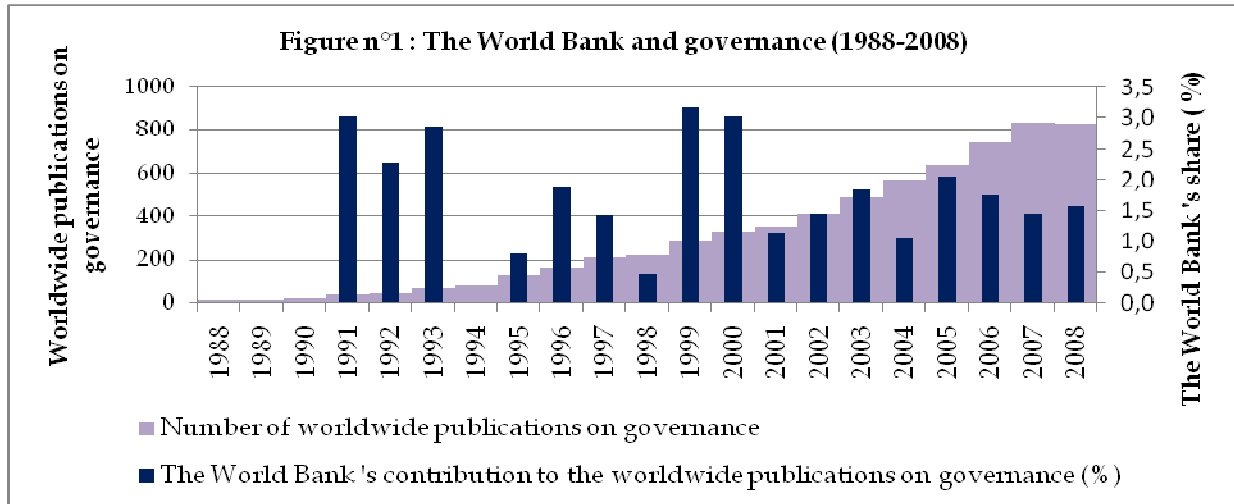
3.1. Governance and the production of knowledge by the Bank

One way to assess the Bank's influence is to perform a bibliometric analysis. This exercise has been carried out, using the *Web of Science* bibliographic database from the *ISI Web of Knowledge* website (Institute for Scientific Information -ISI) published by Thomson Reuters. We evaluate the role governance played within the organization but also the Bank's share in the worldwide production of knowledge on this specific issue. Governance-based publications in the most influential journals are considered, as well as associated citations in the academic literature. The second objective of this section is to determine who the Bank collaborates with. The worldwide academic network of searchers and universities contributes to underpin the ideological reasoning and shape the "good" governance notion.

To undertake the census of publications we retain the presence of “governance” as a term either in the title, the abstract or the list of keywords. A paper is ascribed to the Bank if the name of the organization appears as one affiliation of authors. Materials collected are classified according to the subject area, the document type and the year of publication. Publications are defined through four items: article, review, proceedings, book review. Three large scientific domains have been considered, from 200 listed by the *Web of Science* database: *Economics, planning and development*; *Business and finance*; *Political science and international relations*. These domains fit the main intervention areas of the Bank, where governance proves a relevant topic for characterizing the economic and political rules of the societies. Additional domains did not modify the conclusions we draw, partially overlapping with the three chosen ones which represent one third of all publications from all scientific domains¹¹ where governance is a topic. The investigation covers the period 1988-2008¹². The starting year corresponds with the emergence of the concept in the economics literature.

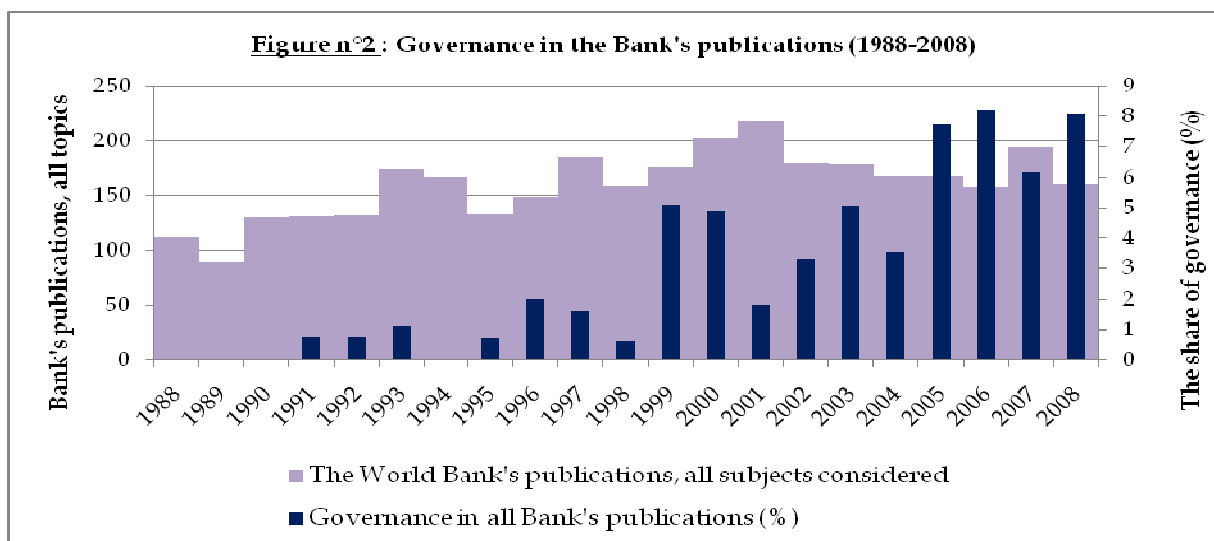
On a yearly basis, *Figure 1* describes both the evolution of the worldwide scientific production on governance: left ordinate axis and light color stair form representation; and the specific contribution of the Bank to this production, right ordinate axis. The worldwide publications on this issue have increased in a quasi-permanent way since the early nineties. It accelerated at the end of the empirical period when 800 publications a year are recorded against ten at the beginning of the 1990s. Within this production, the Bank’s share has varied from less than 1% to more than 3%. This share decreased as the world scientific community displayed a greater interest for the topic, while the pioneering role of the Bank reduced. The peak of the share is achieved for the period 1999-2000 when the organization showed renewed interest for the analysis of the governance issue, especially through the CDF program

and the launch of the project on the WGIs. After this period, the Bank's relative contribution declined to represent only 1.5% in 2008.



Source: authors' calculations from ISI web of sciences.

In Figure 2, we assess what the governance issue represents within the total academic publication of the Bank. As in Figure 1, a double graduation is used on two different axes. On the left hand side, the number of total publications is considered, while on the right we refer to the intra-organizational share of the governance theme. The scientific production of the Bank varies from 150 to 200 publications a year with a peak in 2001. Governance publications show an increasing trend, passing from a share of 1% or less from 1988 to 1992 to about 8% over the period 2005-2008.



Sources: authors' calculation from ISI web of science.

Table n° 1 : The World Bank and cumulative publications on governance (1988-2008)

Subject areas	Nature of Publications	Total WB's publications and governance share in parentheses (%)		Worldwide publications on governance and the WB's share in parentheses (%)	
		Number	Citation	Number	Citation
Economics, planning and development	Articles and reviews	2792 (2.43)	38562 (1.87)	2432 (2.8)	21452 (3.4)
	Proceedings paper	501 (4.4)	3465 (3.08)	725 (3.04)	4115 (2.6)
	Total	3912 (2.4)	42824 (2)	3723 (2.52)	25913 (3.2)
Business and finance	Articles and reviews	550 (2.54)	7982 (4.6)	706 (2)	10815 (3.4)
	Proceedings paper	132 (6.8)	1348 (1.55)	238 (3.8)	2715 (0.7)
	Total	766 (3.26)	9397 (4.11)	995 (2.5)	13606 (2.84)
Political Sciences and International Relations	Articles and reviews	294 (1.4)	1763 (0.8)	1690 (0.2)	8580 (0.1)
	Proceedings paper	39 (2.56)	207 (0.5)	323 (0.3)	1454 (0.06)
	Total	439 (1.6)	2042 (0.83)	2821 (0.24)	10199 (0.16)

