Profitability Through Quantification: The World Bank and Rural Development in the 1970s

Introduction

Both critics and researchers of the World Bank have long pointed to the large gap between its rhetoric and its practice.¹ This article connects to the wide body of literature that emphasizes this discrepancy by going back to its origins: the 1970s. Before the 1970s, the World Bank mostly operated as a rather small, cautious, and specialized investment bank for development. In most cases, the Bank did not pretend to be doing anything beyond its basic remit – financing infrastructure projects with a focus on an adequate economic rate of returns.

It was only during the 1970s, by multiplying its lending and borrowing volume over the decade, that the World Bank transformed into the powerful and influential development finance organization which we know it as today.² One important aspect of this institutional transformation was the introduction of several new techniques of quantification in the World Bank’s business. Another important element was the rhetorical embrace of a new moral mission: the alleviation of world poverty and a focus on small farmers and rural development.³

Many researchers have looked at the Bank’s turn towards poverty during the 1970s with a focus on discourses and policy discussions. The World Bank’s policy announcements and its contributions to the development discourse certainly matter because they were augmented by the Bank’s lending resources and through the wide circulation of its reports. Nevertheless, it is pertinent to also

go beyond the discursive and rhetorical level in order to investigate what the Bank’s new focus on poverty and rural development entailed as a lending practice. This article analyzes the internal difficulties and contradictions the World Bank encountered in its attempt to translate the new moral mission for poverty alleviation and the focus on rural development into a practical lending approach and bankable projects.

The main argument is thus that the gap between Bank rhetoric and practice with regards to its rural development program in the 1970s cannot be understood as a problem of good intentions gone awry. Instead, this gulf was systematically connected to the profit-orientation and quantifying procedures of the World Bank as both a financial institution and as a technocratic organization.

The article loosely builds upon a wide body of literature that emphasizes the technocratic elements of development, analyzing and criticizing the larger development endeavor as a “politics of techno-science” which was rooted in a “high modernist ideology.” In the case of the World Bank, its firm orientation on profits and the wide application of generalizing and quantifying procedures are key characteristics that make it a technocratic organization. Both shaped the way in which the World Bank attempted to translate intricate problems of rural poverty into problems of agricultural productivity and into bankable projects that could be implemented with technocratic confidence.

The article adds a new perspective to this literature through the focus on the internal workings and debates within the World Bank in the second half of the 1970s. It charts some of the internal disagreements of Bank staff regarding the quantifying technocratic approach towards rural development that the organization developed throughout the 1970s. These contestations show that the World Bank was not a monolithic actor and that some Bank staff were aware of the complexity of addressing poverty. Nevertheless, a technocratic approach and quantifying logic towards rural development projects prevailed because they were systematically connected to entrenched World Bank procedures and institutional requirements that focused on quantification and profitability.

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4 The most insightful older study in this regard is Robert Ayres, Banking on the Poor: The World Bank and World Poverty (Cambridge, Mass.: MIT Press, 1983).
The Old and the New Bank

The World Bank, in the form of the International Bank for Reconstruction and Development (IBRD), was founded together with the International Monetary Fund (IMF) at the Bretton Woods Conference in July 1944. As one of the central pillars for the postwar international financial order, the Bank was supposed to provide long-term credits for the enormous reconstruction and development needs after the Second World War. While the importance of the World Bank in financing European reconstruction measures was sidelined by the launch of the US–sponsored Marshall Plan in 1948, the World Bank lending portfolio encompassed a wide range of countries during the 1950s, from comparatively high-income countries directly to European colonial powers for their late colonial development schemes, and independent developing countries.

Many of the institutional practices, rules, and norms of the World Bank developed with an eye to Wall Street over the course of the 1950s. On the one hand, this was based on the external resource dependency on Wall Street because IBRD received its funds from bond sales at financial markets. On the other hand, the orientation towards Wall Street and an investment-banker approach to development were also internalized within the organization through the selection of its top personnel. Eugene Black and George Woods, IBRD’s presidents from 1949 until 1968, as well as other top personnel, came directly from the New York financial community. They were not development economists who dreamed about a “big push” of large investments and capital transfers for developing countries or about the possibilities of state planning for industrialization. Instead, they came to the World Bank with a cautious and conservative investment-banker mindset and experience that focused on the virtues of private business and was preoccupied with the soundness of investments.

