

To be effective, the World Bank should work as a partner

James Wolfensohn, President of the World Bank, visited Ukraine last week. The programme of his visit included a meeting with representatives of several non governmental organisations. At this meeting, Vira Nanivska, Director of the International Centre for Policy Studies, shared her ideas regarding the role of the World Bank in the process of transformation in Ukrainian society and the co operation of non governmental organisations with the Bank. It is our pleasure to offer you a summary of this presentation

In this country notwithstanding the age, we are all young students of democracy. This transformation goes right through every one of us. The most difficult lesson to be learned for both individuals and the government is to accept the legitimacy of the interests of others.

Managing reforms, supporting them, interacting with the international community in a cacophony of only recently freed societal voices: this is an enormous challenge which requires specific skills. These are the skills which we need to learn.

Instead of continuous working dialogue and partnership with the international community, our situation is such that we move from one crisis to another, with each side blaming the other. Every student of development economics knows what is wrong with Ukraine: lack of political will in the government, corruption, weak civil society. And it is true. However, there is another player critical to Ukrainian transformation: this is the international donor community, active in designing reforms and assisting in their implementation.

Numerous critics of the Bank claim that governments do not accept the Bank's programmes as their own because they are not involved in the process of the development of these programmes. As a result, proposed reforms and globalisation do not help to improve the living standards of most of the population; on the contrary, poverty increases. As a reaction to this criticism, new slogans are proclaimed: cooperation, active government participation in reforms, partnership with non governmental organisations. Do they help? No.

So what is missing? The concepts are all there. At all stages, World Bank analysis of developing economies has been of high quality. Liberalisation, privatisation and macroeconomic stabilisation, followed by ownership, participation, institutional capacity building, and poverty reduction: these can only be applauded. The true challenge, however, is in the implementation of these ideas.

Liberalisation was introduced into a fully totalitarian regulatory system, without the presence of even the notion of competition, nor laws, regulations or procedures and skills of competition protection. Without a contract enforcement system in place. As a result, the old system of control was destroyed, but within this process of change a new market system of checks and balances failed to emerge.

Certificate and mass privatisation designed and performed on anti market socialist ideas of "fair and equal redistribution of property" pushed into deeper shadow already existing businesses — co operatives

and leased enterprises — instead of supporting and legitimising them into the new market system. All power of decision about the mechanisms of privatisation was given to the government, which continued to function with an intact totalitarian machinery. As a result, the first wave of Ukrainian small and medium size businesses was completely destroyed, shadow corrupt connections strengthened, and faith in reforms and private enterprise was undermined.

This experience points to a substantial gap between the stated purposes of reform projects and their actual mechanisms of implementation. There is a lack of skills in the Bank at the ground level to deal with participation, communication, policy development, policy management, policy coordination and policy consultations. Bank employees are not able to assist the Ukrainian side to shape the launching of new processes. In developed countries, all these activities are no less professional than macroeconomics: there are special university programs, qualification requirements, standard operational procedures, guidelines and document templates.

The Bank, though, continues to function in an intuitive manner when it comes to work in this field. Bank economists are put under an unbearable pressure of contradicting pulls when they have to function beyond the scope of their expertise.

My recommendations for the World Bank at this stage of transformation in Ukrainian society are as follows:

- the introduction of feasibility studies on institutional and political capacity of the government to make and implement decisions;
- further technical assistance emphasizes policy management and change management;
- greater attention and effort expended in the area of communication with clients involved in reform.

The World Bank is supposed to play an important role in transformational processes both in Ukraine and the world. Only through the partnership and mutual support will the objectives of successful transformation be realised.

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