Sources: authors' compilations from ISI web of science

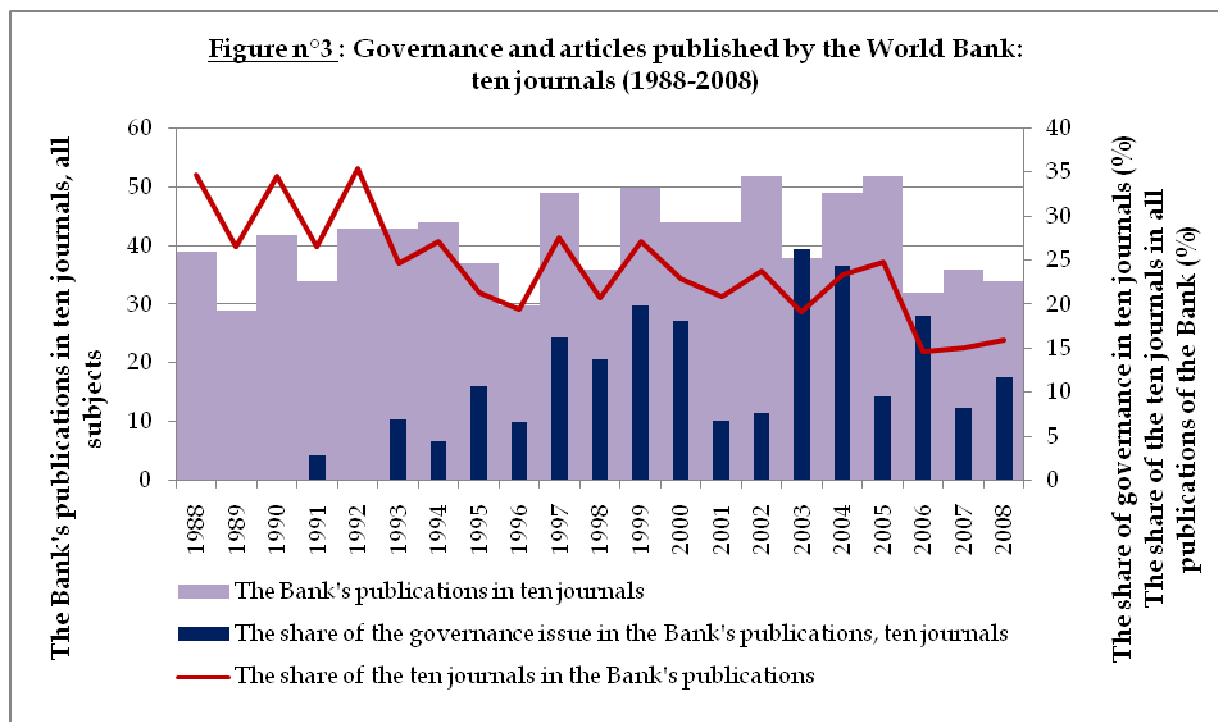
Table 1 displays cumulative statistics dealing with governance over two decades (1988-2008) and three scientific domains. Influences are alternatively measured through the intra-organizational academic production (columns 3 and 4) and the worldwide publications (columns 5 and 6). Both the number of papers and enhanced associated citations are considered in absolute and relative terms, the second item in parentheses being interpreted as an impact factor.

For the World Bank, *Economics, planning and development* is by far the most important field of publication, totaling nearly 4,000 articles or papers over the period 1988-2008, four times more than the cumulative production of the two other reviewed domains. On average, each of these publications has been cited more than 10 times. These scores represent 2.5% of the total publications of the Bank and 3.2% of the citations. This is less than the performance obtained for *Business and finance*: 3.3% and 4.1%, respectively, although percentages are close when

market shares in worldwide publications and citations about governance are considered. Of the three scientific fields, only *Political science and international relations* proves to be a marginal area for the Bank. Several reasons can be put forward to explain this fact, including the belated interest for political issues in accordance with the apolitical nature of its articles of agreement. Focusing on the two first subject areas, the international market share of the Bank tends to be higher when the citations are considered, reflecting either the quality of the publications or the diffusion of the journals in which the research is published.

The methodology deployed for this empirical analysis admits evident limitations that have to be taken into account in interpreting the results. As already mentioned, the concept of governance is shared by multiple scientific disciplines making its delimitation difficult. In addition, some restrictive rules condition this exercise. A paper is considered to deal with “governance” when the term is explicitly used in the title, abstract or keywords. This convention enhances an undervaluation of the publications of the 1980s, when the governance concept was conveyed by other lexical terms¹³. To avoid such a bias the automatic research procedure has been complemented by a manual mechanical counting in ten of the most important academic journals, including those which are the main sources for the Bank’s author publications (see Table 2). In doing so, attention has been paid to the theme itself and not to a lexical list. These ten journals are : *The American Economic Review*, *the Quarterly Journal of Economics*, *the Journal of Development Economics*, *World Development*, *Economic Development and Cultural Change*, *The World Bank Economic Review*, *The Journal of African Economies*, *The Journal of Development Studies*, *The Journal of Comparative Economics* and *Economics of Transition*.

Figure 3 has been elaborated according to the same principles used for *Figure 2*. The number of the Bank's articles in the ten aforementioned journals and the relative contribution of the governance issue are given on the left and right axes, respectively. The dark curve reflects what these economic journals have represented for the total publications of the Bank. About 40 papers have been published annually in the ten journals over the period 1988 -1994, against 50 per year from 1997 to 2005 and about 30 for the most recent years. Within this production, the governance issue rose steadily to a peak reached in 2003 and 2004. Then, the share, which was 25%, fell to its 1995 level (10%). While the governance item declined after the mid 2000s, the contribution of what the selected journals have represented for the Bank also witnesses long term erosion. As the ten journals we refer to are among the most influential ones in the world, the evolution of the dark curve may suggest a significant loss of qualitative impact in the production of knowledge. The contribution of the ten journals to the total publication of articles by the Bank falls from 35% in 1988 to about 15% in 2008.



Source: authors' construction

In *Table 2*, we bring attention to the Bank's authors who published the most, as well as to the main academic journals and institutional affiliations when the Bank's papers have co-authors. The total production of papers is distinguished from the papers dealing with governance. External collaborations with the Bank prove diverse, although the most important are those with the universities and other international organizations such as the IMF. Within the organization, Djankov has been the most active searcher on the governance issue with 85% of his publications being focused on this subject against 40% for Dollar and 33% for Easterly. *World Development* for the specific issue of governance is the most frequently used media for publications. It represents about 10% of the Banks' academic papers in these journals.

Table n° 2 : Articles in ten of the most important academic journals (1988-2008)

Cluster	The Bank's authors	Main academic publications	Affiliation of external co-authors
The World Bank publications <i>all subjects</i>	<ol style="list-style-type: none"> 1. Ravallion, M (34) 2. Glewwe, P (16) 3. Deininger, K (15) 4. Alderman, K (14) 5. Djankov, S (13) 6. Claessens, S (12) 7. Dollar, D (10) 8. Schiff, M (10) 9. Collier, P (9) 10. Easterly, W (9) 	<ol style="list-style-type: none"> 1. World Development (211) 2. World Bank Economic Review (205) 3. Journal of Development Economics (130) 4. Eco. Develop and Cultural Change (94) 5. Journal of Development Studies (54) 6. Journal of Comparative Economics (45) 7. Journal of African Economies (42) 8. Economics of Transition (34) 9. American Economic Review (22) 10. Quarterly Journal of Economics (20) 	<ol style="list-style-type: none"> 1. Harvard. U (25) 2. U of Maryland (24) 3. IMF (24) 4. IFPRI (18) 5. U of Oxford. (14) 6. Berkeley (13) 7. U of Carolina (13) 8. Johns Hopkins U (11) 9. MIT (11) 10. Columbia U (10)
The World Bank publications <i>governance only</i>	<ol style="list-style-type: none"> 1. Djankov, S (11) 2. Svensson, J(5) 3. Dollar, D (4) 4. Easterly, W (3) 5. Hallward-Driemeier, M (3) 6. Knack, S (3) 7. Xu, LXC (3) 8. Cull, R (2) 9. Deininger, K (2) 10. Hoff, K (2) 	<ol style="list-style-type: none"> 1. World Development (21) 2. World Bank Economic review (10) 3. Journal of Development Economics (9) 4. Eco. Develop and Cultural Change (8) 5. Quarterly Journal of Economics (8) 6. Economics of Transition (8) 7. Journal of Comparative Economics (8) 8. Journal of African Economies (6) 9. American Economic Review (4) 10. Journal of Development Studies (4) 	<ol style="list-style-type: none"> 1. Harvard. U(8) 2. Yale (4) 3. U of Maryland (3) 4. MIT (3) 5. Peking. U (3) 6. Berkeley (2) 7. Columbia U (2) 8. Georgetown. U (2) 9. London S.E (2) 10. U of Manchester (2)

Note: the number of articles is in parentheses. Source: authors' compilation from the *ISI Web of Knowledge* website Institute for Scientific Information, Thomson Reuters.