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8 High-income countries and European colonial powers accounted for almost half of all lending by the IBRD between 1947 and 1960. Their share subsequently declined over the course of the 1960s, see Verena Kröss, “The World Bank and Agricultural and Rural Development in the 1960s and 1970s” (PhD diss., Jacobs University Bremen, 2021), 29.
9 Devesh Kapur, John Lewis, and Richard Webb, The World Bank: Its First Half Century, Vol. I (Washington, D.C.: Brookings Institution Press, 1997), 92, 125. Michele Alacevich’s historical work on the Bank has demonstrated that this investment banker approach to development was not unanimous in the IBRD before 1952 but that it ultimately prevailed. See Michele Alace-
Throughout the 1950s and 1960s, the World Bank mostly operated as a rather small and cautious special investment bank for development. Lending levels remained modest, and the loans came on conditions that reflected market terms. The IBRD mostly financed the foreign exchange costs of “productive” infrastructure projects, particularly in the transportation and power sector but also for large irrigation schemes. The projects were based on the calculation of an economic rate of return, and credit was bound to the import of discrete capital equipment.

There were several small deviations from this logic of operations of the World Bank as purely a special investment bank for development throughout the 1960s, from the establishment of the International Development Association (IDA) as a soft loan affiliate within the World Bank to increased attention for financing agricultural projects. The World Bank was also grappling with the effects of decolonization and a rapidly growing membership of newly independent countries, particularly from Africa, and as such was ill-prepared for offering quick investments to their new members.

Nonetheless, it is fair to say that the basic orientation and institutional logic of the World Bank did not change fundamentally from the 1950s until 1968. With regards to the rest of this section, two aspects are important to stress: the alleviation of poverty was largely not an explicit concern of the World Bank during that period. Furthermore, the World Bank generally continued to conduct its lending operations in an “ad hoc style” in which countries came with loan requests to the Bank which were evaluated “on a case-by-case basis.”

16 Sharma, McNamara’s Other War, 44–45.
Most analysts agree that it was over the course of the 1970s under the presidency of Robert McNamara that the World Bank turned from being a rather small, specialized investment bank for development into the powerful and influential development finance organization which we know it as today.\(^{17}\) The World Bank rapidly expanded and multiplied its entire lending and borrowing volume, along with its staff and the number of reports it produced.\(^{18}\) Concurrently, the Bank also expanded its fields of engagement by embracing a rhetoric of poverty alleviation and by experimenting with new poverty-oriented lending fields such as rural development which, for a long time, had been considered the domestic affairs of borrowing countries.\(^{19}\) Both aspects of the institutional transformation of the World Bank during the 1970s were closely bound up with the introduction of new quantitative management, programming, and accounting techniques at the Bank that fundamentally transformed how it was conducting its business.\(^{20}\)

Robert McNamara arrived in April 1968 as the new Bank President, directly from his post as Secretary of Defense of the United States, in which he had been one of the people primarily responsible for the escalation of the Vietnam War during the 1960s. McNamara came to the Bank with a broad understanding of development as a large-scale process of modernization which was widely held in the Kennedy and Johnson administrations and notably differed from the investment-banker perspective of Bank presidents before him. Development was not merely a limited and profitable investment project but was connected to Cold War strategy, security concerns, and a broad liberal vision of modernization.\(^{21}\) McNamara also brought with him his faith in modern management techniques and his obsession with quantification.\(^{22}\)

While McNamara played a crucial role in steering the Bank’s rapid expansion over the course of the 1970s, his success was ultimately predicated upon broader shifts in the foreign aid regime and the globalization of financial mar-

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\(^{20}\) For more details on the introduction of these techniques see Sharma, *McNamara’s Other War*, chapter 2.  
\(^{22}\) On this point see especially Sharma, *McNamara’s Other War*, chapter 2; see also Guy Fiti Sinclair, *To Reform the World: International Organizations and the Making of Modern States* (Oxford: Oxford University Press, 2017), 241 – 245.
A similar analysis can also be made for the embrace of the poverty theme and the introduction of quantitative programming and management techniques in the World Bank. While the former was clearly linked to wider international discussions about the crisis of development at the end of the 1960s, new techniques of quantification had been on the rise for a while and became widespread from business to academia and government throughout the 1970s.

