Information, Power, & Location:
World Bank Staff Decentralization and Aid Project Success

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Decentralization of an organization's staff can do (at least) two things: it changes information flows and it changes decision rights. Foreign aid agencies have long preached the value of locating their staff in their "client" developing countries. Locating staff overseas is framed as giving staff access to local knowledge and context, with presumed benefits for project success. This paper sheds light on the net effects of World Bank staff decentralization as well as the mechanisms. In doing so, it provides a rare opportunity to understand how country features mediate the effects of an identical administrative decentralization effort. Changes in the decision rights of field-based personnel in the late 1990's also provide leverage on the independent effect of information flows and decision rights. Using fine-grained individual level data on staff rotation from 1947 to 2005 allows the analysis to capture the effect of different levels of decision-making power while stripping away any fixed features of staff via individual fixed effects. I find that merely placing World Bank staff in developing countries has little effect on the success of development projects. Combining physical presence and decision rights does, however, yield an impact on projects. In the most fragile states, the presence of senior personnel (World Bank country directors) with authority is associated with greater project success. However—consistent with a bargaining model in which greater World Bank authority is at odds with recipient country direction and project ownership—as countries become less fragile, the net effect of the presence of country directors becomes negative. The impact of decentralization in this context is mixed and flows from the exercise of power, not just information.

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"The notion that every decision [the World Bank made] had to be taken in Washington just struck me to be preposterous. The real strength in the organization are the people in the field who are very well skilled in making decisions. And I felt that the closer you could get the decisions to the field and the greater responsibility you could give to the Regions, the better off you'd be." - Former World Bank President James Wolfensohn's reflections on his presidency[2]

1: Introduction

Organizations have long debated where to place both personnel and decision-making authority. A great deal of work across both the developed and developing world has focused on understanding the effects of decentralization in the public sector (Andrews & Schroeder, 2003; Bardhan & Mukherjee, 2007; Brinkerhoff et al., 2018; Elgin & Carter, 2018; Krawczyk & Muhula, 2018; Pepinsky & Wihardja, 2011; Pickering & Jusic, 2018; Richardson et. al., 2018). Particularly in the developing world literature, one central tension weighs the benefits of potential information gains of having agents close to the ground against the possibility of corruption or other misuse of the greater autonomy and flexibility stemming from decentralization.

It is not merely domestic agencies that face this tension: international donors have also long debated where to put their people. The central tension of the debate is also the essence of the principal-agent problem: it is difficult to make good decisions over great distances, and asymmetric information is critical for the success of development projects. But it is also exceedingly difficult to monitor agents in the field when staff are decentralized.

For all the ink spilled examining critical success factors of development projects (Kilby, 1995; Ika et al, 2010; Khang & Moe, 2008, Kilby, 2000; Ahsan & Gunawan, 2010; Youker, 1992) there is remarkably little empirical work that explores the actual effects of staff placement on development success.[3] This paper aims to begin to address that gap using detailed records on World Bank personnel; novel data on the assigned location of staff disclosed by the World Bank in response to an Access to Information request. These staffing data are merged with data on World Bank-funded project success to examine the

[2] Wolfensohn 2006, 72.

[3] One exception is Honig 2018, which presents very preliminary findings in his appendix that suggest, using data that the author concedes is "surely inaccurate in many cases" (p. 205) that mere physical presence of donor staff in a developing country is insufficient. Honig finds that aid agency field offices are associated with better performance conditional on having higher levels of agent autonomy and operating in more unpredictable recipient country environments, but do not have an unmoderated positive effect on project performance. This paper takes substantially more accurate, and more fine-grained, data to a related question. It asks not just "is there an office," but "who is in the office in the country, and what authority do they have," thus allowing this work to interrogate questions not just of presence, but also of power.

relationship between staff placement and performance.[4] These data allow for a more fine-grained analysis of the organizational dynamics and authority structures of aid agencies than has been possible to date, contributing to an emerging literature on the organizational structure of aid agencies (Bush, 2016; Campbell, 2018; Gibson, 2005; Gavas et al, 2015; Honig, 2018; Swedlund, 2017). This work also joins with others in this special issue (e.g. Kay, Rogger, and Sen 2018; Meyer-Sahling, Mikkelsen, & Schuster 2018; Williams & Yecalo-Tecle 2018) in furthering our understanding of bureaucrats' control over their labors and the exercise (or not) of their discretion.

The World Bank is a particularly fertile place to explore these issues. Well-paid World Bank international staff are unlikely to engage in petty corruption if placed in the field, making less likely the possibility that agents will be "captured" in an economic sense (like that of Tirole 1994). With this potential concern largely mitigated, we can examine in a more nuanced way if and when the information gains of decentralization lead to improved performance. By examining decentralization efforts inside international donors, we can also explore the differential effects on performance of decentralization across different country contexts. This paper thus sheds light on important dynamics of decentralization, which is of broad relevance to many kinds of agencies. Is merely having staff present sufficient from an information and flexibility standpoint, or do those staff also need decision rights—the power to actually change things? To what extent do these effects vary when the same decentralization strategy is employed in different contexts?

This paper also explores questions of substantive importance to the developing world by shedding light on the interactions between international actors like the World Bank and developing country governments. Aid thinkers have long lauded the benefits of country ownership by developing country governments; of putting domestic actors "in the driver's seat," as it is often framed (Booth, 2012). The World Bank must negotiate project design with developing country government clients who also often implement the projects. Greater decision rights—and thus power—being held by country-based staff may thus lead to more of what the World Bank staff want, at the expense of the desires of country authorities. Does greater decision-making, and thus bargaining, power by World Bank staff in developing countries facilitate country ownership, or rather limit it?