Turning to the main collaborative institutions and using Hall 's expression to contrast schools of economic thought, we observe that most of the universities are from the school of American "saltwater" economics. The East coast (Harvard, MIT Maryland, Columbia) outperforms the west coast (Berkley). Surprisingly, on this specific issue, there is no place for the "freshwater" economists, those who have professed skepticism as regard the benefits of government interventions (Chicago, Carnegie Mellon, Rochester, Minnesota...), and shaped mainstream economics from the end of the 1970s to the beginning of the 1990s with pro-market governance¹⁴. In addition, European collaborations are quite few, limited to some well-established English academic institutions (Oxford, London). However this comment has to be qualified because some publications with the Bank's affiliation do not come from economists with a permanent attachment to the organization.

3.2. The Bank's soft power within the international community

Figure n°4 portrays the main interrelationships between the Bank through four important structures intervening on the governance issue and its external environment. The relationships with the donor community will be explored further (see section 4). At this point, we simply call attention to the fact that the organization has some power over international donors, in building a participatory process (e.g., cognitive interactions) to shape what good governance means (Gehring and Oberthür, 2009). The Bank has to manage a great diversity of partners, maintaining formal relationships with about 250 worldwide organizations. In Figure 4, these partnerships are represented by six blocs, each of them showing mutual influences on the main Bank's departments where the governance issue matters the most. Direct relationships with the organization are only considered, the thickness of arrows suggesting an impressionistic view about the direction of the prevailing impact among partners¹⁵.

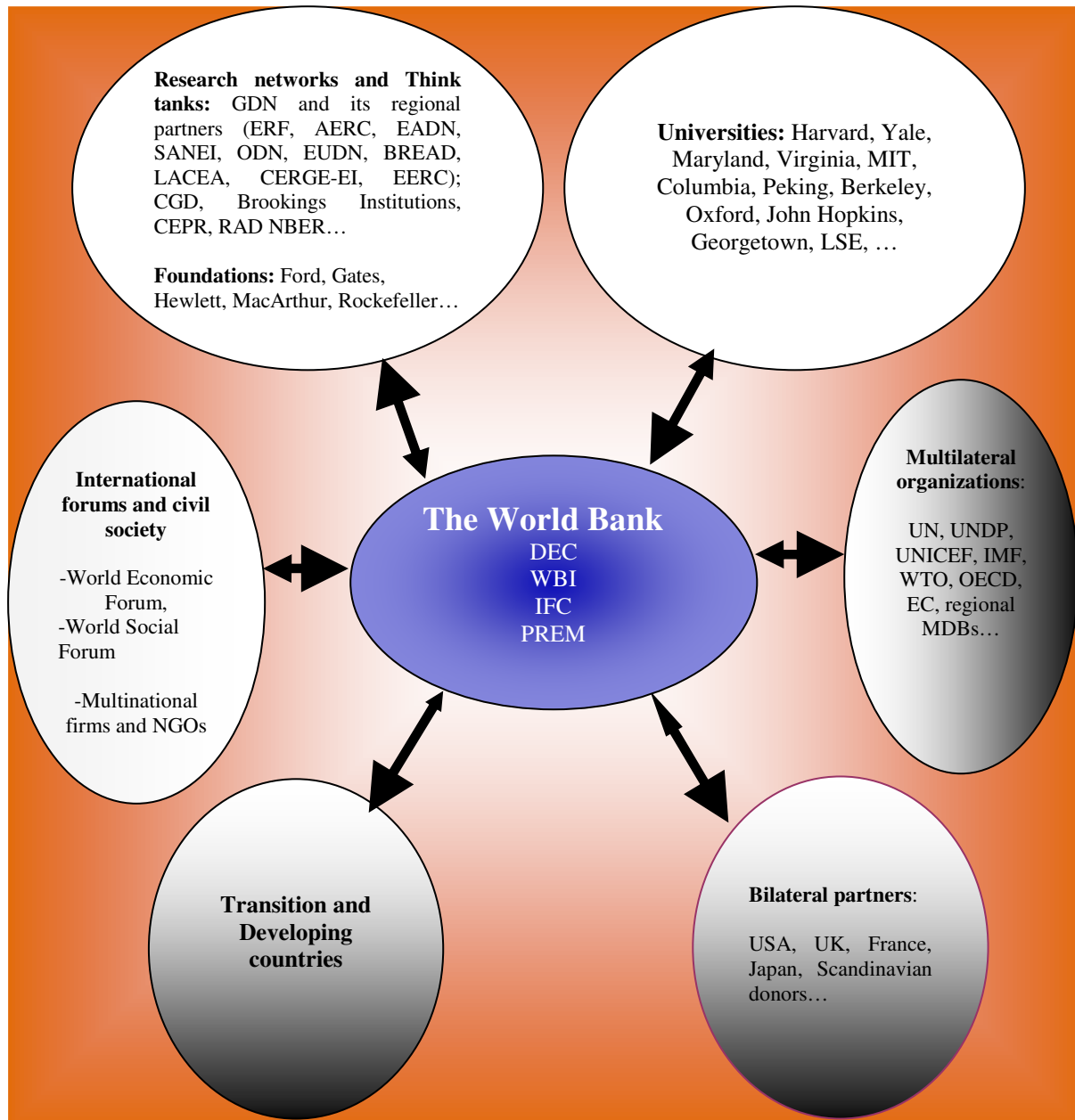
The organization is sensitive to the diversity of the external community, from the traditional universities, which contributed to shape liberal governance, to international civil society which has become an active player over the last ten years. This includes NGOs and after the Porto Alegre social summit, in 2001, radical opponents to the liberal economy, who are gathered in the World Social Forum and the Bretton Woods Project. All NGOs are not in a protest approach *vis-à-vis* the globalization process and the role of the Bank in the emergence of a neo-liberal worldwide order. Some of them have reciprocal mutual influence with the organization, and contributed to the articulation of governance-based allocation of aid (Plehwe, 2007). Indeed, some NGOs such as the *Heritage Foundation*, *Transparency International*, *Freedom House* and *Political Service Risk* are significant statistical providers of the World Governance Indicators (WGI). The World Social Forum (WSF) stands in contrast to this kind of cooperation. Since its first meeting in 2001, the WSF has been the flagship of the anti-liberal crusade. For the WSF the current architecture of global governance is quite flawed, as it doesn't take into account real worldwide power distribution. The rise of the G-20, as an attempt to build new global governance, supports some of the WSF points of view. However, the Forum condemns what the Bank's pragmatism sees as "acceptable" governance for its own bureaucratic interests, especially for aid disbursements (Woods, 2000; Weaver 2008).

The role of external academic spheres has been discussed. Some of them are very influential in shaping and in diffusing the neo-liberal governance paradigm. These institutions are not subordinated although certain dependence may arise through the allocation of financial resources to research programs. The research network goes beyond universities and also includes cross sectional structures such as the *Global Development Network*, which was created on the Bank's initiative in 1999. Indeed, the GDN, which was hosted by the Bank in

Washington up to 2005, when it moved to India, is an independent international organization with some regional partners worldwide. The GDN still works in a narrow collaboration with the Bank, especially with the WBI and the DEC on some questions related to the production or the diffusion of knowledge about governance. Beyond financial links some former Bank staff economists have had high level responsibilities in the GDN including in its regional representation. Similar influences also arise with the Center for Global Development (CGD) and other organizations. American foundations also matter as they generally share the Bank's liberal vision, especially as regard the policy for poverty reduction goals. They act on civil society and especially on the research communities, influence public decision-making and the ability of governments to commit. Most of the "think tanks" are located in or close to Washington, and maintain subtle relationships with the Bank.

The World Economic Forum (WEF) has been related to the World Bank governance agenda through the *Global Competitiveness Report* and the production of the *Global Competitiveness Index (GCI)* since 1979. It initially influenced the conceptualization of the World Bank approach to economic governance, and the benchmarking procedure, especially when the *Doing Business* Project was launched. Mutual influences between the WEF and the Bank are evident. This is tangible when crossed-components are considered for the construction of indicators. Bilateral cooperation with regional development banks is also strong to harmonize what governance should like. The specific role of the CPIA and the diagnosis of competitiveness (e.g. The Africa Competitiveness Report), demonstrate this close collaboration.

Figure n° 4: The Bank's governance paradigm and its international networking



NB : International and regional networks: Global Development Network (GDN), Economic Research Forum (ERF), African Economic Research Consortium (AERC), East Asian Development Network (EADN), South Asia Network of Economic Research Institutes (SANEI), Oceania Development Network (ODN), European Development Research Network (EUDN), Bureau for Research and Analysis of Development (BREAD), Latin American and Caribbean Economic Association (LACEA), Center for Economics Research and Graduate Education - Economics Institute (CERGE-EI), Economics Education and Research Consortium (EERC), Center for Global Development (CGD), Center for Economic Policy Research (CEPR), Researcher Alliance for Development (RAD), Development Economics vice-presidency(DEC), World Bank Institute (WBI), International Finance Corporation (IFC), Poverty Reduction and Economic Management Network (PREM).