One of the most fundamental changes that took place at the World Bank at the end of the 1960s was the introduction of a new operational logic into how it managed its lending program. When McNamara arrived at the Bank, he ordered his staff to prepare a five-year lending program from 1969 to 1973 under the assumption that there was no shortage of funds and he announced that he intended to double Bank lending across the period compared to the previous five years. The request to prepare a five-year lending program fundamentally diverted from the way the Bank had been conducting its business. Instead of the traditional qualitative approach in which Bank staff were evaluating each incoming loan request in an “ad hoc style,” the new system ingrained a quantitative future-planning logic into the World Bank. Bank staff had previously been involved in project design and economic reports. But a five-year quantitative program with actual lending targets and estimates for all regions, and pressure on staff to meet them, introduced a new operational logic into the Bank’s lending program. It was this quantitative planning which made the rapid expansionary drive of the World Bank throughout the 1970s possible.

The programmatic rhetorical embracing of a new moral mission to fight “absolute poverty” as “a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims’ basic human necessities” was an-
nounced at McNamara’s annual meeting speech in Nairobi in 1973.29 At the heart of the new focus on “absolute poverty” was the small farmer and a strategy for rural development as McNamara observed that “the vast bulk” of the poor lived in rural areas and that “it is there – in the countryside – that we must confront their poverty.”30

Yet the moral urgency and pressing critique of the persistence of poverty that McNamara portrayed in many of his speeches were not met with a fundamental transformation of the Bank’s business. While a concern for poverty entered the Bank’s language and reports, projects that attempted to address the poor directly never accounted for more than 30% of the World Bank’s lending during the second half of the 1970s – with rural development accounting for about half of this.31 It was one thing for McNamara to embrace the small farmer in his speeches, it was quite another to actually integrate this new agenda into the operational logic of the World Bank, which at its core remained a financial institution.

**Rural Development as a Financial Institution:**
**Quantity versus Quality**

As a highly centralized financial institution, the World Bank was neither particularly well suited nor experienced for carrying out complex programs involving thousands of smallholders that required detailed knowledge about local agricultural, social, and economic aspects. Bank management recognized the fact that rural development did not fit the Bank’s traditional focus on channeling capital. McNamara emphasized that it was the “organizational structure” that posed the biggest challenge for rural development32 and the Bank’s sector policy paper on rural development observed that “finance alone is not the limiting factor in bringing about a sustained increase in output among small-scale producers, fre-

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30 McNamara, *The McNamara Years*, 259.
32 McNamara, *The McNamara Years*, 249.
quent technological, organizational, procedural, and manpower difficulties limit the effective use of additional investment.”

Bank staff also perceived many of the Bank’s traditional standards and policies as an “obstacle” for the implementation of a rural development program: the Bank’s standards for international competitive bidding for procurement, the focus on foreign exchange, restrictions on financing recurrent costs, and the difficulty of disbursing money for small items.

The most crucial obstacle to the practical implementation of a rural development lending program at the Bank during the mid-1970s was, however, the “conflict between quantity and quality in lending targets.” This conflict was, in fact, a contradiction and tension that was at the core of the operational logic of the World Bank under McNamara during this period.

Bank staff clearly perceived the qualitative objective to design new experimental rural development projects as conflicting with the quantitative lending targets discussed in the previous section: “Rural development projects are difficult to prepare and implement and consume large amounts of time and staff. This conflicts with the strong Management push for meeting quantitative lending targets. Management must choose what it wants.” Another Bank official also warned McNamara that the quantitative lending goals were much more dominant in the Bank than the goal to implement an experimental rural development program:

Your stated quantitative objectives come through the organization loud and clear. The gospel of new ideas does not transpire as easily. The upper and middle levels of management have not been convinced or capable enough to transmit the inspiration, and we have not yet found a good way to “indoctrinate”. Hence the accusations for quantitative emphasis.

Other management officials also pointed out that the tension between a qualitative shift and a quantitative expansion of the Bank’s lending program was “compounded by the fact that any bureaucracy has a tendency to reward maximum

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output rather than to provide incentives (including the time to do so) for innovative or difficult work.’

Pushing out growing amounts of loans, maintaining an efficient Bank budget by keeping staff increases to a necessary limit, and experimenting with the new rural development agenda that required carefully designed pilot projects did not go well together. We will come back to this tension and how these contradictory demands played out in the Bank at the end of this article.