The following Section 2 provides a brief background on the World Bank as a site of study. Section 3 develops theory suggesting there are both "information" and "decision rights" channels via which we might expect decentralization to operate, and that there is

[4] The basic functional unit of development is the project; "a set of complementary activities over an established time and budget, intended to achieve a discrete development result." (USAID 2016). Very rarely are two projects the same—they differ in location, sector, and purpose—but they are composed of time- and place- bound activities that are the result of careful agency planning and preparation. In April 2017, for example, the World Bank approved projects with focuses ranging from the quality of educational statistics in the Dominican Republic, to public health behavior in Bosnia, to Benin's agricultural productivity, or India's state-level urban development. (World Bank Project numbers P163049, P160512, P160029, and P155303, respectively; examples taken from Honig 2018.)

ambiguity as to whether these channels are complementary or pull in different directions. This section then develops testable hypotheses. By exploiting the placement of personnel of varying seniority in recipient countries we can tease apart these channels and explore when and where decentralization is associated with greater or lesser aid project success. Section 4 introduces the structure of the data and tests these hypotheses. Section 5 discusses these findings and concludes.

2: The World Bank: Staff Placement and Project Success

The World Bank has a substantial history of thinking critically about its own structure in ways that provide econometric leverage on these issues. In 1996, then-World Bank President James Wolfensohn launched a reform effort called the "Strategic Compact," which was intended to "reengineer the Bank's entire organizational hierarchy and incentive structure" (Nielson et al, 2006, p 108). As Nielson et al note, the strategic reform was brought about due to a "series of scathing internal reports," including an "explicit condemnation of the Bank's bureaucratic culture … [including] an overly centralized hierarchical administration in Washington, DC that oriented staff towards bureaucratic maneuvering rather than the results of projects on the ground" (Nielson et al, 2006, p. 116), referring to a 1992 report of the World Bank Portfolio Management Task Force: the Wapenhans Report. The Wapenhans report found increasing rates of projects that were judged "unsatisfactory" after completion, and pointed towards "internal features undermining the organization's realization of overall development objectives" as one of the main drivers of these unsuccessful projects (Weaver, 2003, p 233). In particular, the report pointed towards an "over-reliance on universal, abstract knowledge and "blueprint" project models that ultimately failed to respond to the specific needs" of countries in which the World Bank worked. (Weaver 2003, p. 233**)** In short, one key finding was that the World Bank overlooked and under-prioritized local, specific knowledge—the kind that may be difficult to garner from desks in Washington, DC—instead relying on more general blueprints. In response, Wolfensohn and a new senior management team designed the Compact: a 250 million USD, four-year reorganization proposal for the Executive Board of Directors, aiming to focus attention towards more country-specific projects and rethink how the organization operated (Weaver 2007, p. 56).

One of the main tenants of the Strategic Compact was an administrative restructuring that decentralized management and staff to field offices around the world. This led to a greater number of international staff at varying levels moving to "field" postings, accelerating a more gradual de-concentration of staff to country offices. Some of these staff were those responsible for supporting programs; these sectoral specialists and project leaders (or, in modern WB parlance "task team") responsible for day-to-day interactions could now interact far more easily with domestic actors. More of the World Bank personnel in charge of the relationship with individual countries – country managers – also shifted to the field, where they could better manage relations with their counterparts. In many ways, the focus of the Strategic Compact was the most senior country-oriented personnel at the World Bank below the level of Vice President: country directors. Country directors are senior to country managers, and often (though not always) are responsible for a small group of countries, overseeing country managers**;** nearly all country directors had historically been based in Washington, DC. Wolfensohn's administration shifted about a third of country directors from Washington to field offices, with the aim of allowing the Bank to manage loans and projects more responsively to country interests. (Weaver, 2007, p. 56). Before 1998, about 1,900 staff members of the World Bank were located outside of Washington DC (World Bank 2001b). In 2001, that number had increased by 33 percent to more than 2469. Between 1997 and 2000, the Bank recruited over 3,300 new staff members, and about one third of these went to overseas offices (Weaver, 2007). The number of country directors located in the field increased from three to 28 (out of 58) by late 1999 (Weaver & Leiteritz, 2005, p. 378).

The change for country personnel was not merely geographic, however. Staff members in country offices reported new authority to make operational decisions in areas including "procurement, financial management, and disbursement." (World Bank 2001a, 29-30 as quoted in Nielson et al, 2006, p. 123). Country directors saw even more radical changes in their job descriptions; as Nielson et al. put it, "with the Compact, Country Directors effectively became 'princes' in local financial fiefdoms." (Nielson et al, 2006, p. 123). Wolfensohn also specifically highlighted the role of these directors and their independent decision-making in describing the compact. During the 1997 annual meetings, the first since the launch of the Compact, Wolfensohn said during his annual address, "To take this beyond rhetoric, we have decentralized aggressively to the field. By the end of this month, 18 of our 48 Country Directors with decision-making authority will be based in the countries they serve — compared with only three last year" (International Monetary Fund 1997, p. 8). Country directors were also given the budgetary autonomy to contract additional specialist services to address the specific program needs of their country (World Bank 2001b).

There is also every reason to think World Bank staff matter to project success. – that World Bank agents exercise substantial, if incomplete, authority over aid projects despite an administrative façade that implies otherwise. World Bank projects are formally the results of negotiations between the World Bank and recipient government authorities. Officially, action is led by developing countries; as the World Bank puts it, "the borrowing country is responsible for examining the technical, economic, social, and environmental aspects of the project" (World Bank 1993). Once a plan is in place, "negotiations bring World Bank and the borrower together to agree on the measures necessary for a successful project. Through a give-and-take process, the Bank and the borrower review all the issues that have arisen during preparation." (ibid)

However, in practice, the World Bank has far more influence than this description implies. Bank staff create a Staff Appraisal Report (SAR) "which is the starting point for negotiations with the borrower" and "these documents, rather than the borrower's preparation report are presented to the World Bank board of directors for approval." (Kilby, 2001, p. 7). Deininger et al (1998) note that "in most cases, countries are not in a position of having a well-defined investment program from which World Bank staff can pick and choose … in most cases, projects are not close to being fully designed before World Bank staff become involved." (p. 405). Thus it is no surprise that the characteristics of World Bank staff are a critical component of World Bank project success. In one of the most provocative papers on aid project performance in recent years, Denizer et al. (2013) find that the identity of the World Bank project manager (Task Team Leader) has an effect of the same order of magnitude as the identity as the country the project occurs in in explaining World Bank project performance.