4. The smart power of the Bank and aid allocation policies

Most of the elements contributing to the “Knowledge Bank» strengthen the *soft power* of the organization (to adopt Nye’s, 1990 expression). Such a dimension is also present when the Bank sets up the dialogue with developing countries and the donor community in accordance with the CDF principles. Governments define their development strategy by promoting dialogue among stakeholders. The leadership of the Bank lies in its ability to communicate and persuade partners, to shape their preferences and lead them to acquiescence. *Soft power* in public aid allocation means the ability to convince the recipient that there is no doubt about what “good governance” principles are. On the other hand, there is the *hard power* which operates as an inducement, and sometimes as a threat, reminding the IMF catalytic role in the eighties. The leadership of the Bank is therefore made up of a balance between *soft* and *hard* power, a subtle combination which leads to what some may refer to as *smart power*. This section briefly describes the WB’s governance indicators and then, investigates how these indicators correlate with aid allocation of some of the most important international donors.¹⁶

4.1. The governance indicators: CPIA, WGI and doing business.

The World Bank produces three main indicators dealing with governance. The oldest, which has also been the least diffused outside the organization, is the *Country Policy and Institutional Assessment*. The *CPIA*, which keeps some hidden characteristics as regards the way it is constructed, is paradoxically recognized by some donors as the most influential of the three indicators. This is especially true for commitments in favor of IDA eligible countries, but also for some other donors (Van Waeyenberge, 2009). At the end of the 1990s the socio-political dimension of governance took an increasing importance in the World Bank’s

agenda. The *Worldwide Governance Indicator (WGI)* resulted from this concern. This socio-political dimension was completed, in 2003, by the *Doing Business* indicators that depict what extent the domestic economic and institutional climate supports private sector development¹⁷.

The Country Policy and Institutional Assessment (CPIA)

The CPIA was established at the end of the 1970s, through an assessment process based on expert judgments, notably the Bank's staff opinions. As any approach resulting from expert judgment evaluations, this procedural methodology raises some criticisms. Among the four clusters composing the CPIA, since 1999, one of them is entirely dedicated to governance issues (World Bank, 2008a). The CPIA is a key element in IDA resource allocation criteria which combine the level of population, the Bank's portfolio performance and the level of economic development of member countries. Resource allocations can be readjusted to take into account the post-conflict situation of some recipient countries. The CPIA and more particularly the governance cluster have had a growing importance in the IDA Performance Based Allocation (PBA) system. Some authors have criticized this tendency because of the potential arbitrariness that may accompany some methodological aspects such as data collection, the weighting pattern of components, or the insufficient theoretical foundations underlying the construction of this indicator (Van Waeyenberge, 2009. GTZ, 2008; Guillaumont et al 2009). Despite these critics, the CPIA benefits from a strong impact within and outside the Bank. Within the institution, there is a joint utilization of at least some components of indicators providing common intersections among them. The CPIA is a component of the WGI while in turn, the Bank staff refers to the WGI or the Doing Business to build the CPIA process. Outside the organization, the CPIA has some users, especially in regional multilateral banks such as the African Development Bank (AfDB), the Asian Development Bank (ADB) or the Inter-American Development Bank (IADB), which have

adopted the same methodology, using sometimes the same denomination of items and marginally modifying some components or the weighting pattern .

The Doing Business project database

The *Doing Business* (DB) project was initially inspired by some studies conducted by de Soto in the Lima suburbs in the 1980s, and with now some interactions with the Global Competitiveness Report of the World Economic Forum. Laporta, Lopez de Silanes, Shleifer and Vishny (LLSV) have extended pioneering empirical work through the IFC/World Bank team of the *DB* led by Djankov. The *DB* Project aims to reduce the burden of business regulatory rules, notably transaction costs in order to enhance economic competitiveness of countries. The first edition of the *DB* report, launched in 2003, covered 5 indicators: *Starting a business*, *Employing workers*, *Getting credit*, *Enforcing contracts*, *Closing a business* for 133 countries. This list, which was enlarged in 2006, now contains 10 indicators, the 5 additional ones describing the following items: *Dealing with construction permits*, *Registering property*, *Protecting investors*, *Paying taxes*, *Trading across borders*. In the 2009 Bank report, a survey on the business regulatory environment was implemented allowing the assessment of the ability to reform through difficult times (World Bank, 2009). The data collection is made through readings of laws and regulations where the second are time, motion and cost indicators measuring efficiency in achieving a regulatory goal¹⁸. The *Doing Business* database is not free of weaknesses (Arrunada, 2007; World Bank, 2008b). The liberal conception underlying the spot market based governance is sometimes criticized for its excess of “shorttermism”, especially in the management of labor input¹⁹. Despite some weaknesses, the *DB* database seems to impact donors’ aid allocation systems. It has been mentioned that it is part of the US *Millennium Challenge Account* (MCA) aid eligibility criteria. The *DB* data

was initially sourced from the World Economic Forum notably through the Global competitiveness report but influences are now mutual. Indeed, some information from DB has been incorporated by the WEF into the benchmarking procedure for the measurement of international competitiveness.

The Worldwide Governance Indicators (WGI)

The WGI, were launched in 1999 defining governance as the traditions and institutions by which authority is exercised in a country²⁰. “Governance” is assessed for about 200 countries through six dimensions: *Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption* (Kaufmann et al, 2008). The WGI have probably become the most important database dealing with the political dimension of governance. These indicators have inspired the CPIA governance clustering. The WGI are not considered as accomplished “state of art”, and the way they are constructed is periodically adjusted according to both internal and external thinking. Such openness illustrates the smart power of the Bank. It strengthens its leading role, allowing for appropriateness of indicators to the donor community and contributing to a “worldwide consensus” on the dimensions of governance covered. However the WGI have been criticized, especially for their lack of theoretical foundation. In addition, the normative interpretation of components is not always clear, and all of them do not satisfy the orthogonality principle to provide transparency at the level of the weighting pattern (Langbein and Knack, 2008; Devarajan and Johnson, 2008; Grindle, 2007; Andrews, 2008).

4.2. The World Bank and the international donor community.

What influence do bilateral and multilateral donors recognize?

With the end of the ideological competition, some bilateral donors including the United States, put pressure on the Bank for more active support for political governance reforms. The bilateral delegation of powers to the Bank has something to do with the so-called Buchanan's Samaritan dilemma problem (1975)²¹. Indeed, some countries have the will to maintain financial assistance to low income countries, but don't want to intervene themselves in those countries' economic and political reform agendas. The multilateral frame looks more appropriate to do it. But other motivations have been the will to promote an efficient coordination among the donor community through the *Special Partnership for Africa* (SPA), and the willingness to let the Bank go ahead and show the way.

When examining the position of the main bilateral donors on the governance issue, some discrepancies arise on the conception and the operationalization of aid policies. France's commitment to the new political governance paradigm goes back to the *La Baule declaration*, in 1990, and the France-Africa summit which was held in Ouagadougou, in 1996. The specific theme of this summit was: "good governance and development". Ten years later, governance criteria had entered somewhat in the aid allocation system. Traditional geographical distribution of France's financial flows are affected by an historical "path dependency" which proves to be a source of allocative inertia. Because of its former colonial power and its deep implications in the design of present cooperation, France faces difficulties in promoting a policy of rewarding good governance. However, in 2006, the French Ministry of economy joined the club of governance indicator producers, elaborating "institutional profiles" with the ambition of highlighting the main institutional factors that determine the economic take-off of successful countries. To refer to concepts we defined earlier, these

profiles relate more to *soft power* (carrots) than *hard power* (stick). Part of the information produced by these profiles has recently been incorporated into the WGI. This incorporation can itself be interpreted as an expression of the Bank's *smart power* to develop attractiveness of its governance paradigm.

The United Kingdom's approach to governance differs somewhat from the French vision, as it relies on the development of a participatory-based assessment procedure. In other words, the assessment is jointly made with recipient countries. Through Drivers of Change (DOC) developed by DFID since 2003, governance starts with a political economy analysis which is quite comparable to the diagnostic surveys that the Bank implements on governance and anti-corruption (GAC). Thus, the diagnostic of governance through a participatory process potentially increases the willingness to implement solutions (Chhotray and Hulme, 2009). Such an approach contrasts with that of the aggregate indicator where foreign aid is allocated across countries according to their international ranking. Beyond the DOC, UK aid is also influenced by the Bank's CPIA rating system. This is especially true for fragile states where the governance issue is challenging because of overlapping exogenous constraints and endogenous political behaviors²² (DFID, 2005).