The tension between quality and quantity was also mirrored in the ambivalent Bank understanding and definition of rural development. There was an implicit qualitative understanding among Bank staff that connected it to the broader ambitions of a poverty-focused development approach. This qualitative notion focused on multi-sectoral area development projects in which project components that focused on raising production were combined with social components which concentrated on education, nutrition, health, and rural water supply.

However, for quantitative monitoring purposes, the World Bank developed its own precise but oddly technical definition of rural development. The World Bank classified all lending to the agricultural sector as rural development provided that at least 50% of the intended benefits went to beneficiaries within its poverty target group. This quantitative definition introduced a logic of head counting into the Bank’s project design and was oblivious to a project’s content and design. If the Bank’s project appraisal report estimated that half of the benefits went to poor people in rural areas, then it was classified as rural development, even if most of the loan financed the construction of a rural road, for example, which was something that the Bank had already been financing since the 1950s. Later Bank evaluation reports thus also pointed out that “there was clearly a degree of tokenism in relabeling the conventional project pipeline to conform with the RD [rural development] project definition.”

This was particularly true for Bank lending to South and East Asia in which tra-

40 World Bank, OED, Rural Development: World Bank Experience, 4; World Bank, Focus on Poverty, 5–6.
41 World Bank, OED, Rural Development: World Bank Experience, xiv.
ditional infrastructure investments remained high within rural development projects.\(^{42}\)

**From Rural Poverty to Bankable Projects**

It is important to point out that Bank staff generally recognized that there was no quick fix or simple technological solution to rural poverty. For some staff, it was precisely the intricacy of the problem of rural poverty which made Bank lending for it difficult:

> Significant progress in rural areas requires what amounts to a social revolution. Radical changes in the social/economic structure, such as an effective land reform, is likely to be disruptive during the period of transition and thus to slow down economic growth in the short run and worsen the country’s creditworthiness. In view of poor performance, the Bank then reduces its lending to the country.\(^{43}\)

On an analytical level, Bank management was also quite aware of the high requirements for establishing a viable rural development program during the mid-1970s. They recognized the importance of finding the right organizational set-up, the need for political commitment, and participation by smallholding farmers.\(^{44}\) They also discussed the difficulty of finding locally tested agricultural packages that worked for small farmers\(^ {45}\) and mentioned the need for land reforms.

This analytical knowledge about the complexity of rural development, however, conflicted sharply with the operational logic and reality of the World Bank. Beyond the lofty discussions in speeches and policy papers, the Bank aimed at converting the idea of rural development into a practical lending program during the mid-1970s. This implied that intricate problems of rural poverty needed to be translated into bankable projects. In its operational approach, the Bank abstracted from the complexities involved and found a general form of rural development that it could handle, and which fit the policies of the World Bank. This general form centered on the assumption of productivity and production increases, around which all rural development projects were built and designed.

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\(^{43}\) Baum and Stern to McNamara, “Plan of Action,” Annex E, 6.


While the World Bank participated in international discussions about “basic needs” at the end of the 1970s, it is important to understand that with regard to lending the Bank did not adopt a “basic needs” approach to development that understood their fulfillment as a right or entitlement. The Bank focused on making investments in the poor in order to increase their productivity and, subsequently, their income, integrating these people into a wider process of economic growth.

The World Bank paid attention to the economics involved, to cost recovery schemes, and the necessary measures to ensure low-enough costs to make social services economically sound. It was the promise of increased production levels which made rural development projects appropriate for Bank financing and which fit traditional Bank standards that promised a high rate of cost recovery and that assessed projects through the calculation of an economic rate of returns. All of this was the attempt of fitting the new agenda of rural development into the procedures and logic of a banking institution in the second half of the 1970s.

As a lending approach, rural development at the World Bank was deeply rooted in a top-down and technocratic approach to development. Rural development projects were built around extremely optimistic expectations for rapid production increases that were estimated at project appraisal. In many cases, it was still unclear how exactly the agricultural production of small farmers could be increased, especially in arid and mountainous regions. Nevertheless, World Bank-project design over the course of the 1970s was inspired by technocratic confidence and by an untested belief in finding technological solutions along the way of project implementation.

The top-down logic also applied to other aspects in the design of rural development projects. The project appraisal report estimated the number of beneficiaries, the expected increase of production, and which component of social infrastructure was to be financed through the project. Robert Ayres has aptly summarized the top-down rationale of this approach through the logic of “targeting,” the way of thinking and terminology with which the Bank approached the rural poor, as a “target population” for their projects: “This assumed, to con-
tinue the analogy, that the target could be readily identified and that, once identified, it could be ‘hit’ with the intended benefits.”