In the World Bank, then, we have a large organization, with a very large field presence, that undertook structural reforms with an aim of placing more personnel in the field and increasing their decision-making rights, particularly country directors. The World Bank's efforts in implementing its Strategic Compact provides leverage on whether and how the physical presence of staff impacts development project success, and whether the attempted change in decision-rights altered the effect of physical presence.

3: Theory & Hypotheses

Both within the World Bank itself and in the broader literature on aid agencies, placing staff in the field is often referred to as "decentralization". This is in some respects an unusual decentralization for a public agency, in some sense more reminiscent of a private sector organization's use of the term than a Government's. This is, first and foremost, because the decentralization literature is often focused on changing accountability pathways, particularly local and democratic accountability (Agrawal & Ribot, 1999, Azis, 2008, Ribot, 2002), as the pathway via which decentralized agents will lead to better performance. But aid agencies have only limited accountability to the communities in which their projects take place (Easterly, 2009). Aid agencies are ultimately primarily accountable "up" to their management—in the case of the World Bank, ultimately to the World Bank's executive board—rather than "down" to the intended beneficiaries of aid projects. As Nielson and Tierney (2003) note, staff members at international development organizations (IDOs) in general, and the World Bank specifically, are not rewarded "and may even be punished if they respond too vigorously to stimuli other than the demands of their proximate principal, they should tend to ignore or discount demands made by interest groups in given member countries." (Nielson & Tierney, 2003, p. 250).

Nonetheless, the World Bank's efforts under the strategic compact do offer the opportunity to think about two constituent elements of decentralization often put forward in the literature (e.g. Francis & James 2003, Miller 1999): devolution and de-concentration. Deconcentration – the physical shift of personnel - seems to describe much of what the Strategic Compact was focused on, on the shifting of personnel to the field. Devolution is normally thought of in the public sector as the shifting of power to lower units of government, as is the case in e.g. Opalo's (2018) piece in this special issue. But there are some real shifts in power in the World Bank to the field, particularly around the strategic compact, which might be thought of as devolution. There is also the marked increase in Country Directors' power, which – while these are still quite senior roles – marks a devolution of power from the center to senior personnel.

Having removed much of the bottom-up accountability channel makes the World Bank an unusual case of decentralization. But this very unusual-ness allows us purchase on the mechanisms of action of devolution and deconcentration that are normally exceedingly difficult to isolate. And indeed, the existence of World Bank personnel in the field both before and after the Strategic Compact's push for devolution allows us to see the effect of mere presence (pre-Compact) and how that may differ from the combination of presence and devolution-induced increases in power, particularly for country managers (post-Compact).

Deconcentration and devolution represent two distinct potential mechanisms of action for decentralization. Deconcentration simply changes physical presence; and the benefits of being physically present may flow entirely through an ability to observe, to gather data. That is, it may not be the shift in power but rather the simple ability to gather greater contextual information that can be transmitted to headquarters via which decentralization's effects operate. Alternately via devolution, decentralization may reduce inefficiencies stemming from a centralized bureaucracy by putting more power in the hands of staff in the field who can more deftly navigate the complexities of the environments in which they find themselves; in this scenario, the decision-making authority is key.

Deconcentration: The Information Channel

For firms and organizations, deconcentration helps to include more local, specific information into decision-making processes. Local knowledge includes knowledge of specific skills, assembly processes, machine operations, law or accounting practices—and more. Deconcentrated research and development departments are more effective at garnering context-specific, local knowledge (Argyres & Silverman, 2004). And when "successful innovation depends on close understanding of user needs" (Von Hippel, 1988) deconcentrated research and development is all the more useful.

IDOs may lack local accountability, but these organizations still need to rely on local information to drive project success. Scholars of IDOs have theorized that staff's local knowledge may be critical to the success of attempts to improve the condition of developing countries (Martin, 2006). Deconcentration's potential to facilitate increased local knowledge has parallels in the broader discourse regarding decentralization. That is, firms and public agencies realize informational benefits from putting staff closer to the 'coal face' of implementation.

Devolution: The Decision Rights (Decentralized Power) Channel

Perhaps it is not merely information transmission, but also devolved power, via which staff decentralization yields effects. Transferring information up a managerial chain can be time-consuming and costly. Allowing specific information to be used in decision-making processes, thus, "requires decentralizing many decision rights in both the economy and firms" (Jensen & Meckling, 1992, p. 1), or devolving control to the field. Being able to make use of the contextual information they can gather locally can allow field staff to make decisions their superiors would not have made, with benefits for organizational performance (Aghion & Tirole, 1997; Campbell, 2018; Honig, 2019; Stein, 2002).

But existing work on IDO staffing provides reason for thinking devolution may have mixed effects. Some of this work suggests effective aid projects occur when lower levels of the organization have more operating slack (Honig 2018), which may include not following the formal rules of the organization (Campbell 2018; Eyben 2010). Devolving power to field-based country directors is a transfer of power from headquarters. But it may also reduce the power of lower level, project-specific staff who can no longer operate as freely as they may have in the past.

We also might expect that devolving decision-making authority to the field allows World Bank agents to push forward the World Bank's agenda more effectively, and this itself may have ambiguous consequences. Swedlund (2017) frames aid project preparation and implementation as a bargaining game between aid agency and recipient country, with greater local information as one key advantage of recipient governments in influencing the outcome of aid bargaining. But if senior World Bank officials who have better access to this local information, we might expect recipients' bargaining power to fall in relative terms. Simply put, the World Bank getting more of what it wants may mean that recipient countries get less of what they want. Even when both donors and recipients both are committed to the same broad goals, they may have markedly divergent preferences about how aid should be deployed (Dreher et al., 2017; Winckler & Therkildsen, 2007).