The relationship between the USA and the World Bank reflects the complexity of the analysis when examining "soft" and "hard" powers of the organization. Some authors have talked about a hegemonic influence of USA on the way the World Bank perceives the governance issue (Wade, 2001, 2002; Stein, 2008, Weaver, 2008; Mikesell, (2001). But reciprocal influences do exist. Among the three channels of US aid only one seems to have been under the influence of the Bank's governance indicators for commitments. Indeed, six of the sixteen criteria underlying the *Millennium Challenge Account* (MCA) system are totally based on the World Bank governance indicators. Five come from the WGI and one from the

Doing Business project. While US department funds are allocated according to strategic considerations, US-AID does not explicitly integrate governance criteria in its allocation formula, although this agency has undertaken governance assessments. More than social aspects, the economic effectiveness and political considerations prevail in the design of the US governance agenda (Chhotray & Hume, 2009).

The Japanese attitude is quite similar to the US position. Most scholars have shown that Japanese aid behaves by being significantly influenced by the US aid system (Katada, 1997). Four different ministries participate in aid allocation, each of them pursuing different motives. Strategic considerations predominate in Latin America and Asia, the same main geographical areas as the USA. Accordingly, Japanese aid allocation is not explicitly based on “good” governance criteria, although some financing can be dedicated to governance related sectors, especially in Africa and Asia. By its multilateral aid contributions, Japan collaborates with the World Bank Institute, but also with the United Nations through the United Nation Democracy Fund.

As well as the aforementioned positions adopted by large industrialized economies, the case of countries such as Denmark or Netherlands is also interesting some authors considering that they are particularly sensitive to the Samaritan dilemma (Svensson, 2000; Hagen, 2006; Epstein and Gang, 2009). Accordingly, they delegate the management of significant parts of their aid to multilateral organizations, mainly the World Bank. In addition, as they are sensitive to question about governance, when providing non-delegated budget support, they prove to be influenced by the CPIA ratings.

Through the governance network (GovNet), the OECD-Development Assistance Committee (DAC) provides an opportunity for bilateral and multilateral donors to compare, discuss and

coordinate views on governance in accordance with the *Paris declaration* on Aid Effectiveness and the Accra Agenda. On this specific issue, the 2009 OECD report gives the flavor and summarizes the different donor approaches (OECD, 2009).

Table 3, shows how donor governance assessments vary across countries and organizations. Some donors use one or several indicators while others prefer the establishment of profiles; some incorporate quantitative indicators while others refer to qualitative ones; some assessments are exclusively based on economic indicators while others incorporate political economy judgments or measurements (OECD, 2009). The Bank's influence and the indicators that convey it are indicated by the last column on the right.

Table n° 3 : The World Bank and governance assessments by bilateral and multilateral partners

Partners	Assessment tool denomination	Data type	Governance aspect	Involvement of the host country	influence of Bank's indicators
AfDB	Country Governance Profile (P)	QL	E	NS	WGI
	CPIA (I)	QT	E	NS	CPIA
AsDB	CPIA (I)	QT	E	NS	CPIA
	Governance Risk Assessment and Risk management (I)	QL	E	S	-
EC-EDF	Governance profiles (P)	QT-QL	E	NS	WGI
IaDB	Country Institutional and Policy Evaluation-CIPE – (I)	QT	E	NS	CPIA
	Democratic Governance and Institutional Assessment (P)	QT-QL	P-E	S	-
France	Institutional profiles (I)	QT	E	NS	WGI
Germany	Catalogue of criteria: assessing development orientation (I)	QL	E	NS	CPIA, WGI
Netherlands	Strategic governance and corruption analysis (P)	QL	P-E	NS	CPIA
	Stability Assessment Framework (P)	QL	P-E	NS	-
UK	Country Governance Assessment (I)	QT-QL	E	NS	WGI
	Drivers of change (P)	QL	P-E	S	-
	Strategic Conflict Assessment (I)	QL	P-E	NS	CPIA
USA	MCA (I)	QT	E	NS	WGI, DB
	USAID-Democracy and Governance Strategic Assessment Framework (P)	QL	P-E	NS	WGI

Note : I = indicator and P = profile. Column *Data type*: QL = qualitative and QT = quantitative. Column *Governance aspect*: E = economic and P-E = political economy. Column *Host country involvement*: S = significant participation and NS = non significant participation. DB = doing business. EC-EDF = European Commission/European Development Fund; AfDB = African Development Bank; AsDB = Asian Development Bank; IaDB = Inter-American Development Bank.

Sources : From OECD (2009) and authors' compilations of various national documents

Through the European Development Fund (EDF), the European Commission (EC), which is the largest worldwide grant provider, has included “good” governance as an essential element of the *Cotonou Agreement*. In the preamble of this 2000 document, the parties acknowledge the critical importance of a political environment that is conducive to development, as well as the primary responsibility of the ACP countries for creating such an environment. This explains why ACP-EU cooperation is underpinned by a basic set of political principles and values that each of the parties is supposed to respect. The rules of the game include three “essential” elements (i.e., respect for human rights, democratic principles and the rule of law) and one “fundamental” element (i.e. good governance). The violation of these principles may lead to partial or complete suspension of development cooperation. In 2006, the *Thematic Evaluation of the EC support to Good Governance* (EC, 2006) and later on the ACP *governance profiles* have re-stated the EC interest for this subject. The Bank exerts a notable influence on the EC *governance profiles*, notably through its WGI which is considered along with three other clusters. These clusters take into account the social aspect of governance, the regional and international context, and the quality of the cooperation partnership. The Bank also influences regional multilateral banks, mainly through the CPIA as these organizations may be reluctant to consider the political dimension of member states.

Beyond rhetoric: what do correlations suggest?

How do international donors behave ? Due to mutual influences discussed earlier, causal inference between donors’ aid allocations and WB governance indicators is beyond the scope of this sub-section. Our ambition limits here to shedding light on the presence or not of linear correlations. Annual new aid commitments as published by DAC/OECD are the left hand side variable. Commitments are preferred to disbursements, which are more likely to be

determined by the nature of projects (e.g. the difficulty of stopping a multi-annual project because of “bad” governance).

Table n°4 : World Bank governance indicators and aid allocation (2005-2008)

Table n°4 : World Bank governance indicators and aid allocation (2005-2008)									
Basic econometric model (BM) <i>Without WB's governance indicators</i>				World Bank governance indicators					
				BM + CPIA		BM + CPIA + WGI		BM + CPIA + WGI + DB	
Donors	Countries	R² adj	F-test	R² adj	Partial F-test	R² adj	Partial F-test	R² adj	Partial F-test
IDA (WB)	70	0.45	21.7***	0.72	57.5***	0.75	2.4**	0.75	0.8
AfDB	31	0.63	43.5***	0.82	15.8***	0.81	1.3	0.80	0.3
AsDB	17	0.61	11.7***	0.68	5.7**	0.64	3.5	0.69	1.9
EDF (EC)	68	0.55	28.4***	0.55	1.5	0.58	3.9***	0.59	4.1**
Denmark	45	0.21	5.2***	0.23	3.0*	0.22	0.9	0.22	1.0
France★	64	0.58	18.2***	0.57	0.1	0.55	1.1	0.56	1.3
Germany	67	0.70	74.8***	0.72	5.0**	0.74	2.2*	0.73	0.2
Japan	65	0.61	26.3***	0.67	18.1***	0.69	2.9**	0.69	5.6**
Netherlands	56	0.19	6.6***	0.28	6.5**	0.35	4.0***	0.35	4.0*
UK★	62	0.69	35.3***	0.71	3.3*	0.69	0.6	0.71	5.1**
USA	67	0.59	28.8***	0.60	3.0*	0.61	1.7	0.61	0.2

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005- 08 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. For France and the UK a dummy variable is also introduced (★) reflecting the colonial status. *** p<0.01, ** p<0.05, * p<0.1. Aid data come from OECD/DAC online database while governance and the other variables are provided by the World Bank's WDI, 2009.

Cross-sectional estimations are run, the number of observations being determined by the availability of data for the three WB indicators, 2005 being the first year of official publication for the CPIA. Average values over the period 2005-2008 are considered for all the variables to smooth the short time series. On the left side of table 4, donor-based correlation models are presented, beginning with a basic model reflecting the WB's Performance-Based Allocation system without any governance indicator (PBA)²³. Aid is assumed to be linked to the same allocation model with population and the per capita Gross National Income. The square of these variables is also considered, to control for non-linearity of relationships. The potential financial risks or the country portfolio performance are proxied by the external debt

service ratio. For France and the United Kingdom a dummy variable has also been introduced reflecting the historical relations with former colonial territories (see Alesina and Dollar, 2000). For each donor, the common basic econometric model highlights the goodness of fit (e.g. coefficient of determination). By using nested hypotheses, the model is then augmented to see how annual new commitments correlate with the WB indicators. The CPIA is embedded to the basic model and then the six components of the WGI and finally the rank of the Doing Business. Adjusted coefficients of determination (R^2_{adj}) and partial F-tests indicate the statistical contribution of additional variables, one of the limitations underlying this exercise being the correlations between indicators.