Thus far we have seen how the World Bank tried to make rural development fit into the logic of the Bank as a financial institution. The integration of rural development into the Bank involved several procedures of quantification: from the calculation of the economic rate of returns to the identification of “target groups” and estimates of the “beneficiaries” in project appraisal reports. The difficulties and limits of these processes of quantification will be analyzed in the next section.

The Limits of Quantification

According to Montague Yudelman, Director of the World Bank’s Agricultural and Rural Development Department, the insistence on quantifying the benefits of the rural development program came straight from McNamara: “McNamara, of course, wanted to cite numbers, so I insisted that on every project the staff should tell me how many people benefited from it. So, it may have been like the body count in Vietnam; they may have manufactured numbers, but I had to trust them.”

High-level managers at the Bank noted that data and information problems made it very difficult to quantify how much money would be reaching the poorest 40% in a country. They observed that any such analysis “must be treated with considerable caution and be seen as giving only rough orders of magnitude” but they still produced the required numbers and estimates.

Robert Ayres, who conducted interviews with Bank staff in the late 1970s, also reports that many staff members did not see the utility of monitoring rural development projects through quantitatively measured benefits and that “some admitted that they cooked up the data requested.” In many cases, the World Bank staff could not rely on trustworthy data sources but the Bank’s headquarters requested the data regardless.

The Division Chief for rural development at the Bank’s headquarters, for example, complained to the East Africa Division that most of the early project in-

48 Ayres, Banking on the Poor, 103.
51 Ayres, Banking on the Poor, 108.
formation briefs were missing the necessary data and that regarding this data the
“most important problem is the reluctance of project staff to make estimates.”
Some staff indeed seemed to have been hesitant in making certain estimates. An
economist working in East Africa reluctantly transmitted income guidelines for
rural poverty groups but only upon pointing out that they had to be used with
“extreme caution,” that there was no national account of this income data,
and that the methodologies for coming up with the data included “pure guess-
es.”

The problem was not confined to income data alone but involved most data
in project appraisal. Staff also expressed “serious reservations” about calculating
the precise economic rate of returns for rural development projects which re-
quired data on all production-related project aspects. Staff observed that base
data contained “enormous margins of error” and that they were able to “produce
almost any desired rate of return.” Staff defended rural development as an ex-
periment in achieving larger structural reforms with unclear outcomes – but that
made the calculation of an exact economic rate of return impossible.

These quantification efforts, especially the “body count” of how many poor
people were profiting from World Bank projects, produced a sense of frustration
in Bank staff who produced the data: “I accept the fact that we have to try and do
some poverty analysis, but I feel that we must be careful that we do not take too
seriously the figures we are producing [...]. We should not ignore the cynicism
that our own staff have about the poverty figures they produce and some of
the cynicism from outside the Bank about our figures these days.”

These examples of staff questioning the quantification approach towards
rural development came from the East and West Africa Regional Departments,
where the lack of trustworthy data sources was likely more severe than else-
where. Still, it was a great challenge for all project appraisal missions to deter-
mine the exact “target group,” estimate local rural income data, and calculate

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52 Leif E. Christoffersen to James Hendry, “Monitoring System of Agriculture and Rural De-
velopment Projects Preparation of Quarterly Report,” September 18, 1975, East Africa Agricultural
Record, WBGA, folder 1411392.
53 Michel Del Buono to Ted J. Davis, “Monitoring Project Information: Rural Poverty Income
Guidelines,” August 6, 1975, East Africa Agricultural Record, WBGA, folder 1411392.
54 Hans A. Adler to Willi A. Wapenhans, “Rural Development Projects in Eastern Africa,” May 1,
1978, East Africa Agricultural Record, WBGA, folder 30339854, 2.
55 Adler to Wapenhans, “Rural Development Projects,” 2.
56 J. K. Peberdy to K. Berg, “Poverty Impact Analysis in Appraisal Reporting for Agricultural
Projects,” February 21, 1980, West Africa Agricultural Record, WBGA, folder 1420582.
the precise economic rate of return based on assumptions of how small farmer production would respond to not yet established agricultural innovations.