It is not at all clear that greater World Bank authority in the field – inasmuch as it allows the World Bank to push its own vision of projects forward at the expense of recipient governments - will lead to better development results. Indeed, the "country ownership" agenda suggests that aid efforts are more likely to succeed when developing countries, rather than donors, are "in the driver's seat" (Booth, 2012; OECD, 2005). A stronger World Bank presence in-country means more local bargaining power for the World Bank, and thus relatively less possession of the "drivers seat" by developing countries.

The effect of greater World Bank power brought about by devolution might be heterogeneous: When the World Bank interacts with less stable/more fragile states, the effect of greater World Bank bargaining power might be positive – World Bank planning can effectively substitute for the recipient Government's lacunae. World Bank actors with decision rights can flexibly respond to project needs, consistent with Campbell 2018 and Honig 2018. Thus if indeed the decision rights channel is important, we ought expect the impact of greater decision rights to be higher where more flexibility is in demand – in more fragile states. In less fragile states, however, greater World Bank authority may be associated with reductions in project effectiveness as the World Bank's preferences are at odds with the better-informed vision of the developing country government's.

Hypotheses

Both the deconcentration channel – with its focus on information - and the devolution channel should, I expect, have impacts on project performance.

For deconcentration, I expect that while the Strategic Compact increased markedly field presence, the informational advantages of deconcentration should be present before and after the strategic compact. That is,

H1: Staff presence in the field will be associated with higher levels of project performance. This will be true both before and after the Strategic Compact reforms.

For devolution of power, however, the strategic compact is critical, shifting the power of those in the field, particularly for the Country Directors on whom the strategic compact focused. I expect that

H2: The association of Country directors with project success will be enhanced in the post-Strategic Compact era.

I do not expect the Strategic Compact to effect those who received no new powers, however. As noted above, the Strategic Compact also led to the deconcentration of Country Managers (the administrative level below Country Directors, who also hold some managerial decision rights, supervising country portfolios) but not substantial devolution of powers to Country Managers. By examining Country Managers separately from Country Directors, we can tease apart the effect of devolution following the strategic compact from deconcentration. I expect that

H3: Inasmuch as Country Managers were deconcentrated but did not get substantial new powers via the Strategic Compact, there will be no change in Country Managers' association with project success following the strategic compact.

If H2 is supported – and Country Directors do indeed impact project performance, increasingly so in the post-Compact era – I expect that, as theorized above, the effect will not be unambiguously positive. That is,

H3: Country Directors will have the greatest positive effects in the most fragile states, with declining effectiveness – and perhaps even a net negative impact – on project performance in the least fragile environments.

The next section turns to introducing the data and testing of these hypotheses.

4: Empirics

Dependent Variable: Development Projects and Project Performance Ratings

Following a World Bank project's completion, each project receives a rating ranging from one to six on a Likert-type scale as to its overall project success—whether it accomplished its development outcomes. A given project's rating is intended to incorporate a project's relevance, effectiveness, efficiency, sustainability, and impact, and maps onto a broader OECD Development Assistance Committee standard (OECD 1991, 2000). These ratings have been used extensively in the literature on donor effectiveness, which generally takes these ratings as a noisy but valid measure of project performance (Buntaine, 2016; Denizer et al., 2013; Dreher et al., 2013; Geli, 2014; Honig, 2019).[5]

The evaluation process begins with an evaluation conducted by project staff who are assigned to the project when it is completed. These staff (who almost certainly have not been with the project since the beginning of its lifespan--projects last many years, and World Bank staff rotate more rapidly) complete an Implementation Completion Report (ICR). The World Bank's Independent Evaluation Group (IEG) reviews all of these staff completion reports: for 20-25 percent of projects, the IEG conducts its own "in-depth field-based evaluation" (World Bank Independent Evaluation Group 2015, p 2). The IEG maintains a public database of these evaluations. The analysis below incorporates almost 10,000 discrete projects (9,787), the full current database at the time of download.[6]

Staff Presence During Projects

I filed a formal Access to Information inquiry to the World Bank seeking information on staff presence in overseas offices.[7] In response the World Bank disclosed a master list of "resident mission field offices" from 1947-2005; to our knowledge, no research internal or external to the World Bank has previously exploited this novel data. The data disclosed by the World Bank includes the identity of largely international (that is, foreign-born) professional-grade personnel based in each country office, and the dates of their presence.[8]

During the lifetime of a single project, many staff will rotate in and out of project delivery roles. Staff may also be based in "the field" – in the country in which the project is occurring – or elsewhere. Using these data, I, in collaboration with research assistants, coded the presence of three kinds of staff variation. First, we coded whether any staff were present in an office over a given period of time. Second, we coded the field presence of the country managers that manage day-to-day relationships with borrower countries.[9] Third, we coded the presence of country directors in the field.

We calculated the presence of any staff, country directors, and country managers as a simple proportion of the project's implementation period (the period between the start and end date of the project) and the project's preparation period (the year preceding the

[5] This is not to suggest that ratings are unbiased, or not subject to "grade inflation". Donor fixed effects account for any constant re-scaling of ratings.

[6] July 2016. Database available at https://finances.worldbank.org/Other/IEG-World-Bank-Project-Performance-Ratings/rq9d-pctf.

[7] World Bank Access to Information (AI) Request #4614. Response received in November 2016. The request itself was filed by Susanna Horton on my behalf.

[8] As clarified by World Bank archives staff, the disclosed data is weighted towards "professional" pay grades, and is not a comprehensive document listing all staff (e.g. it likely excludes the great majority of local office staff; nearly all individuals in the document have names that suggest they are not nationals of the country in which they are listed).