IDA resources, as well as those of regional Banks (AfDB, AsDB), prove correlated with the CPIA while there is no correlation with the WGI. Regional multilateral development banks probably do not want to antagonize member countries who are also their shareholders and fail to meet some of the political dimension of the liberal contract. The EU's attitude differs as average commitments are correlated to WGI but not with the CPIA. For bilateral donors, diversity prevails in accordance with what official policies tell us (table 3). For Netherlands and Japan correlations are statistically significant whichever indicator we look at. Last but not least, France and the UK display sensitivity to past colonial history. Path dependency is particularly strong for France, whose development assistance tends to be concentrated on the priority solidarity zone (ZSP) whatever the quality of the governance of recipient countries.

Conclusion

The World Bank's model of "good" governance has been developed over several decades since the end of the 1970s. The normative concept comes from the liberal philosophical tradition, combining the protection of private property, the consent of the governed, and the

prevalence of legislative power over autocratic forms of rule. The present state of art is inherited from Locke and from the age of Enlightenment. But in the eighteenth century, the political dimension had an importance which entered belatedly into the Bank's concept, for historical reasons that have been reminded. In shaping what good governance means, the organization has had to comply with its initial articles of agreement as well as some ideological barriers. With the fall of communism some authors thought that universal values of liberalism would spread worldwide, allowing the unity of both political and economic governance aspects in accordance with some liberal philosophers such as Rawls or Dworkin. A long term evolution covering three decades underlies the governance indicators that have been elaborated within the Bank. These indicators focused first on economic aspects (CPIA, Doing Business), and later embraced the political (WGI) dimension of the social liberal contract.

In the design and the worldwide spread of what might be understood as good governance, the Bank and the academic spheres geographically close to its headquarters played a significant role especially but not exclusively through publications. This article has proposed a census of the Bank's publications by using the Web of Science bibliographic database from the ISI Web of Knowledge website. The worldwide publications on governance have dramatically and steadily increased to reach 800 in 2008. Within this production, the Bank's share has varied from less than 1% to more than 3%. Within the knowledge production of the Bank, publications on governance have represented an annual maximum of 8% over the period 2005-08 but 25% in 2003-04. This was calculated using a manual counting procedure from ten academic economics journals among the most important worldwide. So the Bank's message on governance circulated in academia suggesting a

deliberate search for a qualitative effect, using knowledge production as an effective channel to strengthen the influence of the organization.

In addition to publications, training and learning activities were also important as well as the elaboration and calculation of the governance indicators we referred to. In shaping the concept of “good” governance, the Bank combined both *soft* and *hard* power. Soft power comes from the Bank’s ability to develop the attractiveness of liberal society values and its concomitant welfare implications; to keep developing countries open to the integration process into the world economy; and to promote poverty reduction strategies as a first priority. The Bank’s soft power is required to manage the diversity of the world; to keep partners on board; and to maintain relationships with all the stakeholders including NGOs, and international civil society at large. But hard power also matters through the performance-based financial system which links aid to the “good” governance objectives as measured, by the CPIA or the WGI. The relationship between the three WB indicators and the new commitments of some of the most important donors has been tested on donor-based cross-sectional relationships over the period 2005-2008. The statistical framework does not allow concluding in terms of causal inference. However, most of the regressions we run did not reject significant correlations, in accordance with what donors recognize, including when the relation controls for a vector of structural determinants of aid allocation. The CPIA proves to be closely correlated with the aid from both the Bank and the regional multilateral banks, while the political dimension of governance prevails for the European Commission. Former colonial countries such as France, and to a lesser extent the UK, seem to pay less attention to the governance issue. Some geostrategic reasons surely underlie their behavior, as well as the fact that governance is not independent of the sources of structural vulnerability which go hand-in-hand with poverty in former colonies.

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- World Bank (2008b). *Doing Business: an independent evaluation. Taking the Measure of the World Bank-IFC Doing Business Indicators* ; Washington DC.
- World Bank (2009) *Doing Business 2010 : Reforming through difficult times*. Washington DC.

Annex n° 1 : Governance in social sciences publications (1988-2008)

Governance in the title of publications		Governance in the topic of publications	
1. Political Science (428)	10.41 %	1. Economics (1445)	11.18 %
2. Economics (420)	10.21 %	2. Management (1287)	9.95 %
3. Public administration (419)	10.19 %	3. Political Science (1136)	8.78 %
4. Management (351)	8.53 %	4. Business (1097)	8.48 %
5. Law (338)	8.22 %	5. Public administration (1069)	8.27 %
6. Planning and development (314)	7.63 %	6. Planning and development (977)	7.55 %
7. Business (289)	7.02 %	7. Environmental studies (920)	7.11 %
8. Environmental studies (273)	6.64 %	8. Law (907)	7.01 %
9. International Relations (255)	6.20 %	9. Geography (772)	5.97 %
10. Business and finance (182)	4.42 %	10. Business and finance (683)	5.28 %

Source: authors' compilation from ISI web of sciences.

Annex n° 2 : Correlation of aid allocation and WB's governance indicators (2005-2008)

BASIC Model (BM) <i>Without WB's governance indicators</i>			BM + CPIA	BM + WGI	BM + DB (rank)
Donors	Countries	R ² adj	R ² adj	R ² adj	R ² adj
IDA	70	0.45	0.72	0.72	0.51
AfDB	31	0.63	0.82	0.80	0.73
AsDB	17	0.61	0.68	0.54	0.58
EDF (EC)	68	0.55	0.55	0.59	0.55
Denmark	45	0.21	0.23	0.24	0.20
France ★	64	0.58	0.57	0.56	0.58
Germany	67	0.70	0.72	0.72	0.71
Japan	65	0.61	0.67	0.70	0.64
Netherlands	56	0.19	0.28	0.37	0.18
UK ★	62	0.69	0.71	0.69	0.73
USA	67	0.59	0.60	0.60	0.60

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005- 08 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. For France and the UK a dummy variable is also introduced (★) reflecting the colonial status. *** p<0.01, ** p<0.05, * p<0.1. Aid data come from OECD/DAC online database while governance and the other variables are provided by the World Bank's (WDI, 2009..

Annex n° 3: World Bank Governance indicators in multilateral aid allocation system