Besides the frustration these quantification efforts aroused in Bank staff, it is important to keep in mind that the questionable nature of the data disappeared when it entered World Bank reports. Once established, such data and projections became important project facts.⁵⁷

When the World Bank announced at the end of the decade that it had assisted millions of poor people and was lifting thousands out of poverty, these numbers were the estimates of what the Bank thought would be the effect of their projects before the projects started.⁵⁸ They were rarely related to the actual results of projects because there was a considerable lag in the completion review and assessment of projects.

In the World Bank’s own evaluation reports on its rural development projects, it dutifully noticed the limitations of the economic rate of return calculations for the assessment of projects that focused on small farmers. Yet it continued the analysis by comparing the rate of return of rural development projects as a whole with the lending to other sectors in order to assess successes and failures.⁵⁹

The Problems with Profitability

By the end of the 1970s, it was clear that it had been impossible to integrate the new agenda for rural development effectively into the operational logic of the World Bank as a financial institution. The World Bank was experiencing a severe crisis of its overall operational approach at the end of the decade.⁶⁰ At its core, this crisis revealed the tension that existed in the World Bank between the insti-

⁵⁷ Peberdy to Berg, “Poverty Impact Analysis.”
⁵⁸ See for example Table 3 in World Bank, *Focus on Poverty*, 7 that lists “poor beneficiaries” in million families “at appraisal.”
tutional requirements of being both a financial institution and a development organization. Several different problems and elements converged during this crisis: problems with the slow disbursement of funds, the imperative of budget maximization, and diminished staff morale. The crisis was a general one and went far beyond rural development, but the problems of the integration of rural development into Bank procedures represented a powerful indicator of the crisis and of the contradictions within the World Bank.

At the end of the 1970s, a possible negative net disbursement rate was a looming danger to the Bank’s image as a development institution that actively channeled capital from its richer member states to its borrowing countries. World Bank management discussed the problem of a slow disbursement rate on several occasions. Numerous aspects could delay the implementation of (rural) development projects, ranging from problems of finding adequate staff and a lack of counterpart funds by the government to complex processes of coordination in multi-sectoral projects, as well as difficulties in finding agricultural packages. When World Bank management looked at the organization’s actual resource transfers, meaning the use and disbursement of funds and not just their commitment on paper, all of these difficulties translated into the problem of a “slow disbursement rate.” Rural development in particular was simply not an adequate lending endeavor to quickly channel large amounts of capital.

Another aspect of the crisis of the Bank’s operational approach was the imperative of budget maximization which demanded high lending levels while keeping administrative and staff costs to a necessary minimum. This imperative focused on the profitability of the organization and was rooted in the institutional character of the World Bank as a financial body. In the second half of the 1970s, the Bank’s management regularly debated about how they could cut the yearly budget demands of the various regions because the Bank’s Board of Executive Directors, which represents the member states, would not allow too high of a budget increase for administrative expenses. This budgetary pressure was discussed in the regional departments as something that limited the number

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62 PC, February 13 and May 1, 1978, RPRM, WBGA, folder 1770829; PC, June 20, September 26, and December 18, 1978, RPRM, WBGA, folder 1770830. See also Sharma, “Bureaucratic Imperatives.”
of well-prepared projects available. \(^{64}\) It also worked as a constrain on discussing difficulties: “You have in a sense, opened a Pandora's box of complications which, in these days of budgetary constraints on ‘non-operational’ activities, lending by target, and a thin pipeline of projects could well result in a less than welcoming reception in several areas.” \(^{65}\) The problem was not confined to rural development but it was an illustrative example of a field of lending that required much more staff time and could not be truly reconciled with the imperative of budget maximization.

Another aspect of the crisis of the World Bank’s operational approach at the end of the 1970s was discussed internally by the management as “staff morale problems.” \(^{66}\) While some of the problems had to do with compensation issues, other concerns that staff raised were much more directly related to their perception of a declining project quality and to problems with over-control from management and pressure on staff rooted in the introduction of quantitative lending targets and the need to push out money. \(^{67}\) Hollis Chenery, Vice President of Development Policy, suggested that “quality versus growth issues” were plaguing staff at the Bank and were at the root of some of their concerns. \(^{68}\) Nevertheless, McNamara obstinately refused to consider any tension or trade-off between quality and quantity at the World Bank. \(^{69}\) However, this was not the shared perception of Bank staff, especially with regards to rural development which represented the major qualitative shift in lending that McNamara had endorsed.

