Systematic Country Diagnostics: The World Bank’s Response to Social Justice Demands in the Middle East?
Lecture by Kaushik Basu & Shantayanan Devarajan
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Summary by Leslie Cohen

The Arab uprisings put The World Bank’s socio-economic assessment tools into question. The World Bank had given some of the countries of the uprisings like Tunisia, a positive economic outlook when the country was on the brink of social upheaval. IFI's Social Justice and Development Policy in the Arab World Program hosted a panel entitled Systematic Country Diagnostics: The World Bank’s Response to Social Justice Demands in the Middle East? with the Chief Economist for the World Bank, Kaushik Basu, and the World Bank’s Chief Economist for the Middle East and North Africa region, Shantayanan Devarajan. Basu spoke on expanding the Bank’s view of economic development to include social and political factors that affect equitable growth. Devarajan introduced Systematic Country Diagnostics, the Bank’s new development needs assessment tool. The speakers found that obstacles to social justice in the region stem from poor governance. A discussion followed on the role of the World Bank in addressing this issue.

Refining Economic Development in a Social Justice Framework

Basu argued that in the long term, economies run on knowledge and ideas. To understand the needs of developing economies today, we need more than traditional economic solutions. While investment and savings remain the primary drivers of growth, social norms that allow trust in transactions are equally, if not more important. These norms find their roots in psychological, social, cultural, and political frameworks. Thus, all these disciplines must be integrated in a framework that promotes just and sustainable development.

Diagnosing Obstacles to Social Justice in the Region

Introducing the country diagnostic tool, Devarajan identified three obstacles to the realization of social justice in Lebanon. These are unemployment, low quality of basic services, and inadequate infrastructure. When polled, at least 80% of the population in Arab countries agreed that it takes connections to get a job. Private sector growth is often inhibited by government regulations that privilege certain industries whose magnates are well connected. Devarajan referenced Tunisia under President Ben-Ali, whose relatives kept prices artificially high on their products, many of which were necessary inputs to the export industry. This prevented exports from growing, and many jobs went uncreated. Devarajan argued that a lack of resources is rarely the problem, but rather a lack of appropriate regulations and incentives that push people to work in a way that benefits the greater good.
The Role of the World Bank in Addressing Poor Governance

Devarajan acknowledged that the Bank can only offer diagnostic advice rather than the common perception that it forces the adoption of certain policies. The Bank faces several constraints rooted in a country’s sovereignty and sensitive political situation that does not allow it to implement all it proposes in negotiations. The World Bank also offers all its findings and recommendations on its website in an effort to further democratize the process of development. Devarajan clarified furthermore that the purpose of the country diagnostic tool is not to make recommendations to client states. From a social perspective, citizens themselves have a better idea of their own needs than the Bank, and should be empowered by the tool to push for their own solutions.

Basu addressed corruption by stressing the need for very surgical solutions. Corrupt practices are usually entwined with legitimate economic activity. Blunt tools that try to address corruption as an over-arching problem have caused a great deal of damage to valid parts of the economy. Thus, increased precision is necessary. In terms of the equation that balances social, political, cultural, and economic factors, Basu says there is no ultimate solution or sole decider. Issues of identity are decided and revised around this equation every day. Basu noted that in the Middle East, as in all parts of the world, people have more in common than they wish to recognize. Yet social justice demands this recognition of our common humanity.