[9] The title country manager was only introduced in the early 2000's; the "country manager" designation is given to all the equivalent or near-equivalent titles the World Bank has used over the years: Resident Representative, Chief of Mission, and Chief of Resident Mission.

start of the project).[10] So, for example, if any staff are present for three out of six years of a project's implementation, "any staff implementation presence" takes a value of .5. Similarly, if any staff were present for three of the 12 months prior to the project, "any staff implementation presence" takes a value of .25. For country managers and country directors, the coding is additive. If e.g. multiple country directors (overlapping, say, because of a transition from one country director to another) are present at the same time, they are both counted.[11] The data begins well before, and continued for a decade after, the commencement of the Strategic Compact. This allows for an examination of whether the change in decision rights of staff (particularly country directors) was influential.

Summary Statistics

One further complication for these data is that while project evaluations are available through 2015, staffing data is only available through 2005. Thus when examining implementation, I only use projects whose operations closed in 2005 or earlier. When examining preparation, I only use projects that had been approved by the WB Board of Directors in 2005 or earlier. Tables 1 and 2 provide summary statistics: Table 1 includes relevant variables conditional on being included in the "implementation sample." Table 2 includes relevant variables conditional on being included in the "preparation sample." These tables include the Polity IV State Fragility Index (Marshall and Elzinga-Marshall 2016). Project size data is from the World Bank PPAR data itself.[12]

Variable	Obs	Mean	Std. Dev.	Min	Max
Project Success (6 point scale)	8491	4.066	1.271	1	6
Any Staff Preparation Presence	8491	.591	.479	0	1
Country Director Preparation Presence	8491	.082	.27	0	1.29
Country Manager Preparation Presence	8491	.396	.474	0	1.923
Project Size (Net Commitment Millions)	8390	55.571	98.166	-745.645	3000
State Fragility Index	3731	11.631	5.223	0	24

Table 1: Preparation Sample Summary Statistics

[10] Both implementation and preparation periods were coded as they both seemed critical to a project's success. I had some priors that physical presence would be more important during implementation, as this is the phase of a project when adaptation is needed, but did not formalize these into hypotheses before turning to the data.

[11] As a result, the country manager and country director presence proportions in a very small number of take values above 1 (if e.g. a country director was present throughout the life of the project, with a period of overlap as an incoming and outgoing country director were both present for a number of months.

[12] For 517 projects where project size is negative, missing values are substituted for the WB-generated data. Including these projects in unmodified form does not alter the substantive findings.

Variable	Obs	Mean	Std. Dev.	Min	Max
Project Success (6 point scale)	7076	4.097	1.321	1	6
Any Staff Implementation Presence	7076	.623	.449	0	1
Country Director Implementation Presence	7076	.081	.238	0	1.175
Country Manager Implementation Presence	7076	.417	.43	0	1.325
Project Size (Net Commitment Millions)	6993	55.4	100.541	-745.645	3000
State Fragility Index	2729	12.082	5.224	0	24

Table 2: Implementation Sample Summary Statistics

Hypothesis Testing

The empirics below first present the primary findings, then interrogate those findings. The basic econometric model is

$\textit{Project Success}_{i,j,t} = \text{PRESENCE}_{i,j,t} + \text{COUNTRYSPECS}_{j,t} + \text{PRESENCE*COUNTRYSPECS}_{a,i,j,t} + \text{PROJECTSPECS}_{i} + \text{Fixed Effects}_{a} + \text{Fixed Effects}_{j} + \text{Fixed Effects}_{t}$

Project Success of project *i* in country *j* at time *t* is a function of the primary explanatory variable - staff presence (PRESENCE) a during project *i,j,t*'s implementation and/or preparation; a vector of features of the recipient country (COUNTRYSPECS); the interaction of staff presence and recipient country features; and project-level features (PROJECTSPECS) such as the sector the project is in and the size of the project.[13]

All models include fixed effects at the recipient country and time (evaluation year) level, and fixed effects for individual WB staff members. The ability to employ these fixed effects is a relatively unique feature of this analysis from the standpoint of the public management literature. The fixed effects by country remove any fixed features of countries of the analysis, and mean that within-country variation in project performance is being leveraged. This is important in part because, of course, Country Directors are not randomly placed in countries but rather assigned to countries due to a strategic logic. Measures of Country Director presence, then, allow us to estimate a Local Average Treatment Effect (LATE) by comparing Country Director presence for projects in the countries to which country directors are assigned to other projects in the same country. Sector and time fixed effects similarly allow the analysis to focus on within-sector and within-year variation in scores, thus controlling for any fixed differences of scores within-sector or within-year.

Also of note are the individual-level fixed effects. Previous research (e.g. Bulman, Kolkma, and Kraay 2017; Denizer, Kaufmann, and Kraay 2013) has stressed the importance of the fixed features of individuals in predicting project success. By creating a dummy variable for each unique individual in the World Bank's resident mission field office file, I can

[13] Sectors are the broad sectors included in the World Bank data, which are roughly equivalent to the OECD Development Assistance Committee's 2-digit sector codes. There are 24 sectors in the data; sectors include e.g. "Gender and Development," "Transport," "Water," "Education", and "Economic Policy."

control for any fixed features of the individuals who are inhabiting the various positions and working on specific projects. That is, relatively uniquely in the study of public organizations, the present study allows for estimating the effect of deconcentration and devolved while removing features of the individuals themselves who are placed in the field (deconcentrated) or to whom incrasing power is granted (devolution).

The Effect of Field Presence on Project Performance: Staff Deconcentration and The Information Channel

Table 3 presents the direct results of the presence of any staff, country directors, and country managers on project performance during implementation and preparation of projects.