### The Failure of Rural Development

The sheer volume of Bank rural development projects makes any overall assessment that pays attention to details notoriously difficult. \(^{70}\) Nevertheless, several case studies indicate that the World Bank was not very successful in reaching

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67 PC, January 31, 1977, RPRM, WBGA, folder 1770828. See also Sharma, McNamara’s Other War, 141–143.

68 PC, April 30, 1979, RPRM, WBGA, folder 1770831.

69 PC, April 30, 1979.

70 Between 1974 and 1981 the World Bank financed over 300 rural development projects in dozens of different countries, see World Bank, Focus on Poverty, 7.
and benefitting the rural poor with its projects during the 1970s. While using different criteria and perspectives, the World Bank's own retrospective evaluation of rural development projects was unmistakably clear in its assessment that, at the very least, area development projects, which represented "the heart of the rural development experience as originally proposed," largely failed, especially (but not only) "the many Sub-Saharan African ones, only a minority of which succeeded to some degree."

While a great deal of the Bank's internal discussions focused on the failure of rural development projects in Africa, disillusionment with the rural development agenda was not confined to the continent, though it was strongest there. In 1982, one Bank official summarized the Bank's "disappointment" with rural development projects on general terms and independently from any specific region: "(1) They have reached the poor much less than was hoped; (2) they have taken longer to design, negotiate and execute than was expected; (3) they have had difficulty in building and leaving behind institutions that are able to function on their own and actually deliver services to the poor." In 1978, the World Bank's Operation Evaluation Department published a sweeping critique of past experiences with rural development in Africa. The report reviewed projects that had been appraised before the new rural development agenda was embraced in 1973 and which were only retrospectively classified as rural development. It was clear in the discussion, however, that many of the problems it identified were similar in recent Bank projects, which was demonstrated by the next Bank evaluation report that was published in 1988.

It is important to emphasize that the assessment of the failure of rural development discussed here refers to the perspective of the World Bank which, to a large degree, focused on the achievement of quantitative goals that were set at appraisal. Other standards and criteria for the assessment of "failures" are both possible and desirable. The Bank's evaluation reports are not a good

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72 World Bank, OED, Rural Development: World Bank Experience, xiv-xv.
73 World Bank, OED, Rural Development: World Bank Experience, xvi.
75 World Bank, OED, Rural Development Projects: A Retrospective View.
76 World Bank, OED, Rural Development: World Bank Experience.
means to trace and understand possible deflections of benefits and investments or their appropriations and alternative uses by people on the ground, for example. The Bank’s own assessment, however, reveals serious structural flaws in project design and major deficiencies in the institutional setup. It shows that the World Bank itself was deeply implicated in the failure of its rural (area) development projects, particularly in several African countries.

The central problem of the Bank’s rural development projects was that it often did not have any viable and locally-tested agricultural approaches and technologies through which they could reasonably expect the increase in agricultural productivity that the projects were designed to achieve.77 The Bank compensated through technocratic confidence and a leap of faith in coming up with a viable agricultural package during project implementation which in most cases was not successful.

The Bank’s evaluation reports were quite clear that the focus on increasing agricultural production had proven to be unsuccessful in areas without irrigation in which the Green Revolution package was not an answer.78 The evaluation report of 1988 observed in this regard that “the experience from audited projects suggests that in general there was a pattern of overoptimism and sometimes even plain error with regard to agricultural technology. Only in a few rare cases was there sufficient caution on the technology issue.”79

A second problem and source of failure of rural development projects was rooted in the lack of attention the World Bank paid to institution-building. In some cases, the complexity of area development projects simply overburdened the administrative capacity in borrowing countries. Tanzania and the Bank’s financing of ujamaa in the middle of the 1970s was the most prominent example that was analyzed along these lines in the World Bank.80

It should not be forgotten, however, that the Tanzanian case was not typical for the Bank’s mode of implementation of rural development projects on the continent. In many other African countries, the World Bank worked through so-called autonomous project units that were separated from existing administra-

tive and government structures in borrowing countries.\textsuperscript{81} In the eyes of the Bank, autonomous project units promised a quick implementation of projects by helping to bypass inefficiencies and a lack of trained staff in the existing government administrations. But they were detrimental to institution-building.\textsuperscript{82} In many African area development projects, the hindrance of institution-building was further exacerbated by the fact that the Bank made extensive use of “foreign experts” as a form of “technical assistance.”\textsuperscript{83} This model of implementing rural development projects was criticized on several occasions and from different angles as a costly endeavor that kept countries in a dependent position and disregarded the view of local administrators.\textsuperscript{84} Nevertheless, the World Bank strongly relied upon ex-colonial civil servants from the United Kingdom, France, and the Netherlands for staffing these autonomous project units because they constituted the “‘traditional’ market for expatriate agricultural expertise.”\textsuperscript{85}

