Describing distributional effects in reforms supported by the World Bank Group

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What reforms does the WBG support ?

- Civil society institutions
- Public agencies
- Public spending
- Technology generation and transfer
- Market reforms

Institutional reform and development (civil society)

- Producers organizations (especially for marketing goods or contracting advice, not for collective production);
- Private sector (legal and regulatory framework, investment climate);

Public Agencies

- Parastatals, especially those involved in marketing goods (often privatized or liquidated, sometimes survive with mandate limited to regulation or advice);
- State farms (usually privatized or otherwise liquidated).
- Focus of public sector on public goods.

Quality of public spending

- Targeting to rural development and to rural public goods; and
- Greater efficiency of public spending in rural development.

Technology generation and transfer

- Financial institutions (many fewer lines of credit, much more in institutional strengthening);
- Research (main goal is to create a pluralistic system, responsive to producers, open to international technology, and productive in terms of measurable technological change).

Market reforms

- Overall goal is greater role for markets and greater efficiency in market operation);
- Private goods (tradables and non-tradables);
- Provision of public goods (notably environmental goods through the GEF).

Goods Markets

- Exchange rate (macro dialogue jointly with IMF);
- Trade policies, as they affect tradables prices; and
- Controls and other domestic policies, as they affect prices of non-tradables (much less common in SSA than in past).

Factor markets

- Labor (Legal and regulatory framework);
- Land (land administration and reform);
- Finance (strengthening regulation and microfinance).

Advisory support to reforms

- Rural strategies (define problems of public policy in recommend policy instruments to solve such problems);
- Specific studies and technical assistance (e.g, commodity and value chain studies, work on comparative advantage and incentives);
- System design (M&E, public expenditure management); and
- Donor coordination

Financial support to reforms

- Budget support (e.g, financing for reforms that have opportunity cost in public income such as tariff cuts or spending shifts);
- Budget support to public investment programs (e.g, PRSCs);
- Forms of WBG support are complementary (financial support is usually accompanied by advice and technical assistance).

Purpose of information

- Goal is to create a picture of the pre-reform situation whether in an explicit model (such as CGE or farm models); or in a more descriptive one (such as a poverty assessment or a PER).

Information required

- Production technology
- Consumption preferences
- Distribution of assets, income and consumption
- Relative prices
- Incidence of public spending

Risk and uncertainty

- Special case (not because of info needed but because of inherently subjective perceptions);
- Probabilities of outcomes;
- Distributional weights of outcomes;
- Political effects of outcomes
  - Related to cumulative nature of outcomes

Information required post-reform

- Same information is required to examine effects of reforms
- Greater coverage required to attribute causality and exclude random or un-related effects.

Definitional problems with some reforms

- Especially institutions – how we measure their productivity in a convincing way ?

Uniqueness problem

- Every country is unique .. but this view can be taken to such an extreme that it makes comparisons impossible;
- If comparisons are impossible, then learning from international experience is too.

Accountability problem

- Governments may effect reforms for which they are not accountable

Priorities (1)

- Comparability among datasets and other information
- Consistency among model frameworks (or at least explicit inconsistencies)
- Solving definitional problems in institutional reforms
- Linking reforms and accountability

Priorities (2)

- Reducing perception errors where policy effects are uncertain
- Knowledge transfer to mitigate the uniqueness problem