Project Success	(1)	(2)	(3)	(4)	(5)	(6)
Any Staff Implementation Presence	0.249*					
	(0.131)					
Any Staff Preparation Presence		0.0351				
		(0.0716)				
Country Director Implementation Presence			0.145			
			(0.200)			
Country Director Preparation Presence				0.110		
				(0.106)		
Country Manager Implementation Presence					0.117	
					(0.113)	
Country Manager Preparation Presence						-0.122**
						(0.0592)
Project Size (Net Commitment Millions)	0.000400**	0.000548***	0.000422**	0.000537***	0.000439**	0.000544***
	(0.000189)	(0.000166)	(0.000190)	(0.000167)	(0.000187)	(0.000166)
Constant	4.929***	4.624***	5.093***	4.665***	4.987***	4.786***
	(1.027)	(0.697)	(1.024)	(0.695)	(1.029)	(0.698)
Individual Staff Member FEs	Y	Y	Y	Y	Y	Y
Recipient Country FEs	Y	Y	Y	Y	Y	Y
Sector FEs	Y	Y	Y	Y	Y	Y
Year FEs	Y	Y	Y	Y	Y	Y
R^2	0.234	0.216	0.234	0.216	0.234	0.217
Observations	6982	8367	6982	8367	6982	8367

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3: Examining Deconcentration: Direct effects of staff, country director, and country manager in-country implementation and preparation presence on project success.

Contrary to H1, these results suggest the effects of field staff presence in the field – be they any level of staff, Country Mangers, or Country Directors – are modest at best. During implementation, the presence of any staff (but not specifically country managers or country directors) seems to marginally improve projects at the 90% significant level; a shift from no staff ever present, to having at least one staff member constantly present, improves project performance by . a mere .25 points (on a six-point scale) in expectation. On the preparation side, there is no indication that greater presence by staff in the field improves project success. If anything, country manager presence during preparation has a slight negative effect on performance. This suggests that mere physical presence – and by extension, deconcentration of staff from headquarters to country offices – has little effect on project performance in a given country-sector.

Staff in the Post-Compact Era: Devolution and Decision Rights

As noted in above, the Strategic Compact was not merely about placing more staff in the field. The shift in staff duty stations was accompanied by changes in the way the organization saw itself, and the power it gave to its agents. Table 4 reruns the analyses in Table 3 above, but restricting the data to the post-compact period.[14]

Project Success	(1)	(2)	(3)	(4)	(5)	(6)
Any Staff Implementation Presence	0.105					
	(0.645)					
Any Staff Preparation Presence		-0.107				
		(0.153)				
Country Director Implementation Presence			0.107			
			(0.563)			
Country Director Preparation Presence				0.389***		
				(0.145)		
Country Manager Implementation Presence					-0.297	
					(0.405)	
Country Manager Preparation Presence						-0.298***
						(0.104)
Project Size (Net Commitment Millions)	-0.000162	0.000330	-0.000166	0.000320	-0.000159	0.000303
	(0.000295)	(0.000216)	(0.000297)	(0.000215)	(0.000293)	(0.000215)
Constant	7.173***	6.018***	7.274***	5.987***	7.588***	6.307***
	(1.692)	(0.912)	(1.602)	(0.900)	(1.661)	(0.909)
Individual Staff Member FEs	Y	Y	Y	Y	Y	Y
Recipient Country FEs	Y	Y	Y	Y	Y	Y
Sector FEs	Y	Y	Y	Y	Y	Y
Year FEs	Y	Y	Y	Y	Y	Y
R^2	0.476	0.305	0.476	0.307	0.476	0.307
Observations	959	2309	959	2309	959	2309

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4: Examining Devolution: Direct effects of staff, country director, and country manager in-country implementation and preparation presence on project success in the Post-Compact era

As predicted (H2), Country Directors' presence during the preparation of a project post-Compact is indeed associated with improved project performance. In the post-Compact period, country director presence during the project preparation process is clearly associated with better project outcomes, a result significant at the 99% confidence level. A shift from no presence to presence for the entire year prior to project approval by a country director raises expected performance by .4 points on a six-point scale.

Shifting a given individual to be Country Director in a given country is clearly associated with improved performance for projects in that country relative to other projects in that

[14] The post-Compact period is defined as all projects approved by the World Bank's board in 1997 or later.

country. Also as predicted (H3), the effect of Country Managers (and "all staff") on project success is unchanged when examining post- Strategic Compact projects. Jointly, these findings strongly support the notion that devolution of decision rights did indeed lead to a changed role for Country Directors but not Country Managers, with impacts on performance.

Unpacking Effect Heterogeneity: Country Directors and State Fragility

Table 5 shifts to testing H4, examining the effect of Country Director presence during the preparation and implementation of projects in countries of differential fragility.

Project Success	(1)	(2)	(3)	(4)
Country Director Implementation Presence	0.0520	-2.771***		
	(0.579)	(1.029)		
Country Director Implementation*SFI		0.287***		
		(0.0869)		
Country Director Preparation Presence			0.350**	0.281
			(0.155)	(0.389)
Country Director Prep*SFI				0.00625
				(0.0325)
State Fragility Index	-0.0564	-0.169**	0.0399	0.0381
	(0.0710)	(0.0782)	(0.0324)	(0.0337)
Project Size (Net Commitment Millions)	-0.000188	-0.000101	0.000377	0.000374
	(0.000371)	(0.000369)	(0.000257)	(0.000258)
Constant	8.287***	10.33***	6.565***	6.597***
	(2.150)	(2.218)	(1.250)	(1.261)
Individual Staff Member FEs	Y	Y	Y	Y
Recipient Country FEs	Y	Y	Y	Y
Sector FEs	Y	Y	Y	Y
Year FEs	Y	Y	Y	Y
R^2	0.459	0.470	0.325	0.325
Observations	846	846	1800	1800

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5: Country Directors and state fragility in the post-Compact era (post-1997)

Table 4 suggested that during the implementation phase, country director presence had no consistent effect on project performance. However Model 2 of Table 5 suggests that this was likely due to a heterogeneous treatment effect – that Country Directors matter, but quite differentially. The interaction of Country Director implementation presence and state fragility index are quite substantively impactful – much more so than presence during the preparation phase, in fact – and substantively significant.