VARIABLES	(1) IDA	(2) IDA	(3) IDA	(5) IDA	(6) EC	(7) EC	(8) EC	(9) EC	(10) AFDB	(11) AFDB	(12) AFDB	(13) AFDB	(14) ASDB	(15) ASDB	(16) ASDB	(17) ASDB
Basic econometric model																
GNI pc	-0.104 (2.521)	1.527 (2.153)	-0.210 (2.144)	-0.355 (2.196)	4.750*** (1.049)	4.514*** (1.046)	5.249*** (1.158)	-5.177*** (1.127)	-0.0979 (1.796)	-0.560 (1.385)	-1.210 (1.746)	-1.282 (1.786)	25.10** (8.359)	35.54*** (8.277)	62.47** (14.57)	75.41** (17.56)
GNI pc^2	0.0948 (0.183)	-0.0956 (0.163)	0.0463 (0.164)	0.0526 (0.167)	0.374*** (0.0861)	0.349*** (0.0866)	0.413*** (0.0934)	0.416*** (0.0898)	0.0617 (0.157)	0.0621 (0.121)	0.125 (0.145)	0.131 (0.147)	-1.899** (0.641)	2.745*** (0.642)	-4.739** (1.067)	-5.733** (1.312)
POP	0.966*** (0.301)	0.681*** (0.199)	1.076*** (0.208)	1.079*** (0.219)	0.745*** (0.141)	0.710*** (0.147)	0.857*** (0.153)	0.867*** (0.146)	1.022*** (0.279)	0.926*** (0.248)	0.907*** (0.290)	0.926*** (0.309)	-0.0559 (0.466)	-0.303 (0.447)	0.879 (0.932)	0.568 (0.903)
POP^2	0.012 (0.0380)	0.018 (0.0399)	-0.029 (0.0515)	-0.029 (0.0512)	0.044*** (0.0151)	0.043*** (0.0147)	0.053*** (0.0179)	-0.054*** (0.0153)	0.0040 (0.0585)	-0.046 (0.0505)	-0.042 (0.0529)	-0.046 (0.0569)	0.124* (0.0631)	0.115* (0.0555)	0.040 (0.0856)	0.069 (0.0805)
DEBT Service	-0.136 (0.309)	-0.0670 (0.174)	-0.0719 (0.150)	-0.0520 (0.156)	-0.139 (0.125)	-0.131 (0.124)	-0.198* (0.100)	-0.231** (0.106)	-0.370** (0.162)	-0.115 (0.104)	-0.184 (0.117)	-0.188 (0.113)	-0.0776 (0.318)	0.113 (0.364)	-0.196 (0.581)	-0.144 (0.510)
World Bank governance indicators																
CPIA		2.408*** (0.317)	1.629*** (0.482)	1.557*** (0.497)		0.230 (0.188)	0.0119 (0.413)	0.109 (0.413)		1.162*** (0.291)	1.289** (0.570)	1.248** (0.559)		1.790** (0.749)	4.513* (2.049)	5.261 (3.103)
WGI_Corruption			-0.511 (0.506)	-0.336 (0.492)			0.114 (0.261)	-0.136 (0.257)			-1.032* (0.526)	-0.926 (0.610)			3.894 (2.412)	3.394 (2.796)
WGI_Government			0.480 (0.871)	0.388 (0.857)			-0.115 (0.579)	0.0137 (0.584)			0.376 (0.543)	0.348 (0.570)			-8.703 (6.007)	-9.618 (6.884)
WGI_Stability			0.347 (0.333)	0.405 (0.325)			-0.00848 (0.170)	-0.0859 (0.172)			-0.00983 (0.195)	0.0102 (0.211)			0.336 (0.529)	0.173 (0.539)
WGI_Law			0.399 (0.549)	0.254 (0.549)			-0.450 (0.280)	-0.257 (0.241)			0.605 (0.606)	0.524 (0.662)			1.185 (0.968)	2.008 (0.905)
WGI_Regulatory			-0.436 (0.480)	-0.440 (0.474)			0.0738 (0.432)	0.0785 (0.438)			0.0577 (0.607)	0.0322 (0.602)			0.0705 (1.778)	0.297 (1.445)
WGI_Voice			0.720** (0.320)	0.696** (0.317)			0.686*** (0.183)	0.726*** (0.178)			-0.350 (0.223)	-0.351 (0.235)			0.434 (0.524)	0.793 (0.727)
DB rank				-0.00418 (0.00472)				0.00574** (0.00284)				-0.00184 (0.00341)				0.0126 (0.00910)
Observations	71	71	70	70	69	69	68	68	31	31	31	31	18	18	17	17
Adj R-squared	0.453	0.723	0.751	0.750	0.553	0.554	0.581	0.596	0.637	0.820	0.810	0.801	0.619	0.686	0.645	0.696

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005- 08 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. *** p<0.01, ** p<0.05, * p<0.1. Aid data come from OECD/DAC online database while governance and the other variables are provided by the World Bank's WDI, 2009..

Annex n°4: World Bank Governance indicators in bilateral aid allocation system

	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
Basic model	JAPAN	JAPAN	JAPAN	JAPAN	USA	USA	USA	USA	UK	UK	UK	UK	FRANCE	FRANCE	FRANCE	FRANCE
GNI pc	2.16 (1.64)	3.00* (1.58)	1.69 (1.43)	1.87 (1.33)	-3.17 (1.96)	-2.63 (1.81)	-2.54 (1.80)	-2.57 (1.85)	-5.81*** (1.82)	-5.47*** (1.81)	-6.13*** (2.09)	-6.77*** (2.05)	-2.65 (2.23)	-2.59 (2.25)	-2.85 (2.26)	-2.51 (2.21)
GNI pc^2	-0.141 (0.133)	-0.231* (0.128)	-0.122 (0.117)	-0.153 (0.109)	0.295* (0.161)	0.238 (0.149)	0.236 (0.147)	0.234 (0.153)	0.45*** (0.15)	0.41*** (0.15)	0.466** (0.17)	0.501*** (0.17)	0.218 (0.18)	0.211 (0.184)	0.239 (0.189)	0.225 (0.183)
POP	0.427** (0.177)	0.306* (0.156)	0.491*** (0.182)	0.469** (0.179)	1.252*** (0.192)	1.171*** (0.185)	1.07*** (0.210)	1.073*** (0.213)	0.94*** (0.278)	0.88*** (0.263)	0.81** (0.326)	0.90*** (0.313)	0.29 (0.203)	0.277 (0.198)	0.338 (0.257)	0.392 (0.240)
POP^2	0.0515** (0.021)	0.0568** (0.021)	0.0320 (0.03)	0.0241 (0.034)	-0.07*** (0.025)	-0.07*** (0.024)	-0.06* (0.03)	-0.06* (0.0350)	0.007 (0.037)	0.007 (0.039)	0.02 (0.043)	0.014 (0.0396)	-0.006 (0.0312)	-0.006 (0.0316)	-0.002 (0.0437)	-0.006 (0.0421)
DEBT Service	0.056 (0.161)	0.084 (0.131)	0.14 (0.137)	0.18 (0.147)	-0.175 (0.173)	-0.155 (0.159)	-0.30* (0.159)	-0.29* (0.169)	-0.12 (0.201)	-0.104 (0.185)	-0.143 (0.177)	-0.0784 (0.165)	0.219 (0.164)	0.225 (0.158)	0.224 (0.158)	0.171 (0.191)
Colon_british									1.57*** (0.302)	1.60*** (0.297)	1.68*** (0.324)	1.49*** (0.342)				
Colon_french													2.21*** (0.282)	2.23*** (0.29)	2.062*** (0.347)	1.800*** (0.410)
<i>World Bank governance indicators</i>																
CPIA		0.831*** (0.195)	0.729 (0.499)	0.565 (0.516)		0.538* (0.310)	1.05 (0.668)	1.012 (0.688)		0.532* (0.293)	0.673 (0.686)	0.235 (0.725)		0.0840 (0.231)	0.313 (0.560)	0.310 (0.570)
WGI_Corruption			-0.61* (0.341)	-0.277 (0.36)			-0.99** (0.497)	-0.881* (0.491)			-0.49 (1.222)	0.053 (1.220)			0.350 (0.827)	0.119 (0.844)
WGI_Government			-0.107 (0.691)	-0.288 (0.696)			0.674 (0.946)	0.612 (0.950)			0.563 (1.088)	0.560 (0.987)			-1.77* (0.982)	-1.795* (0.970)
WGI_Stability			0.347 (0.289)	0.416 (0.275)			-0.49** (0.225)	-0.454** (0.223)			0.275 (0.310)	0.383 (0.282)			0.065 (0.250)	0.0542 (0.260)
WGI_Law			0.887 (0.662)	0.720 (0.639)			-0.078 (0.465)	-0.166 (0.474)			-0.805 (1.098)	-1.239 (1.050)			0.264 (0.841)	0.422 (0.840)
WGI_Regulatory			-0.324 (0.489)	-0.310 (0.502)			-0.512 (0.566)	-0.515 (0.572)			0.0733 (0.733)	0.102 (0.728)			0.575 (0.558)	0.784 (0.573)
WGI_Voice			-0.237 (0.248)	-0.315 (0.244)			0.514 (0.319)	0.496 (0.308)			-0.0272 (0.377)	0.0117 (0.368)			0.216 (0.271)	0.214 (0.274)
DB rank				-0.008** (0.003)				-0.002 (0.005)				-0.01** (0.004)				0.006 (0.005)
Observations	67	67	66	65	68	68	67	67	62	62	62	62	65	65	64	64
Adj R-squared	0.610	0.671	0.696	0.699	0.590	0.605	0.617	0.612	0.696	0.710	0.698	0.718	0.584	0.577	0.558	0.562

Annex n°4 (continued): World Bank Governance indicators in bilateral aid allocation system