Conclusion

The article set out to explore the gap between rhetoric and practice at the World Bank with a focus on its rural development agenda in the 1970s. The analysis focused on the difficulties the Bank encountered in its attempt to integrate the new agenda for rural development into the operational logic of the Bank as a financial institution. The article analyzed the generalizing procedures the Bank employed to make rural development fit the context. These procedures translated complex problems of rural poverty into problems of agricultural productivity and into bankable projects which the Bank designed with technocratic confidence.

\textsuperscript{81} On these different ways of project implementation see Uma Lele, \textit{The Design of Rural Development: Lessons from Africa} (Baltimore: John Hopkins University Press, 1975), chapters 8 and 9.
The most important argument is that the huge gap between rhetoric and practice with regards to rural development in the 1970s could not be understood as a problem of good intentions that went awry. The discrepancy was instead systematically connected to the profit-orientation and the quantifying procedures that were at the core of the World Bank as a financial and technocratic organization. They fundamentally shaped the way in which the new moral agenda for poverty alleviation and rural development was translated into bankable projects. By the end of the 1970s, it was clear that it had been impossible to truly integrate rural development into the operational logic and requirements of the Bank as a financial institution. Many Bank projects were experiencing major problems, particularly in achieving the main goal with which they set out: increasing the agricultural production of small farmers.

The article has provided first insights into the limits and problems of quantification and of the profit-orientation at the World Bank, substantiating the critique of technocratic elements of development through a historic analysis and focus on the internal workings of the World Bank. Future research in this direction could, in my perspective, take up two important focuses that are already discussed in recent literature that should be connected to a close analysis of the World Bank.

First, it is important to consider that the World Bank was and is a crucial site in the production of economic data, particularly with regard to development. In recent decades, historical analyses have taken up some of the insights of the science of technology approaches and have paid increasing attention to the processes and conditions under which economic data was being produced – treating it as a specific product and construction rather than as simply a collection of facts.\textsuperscript{86} Economic data and statistics have a dual character in these analyses: “On the one hand, statistics of society and the economy are self-consciously and very overtly the products of a labor of construction. On the other hand, once established, they become objective facts, mere passive reflections of an ex-

ternal economic or social reality.” The World Bank’s role in the creation of economic data and “facts” increased substantially during the 1970s, particularly with the creation of the World Development Indicators which were published as an annex to the Bank’s flagship publication World Development Report that started in 1978. Analysts have already pointed to the fact that these tables full of data and ranking indicators changed the discussion about development which henceforth had “to be backed by numbers.” Others have also emphasized that these Bank indicators are not neutral but an expression of specific theories about development. Yet a detailed and wide-ranging analysis of the processes and history of “fact” and data production at the World Bank is ripe for further research.

Second, a close analysis of the Bank in the 1970s and 1980s should be connected to recent discussions that contest existing narratives and chronologies of the “failure of development” in different African countries which the World Bank took a big part in helping to shape in the first place. At the beginning of the 1980s, the World Bank cast aside its own deep implication in the failure of rural development projects in favor of an analysis that almost exclusively blamed African governments and wrong macroeconomic policies for the existing problems. The ominous so-called Berg report advertised a “focus on smallholders” and on “a growth-oriented rural development strategy” with an unbroken authority as if this had not been precisely what the World Bank had been trying to do throughout the 1970s without much success and with numerous contradictions involved in its approach and project design. At the beginning of the 1980s, the World Bank’s technocratic solution to rural poverty was scaled up from the (overly) optimistic technocratic belief in agricultural productivity in-

90 For a start see the insightful case study on the World Bank and Malawi with a focus on project related data in Traugh, “Yielding Trouble.”
93 World Bank, Accelerated Development, 50.
creases of the 1970s to finding the right technocratic fix at the macroeconomic policy level, at which devaluation and economic liberalization were supposed to create the right price incentives for farmers who would ideally respond with increased production.