Figures 2 and 3 further explore this interaction. Figure 2 demonstrates that the more fragile a country becomes, the more useful a country director. For a very fragile state, a country director can be quite useful indeed. A project in a state with an SFI of 20 (on a range from 0 to 25) is expected to perform a full 3 points better if a country director is present for the entirety of implementation, as opposed to absent for the entirety of implementation. This effect of Country Director presence falls as state fragility declines in a country (as this analysis leverages within-country data, the relevant comparison is of a state to itself over time). As a country becomes quite stable, in fact,

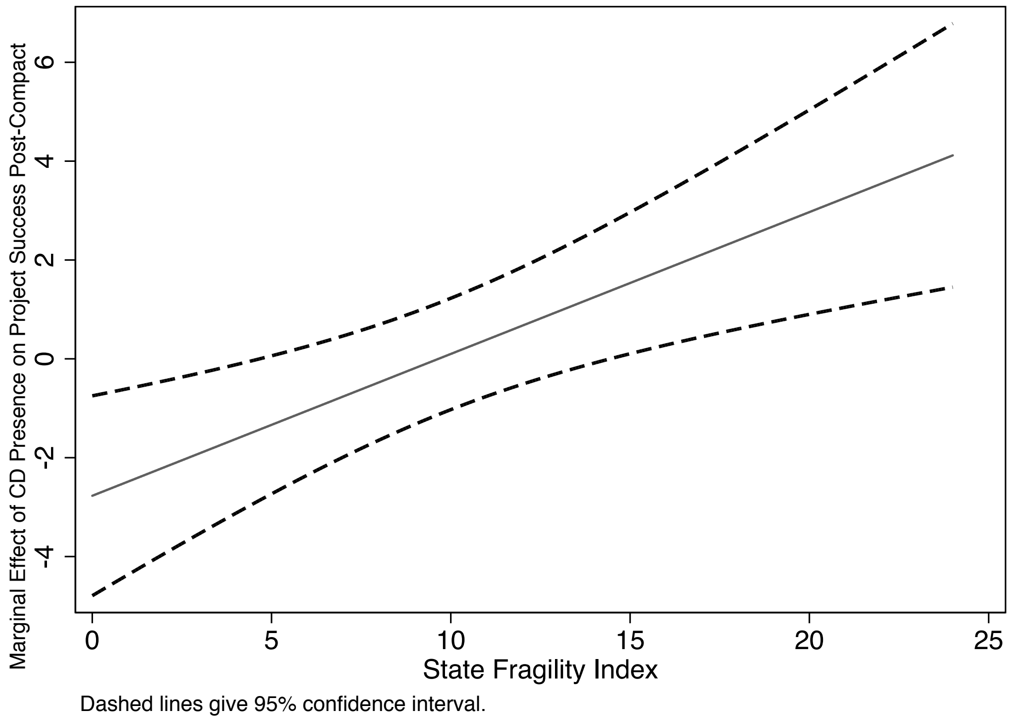

Figure 2: Conditional effect of Country Director implementation presence on project success by state fragility index

Figure 3 further interrogates this interaction using the *interflex* routine introduced by Hainmuller, Mummolo, and Xu (2019) in their work drawing attention to the potential perils of multiplicative interactions. The interaction between Country Directors and the state fragility index is differentiable from 0 both at high levels of the moderator (that is, in very fragile states, where Country Directors' presence is associated with greater project performance) and at low levels of the moderator (that is, in very un-fragile states, where Country Directors' presence is associated with lower project performance).

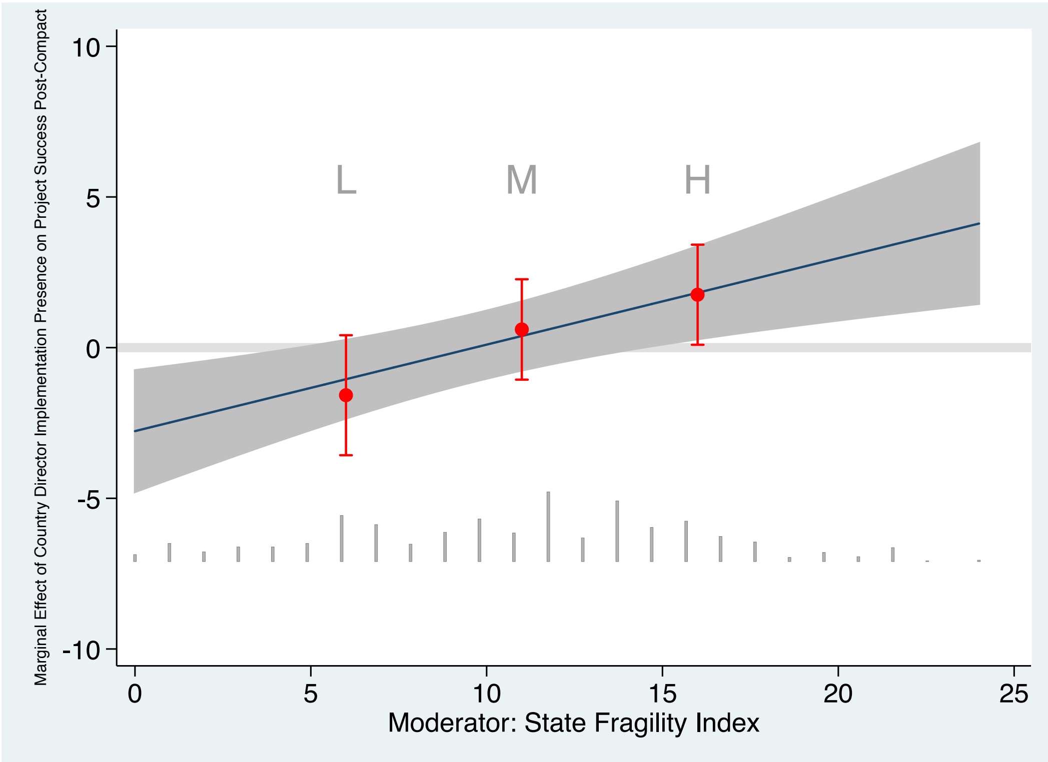

Figure 3: Examination of multiplicative interaction at multiple levels using *interflex*

While I have fit OLS models in the main results above for ease of interpretation, the dependent variable is a Likert-type scale; as such, I fit ordered logit models to ensure that OLS is not leading to spurious results. The ordered logit models have the same stylized findings as the OLS results above. Dropping the fixed effects to explore e.g. across-country and across-individual performance also yields substantively similar findings.