VARIABLES	(34) Netherlands	(35) Netherlands	(36) Netherlands	(37) Netherlands	(38) Denmark	(39) Denmark	(40) Denmark	(41) Denmark	(42) Germany	(43) Germany	(44) Germany	(45) Germany
Basic econometric model												
GNI pc	-5.888* (3.231)	-4.990 (3.091)	-5.730* (3.134)	-5.917* (3.059)	5.378* (3.055)	5.241 (3.213)	2.475 (3.381)	2.999 (3.422)	-0.874 (1.733)	-0.351 (1.708)	-1.705 (1.639)	-1.705 (1.684)
GNI pc^2	0.501* (0.276)	0.400 (0.266)	0.465* (0.259)	0.466* (0.251)	-0.394 (0.254)	-0.403 (0.271)	-0.176 (0.285)	-0.212 (0.287)	0.101 (0.143)	0.0447 (0.142)	0.165 (0.139)	0.163 (0.141)
POP	1.043** (0.430)	1.040** (0.394)	1.721*** (0.453)	1.630*** (0.507)	0.785*** (0.276)	0.646** (0.312)	1.207*** (0.380)	1.163*** (0.383)	0.947*** (0.238)	0.866*** (0.228)	0.835*** (0.261)	0.832*** (0.266)
POP^2	-0.0414 (0.0736)	-0.0611 (0.0698)	-0.138 (0.0836)	-0.121 (0.0832)	-0.0251 (0.0286)	-0.0198 (0.0340)	-0.0859 (0.0537)	-0.0891 (0.0532)	-0.0368 (0.0275)	-0.0337 (0.0257)	-0.00865 (0.0316)	-0.00835 (0.0325)
DEBT Service	-0.257 (0.276)	-0.189 (0.234)	-0.147 (0.222)	-0.106 (0.214)	-0.364* (0.189)	-0.284 (0.206)	-0.283 (0.245)	-0.275 (0.249)	0.00699 (0.184)	0.0283 (0.153)	-0.0693 (0.159)	-0.0588 (0.158)
<i>World Bank governance indicators</i>												
CPIA		1.052** (0.414)	0.175 (0.810)	-0.123 (0.728)		0.553* (0.319)	-0.0369 (0.836)	0.186 (0.892)		0.531** (0.237)	1.155** (0.535)	1.123** (0.533)
WGI_Corruption			2.020** (0.961)	2.692*** (0.968)			-0.437 (0.990)	-0.916 (1.014)			-0.836 (0.727)	-0.744 (0.731)
WGI_Government			-0.480 (1.185)	-0.857 (1.182)			-0.317 (1.254)	0.0146 (1.261)			-0.490 (0.667)	-0.518 (0.668)
WGI_Stability			0.307 (0.321)	0.487 (0.326)			0.394 (0.352)	0.278 (0.367)			0.275 (0.237)	0.297 (0.236)
WGI_Law			-0.463 (1.299)	-0.991 (1.263)			1.004 (0.941)	1.315 (0.959)			-0.0913 (0.649)	-0.170 (0.632)
WGI_Regulatory			-0.307 (0.882)	-0.305 (0.843)			-0.0745 (0.999)	-0.128 (0.984)			-0.168 (0.505)	-0.162 (0.502)
WGI_Voice			0.689** (0.328)	0.748** (0.316)			0.310 (0.534)	0.245 (0.551)			0.126 (0.194)	0.115 (0.197)
DB rank				-0.0109* (0.00546)				0.00721 (0.00713)				-0.00163 (0.00349)
Observations	57	57	57	56	45	45	45	45	67	67	67	67
Adj R-squared	0.190	0.280	0.359	0.355	0.212	0.234	0.226	0.227	0.706	0.725	0.742	0.738

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005- 08 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. For France and the UK a dummy variable is also introduced (★) reflecting the colonial status. *** p<0.01, ** p<0.05, * p<0.1. Aid data come from OECD/DAC online database while governance and the other variables are provided by the World Bank's WDI, 2009..

Notes

¹ See: Stein, 2008; Shihata, 1995; Williams and Young, 1994; Stone and Wright, 2007; Tshuma, 1999, Brautigam, 1991.

² See for instance Joseph, 2000; Miller-Adams, 1999 ; Owusu, 2003; Pender, 2001; Shihata, 1995 ; Harrison, 2005; Devesh et al, 1997.

³ Fukuyama (1992) was among the most prominent authors to predict the global triumph of political and economic liberalism adopting the Hegelian perspective of a progressive humanity evolving to a universal ideology.

⁴ According to Nye (1990), leadership is not just a question of issuing commands through inducements or threats; soft power also matters “Soft” power is characterized by the ability to shape the preferences of others through persuasion, or attraction that leads to acquiescence. Conditionality principles proceed from a hard power while the diffusion of the Bank’s paradigm in the member state community relates to a soft power. On this point see: Mosley et al., 1995; Van Waeyenberge, 2009; Storey, 2000; Plehwe, 2007.

⁵ From the beginning of the 1950’s to the end of the 1970’s, welfare state principles prevailed and the Bank supported public interventionism in developing countries to bypass inefficient market mechanisms. Governments were encouraged to take the lead in the development process, including by some pioneers of development economics who never ignored the problems arising from state failures.

⁶ See Cling et Roubaud, 2008; Mawdsley and Rigg, 2003; Stein, 2008; Stiglitz, 1999; Devesh et al, 1997; Kapur et al, 1997.

⁷ The 1992 pamphlet refers to a definition of the governance given by the *Webster's New Universal Unabridged Dictionary* (London: Dorset & Baber, 1979). Governance has three distinct aspects: (a) the form of political regime (parliamentary or presidential, military or civilian, and authoritarian or democratic); (b) the processes by which authority is exercised in the management of a country's economic and social resources; and (c) the capacity of governments to design, formulate, and implement policies, and, in general, to discharge government functions. The first aspect clearly falls outside the Bank's mandate. The Bank's focus is, therefore, on the second and third aspects. (See: World Bank, 1992; 1994; 2001).

⁸ In the foreword to this report, Wolfensohn stresses that an effective state works for the market as a facilitator of private businesses not as a director. Wolfensohn also notes the historical record that underlines the importance of building on the relative strengths of both market and state, but also on civil society to improve the state's effectiveness (World Bank, 1997).

⁹ See Kaufmann et al, 2008.

¹⁰ For Gilbert *et al* (1999), the DEC is the most important center for development economics worldwide, with some influential implications on academia that are noted by S. Fisher (1995). While recognizing this impact and the ability to promote development schemes, some authors such as Gavin and Rodrik (1995) or Stern and Ferreira (1997) qualify these views, asserting that no major economic idea had ever resulted from in-house production.

¹¹ The problem with the subject classification is that some publications are often put in multiple areas simultaneously. This fact could lead to an overestimating of the weight of individual subject areas. So we solved this issue by pooling these three subject areas for our analysis sample.

¹² The bibliometric analysis ends in April 2009.

¹³ For instance, the well-known 1989’s report of the World Bank, *Sub-Saharan Africa: from crisis to sustainable growth* (World Bank, 1989) was its first report indexing explicitly the issue of governance as the key factor of weak economic performance in African countries while the French version of the report used the term “government” instead of “governance”.

¹⁴ The geographical criterion: “saltwater” and “freshwater” economics is not without any ambiguity. A good example is given by the recent controversy, on the same university campus, between D. Rodrik (Kennedy School, Harvard University) and J. Lerner (Harvard Business School) about the role of the industrial policy in the development process (see Rodrik’s Blog).

¹⁵ In reality the influence varies across countries. The relationship between the Bank and the USA is likely to be more complex than with any other country.

¹⁶ In *Assessing aid*, which proved to be an influential publication of the Bank, governance was conceived as a crucial element of aid effectiveness, contributing to drive resource allocations (World Bank, 1998; Burnside and Dollar, 2000, Santiso, 2001). This perception was strongly debated in the literature as good governance can be endogenous to structural vulnerabilities (Guillaumont and Chauvet, 2001; Van

Waeyenberge, 2009). *Soft power* provides information on the quality of governance while *hard power* potentially applies when aid disbursement is interrupted because of poor governance-based performance.

¹⁷ This narrow list of the World Bank's indicators could be extended with others benefiting from a more limited international statistical coverage. This is the case for the indicator of the *Database on Political Institutions* both conceived and followed by the World Bank's research department since 2000. The DPI explicitly deals with the nature of political regimes worldwide.

¹⁸ By soliciting legal practitioners or professionals who regularly undertake transactions, *Doing Business* Project differs from other business environment surveys. For instance, the *Investment Climate Assessment* (ICA), which is also a World Bank research program, refers to the feeling of private managers and then appears more sensitive to subjectivity than the *Doing Business*. Indeed, managers may reject the responsibility of the economic inefficiency to the external environment they have to assess.

¹⁹ Indeed, among the most regular critics running counter *Doing Business* data, one could notify the bias in favor of formal and urban sectors, the oversight of recurrent transaction costs compared to initial costs, then the weakness in taking into account the substitution effect between present and future and the lack of distinction between deliberate procedure and restricting procedures (Arrunada, 2007).

²⁰ This includes "the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them;" The initial team of the *Governance Matters project* was composed of Kaufmann, Kraay and Zoido-Lobaton, Mastruzzi replacing Zoido-Lobaton after the first edition.

²¹ James M. Buchanan, "The Samaritan's Dilemma." in Edmund Prelim, ed., *Altruism, Morality and Economic Theory* (New York: Russell Sage, 1975), pp. 71-85.

²² Yet, that leads to differences with the World Bank categorization of LICUS (Low Income Countries Under Stress) and has to face critics estimating that fragile states are defined following fragile criteria.

²³ Denmark and Japan have been considered in table 4 while these countries were ignored from the main OECD source we used to build table 3. On the contrary, the Inter- American Development Bank is absent from table 4 for statistical reasons. Information about new commitments over the period 2005-2008 is not available for this regional Bank.