5: Discussion

The results above provide a decidedly mixed picture. There is little evidence of a pure "informational" role of having resident staff, and thus of deconcentration. There is perhaps a small substantive benefit to the presence of any staff during implementation (but not preparation), per Table 3. However, this effect is not robust, and is not present in the post-Compact period. Country managers have, if anything, a negative relationship with project performance in the preparation period of a project, and no systematic effect in implementation. This effect, however, is also of only very small substantive significance. The same cannot be said of Country Directors. The presence of these relatively senior officials, who hold substantial decision-making authority, is quite consequential in the post-Compact period, where country directors matter both during the preparation and implementation phases of projects.

This does not mean that Country Directors' presence is unambiguously positive, however. While Country Director presence is associated with a modest but non-trivial positive effect during the preparation phase of projects, during the implementation phase, projects are more mixed. For states going through very fragile periods, there are substantial returns to the presence of a country director. For the least fragile states, however, the presence of a country director is a net negative. It seems that not just mere presence of World Bank but also authority is needed to "move the needle" with regards to what happens during the preparation and implementation phases of projects. Increasing the World Bank's authority is not an unambiguously good thing—even for the performance *of the World Bank's own projects*.

The data is consistent with the bargaining dynamics theorized. Albert Hirschman in collaboration with Richard Bird wrote some 50 years ago that "project aid forces the recipient country to substitute to some extent the donor's investment preferences for its own insofar as the use of the aid funds is concerned". (Hirschman & Bird 1968, p. 6) The greater the power of World Bank field personnel, the greater the ability of these staff to substitute their own, or the World Bank's preferences for those of the recipient country government.

This is not the only possible interpretation of the correlation between Country Director presence post-compact and higher levels of project performance. It is possible that the tasks country directors perform are only useful in the weakest states, though that leaves the negative relationship between presence and project performance in the least fragile states less well explained. It is also possible that the presence of a Country Director in the field allows senior management to meddle more in projects, actually reducing the autonomy of the lower-level staff who are in charge of particular projects. In this case, however, it is unclear why this meddling would be beneficial in the case of e.g. the most fragile states, but not others. This interpretation also runs directly counter to Honig's (2018) finding from multiple donors that control/meddling by superiors is particularly *harmful* in the most fragile states. The bargaining explanation seems the most plausible candidate explanation, though this evidence is far from definitive on the matter.

Where states are weak and contexts are changing rapidly, these findings are consistent with the World Bank's own thinking guiding projects in a positive direction. A country director in the field can push back on requests from World Bank headquarters, which may be well-intentioned but inappropriate: empowered agents in the field can help make quick decisions when needed, armed with contextual understanding.

Where recipient countries are more stable, however, these findings are consistent with the view that putting a powerful country director in the field can do more harm than good. Strengthening the World Bank's resident "negotiating team" may lead projects to follow the World Bank vision, rather than the recipient country vision, of what good project performance is.

While these results may seem to conflict with those of scholars empowerment of field staff leading development efforts (e.g. Andrews, 2013; Campbell, 2018; Honig, 2018; Levy, 2014), I believe these results are consistent with that literature, albeit with additional nuance. The mere existence of a country office is not sufficient. An office needs not merely to exist, but also to have the ability to alter the course of events, in order to have a meaningful impact on development projects.

For those with an interest in decentralization more broadly, these results provide a relatively novel opportunity to tease apart deconcentration and devolution channels of decentralization, while accounting for confounds that are frequently very difficult to systematically address. The large dataset of individual projects allows the inclusion of country, year, sector, and individual fixed effects. Thus, we can say with relative confidence that fixed features of recipient countries are not driving these results. These results focus on variation within-country and within-staff member. As such, they allow us to recover what we might expect to happen when a given country becomes more or less fragile. The same can also be said for individuals involved in the project. These results speak to what we might expect if a given individual was moved from headquarters to the field, or remained in the same country but was promoted to country director, for example, from a lesser rank. While there are, of course, substantial differences between the internal workings of development agencies like the World Bank and domestic public agencies, these results may nonetheless be a useful input for thinking through differential expectations of deconcentration and devolution channels more broadly.

For the World Bank itself and scholars of the developing world, the lessons of the Strategic Compact are perhaps twofold. First, and most straightforwardly, deconcentration – shifting the physical location of staff makes little difference. Second, when physical staff location in a recipient country is coupled with the authority to actually make change via devolution, the World Bank would do well to be cognizant of its own strength. Where states are weak, this strength is a critical substitute, assisting in the success of critical development efforts. Where states are strong, however, more "muscle" from the World Bank may lead the institution to achieve even less of what it aimed to accomplish than it might have in the absence of any field presence at all.

Former World Bank President and architect of the Strategic Compact James Wolfensohn, then, seems to have been right when he said, as quoted at the top, that "The notion that every decision [the World Bank made] had to be taken in Washington just struck me to be preposterous." But, he may have been wrong when in the next breath, he argued that "the closer you could get the decisions to the field and the greater responsibility you could give to the Regions, the better off you'd be." The answer, as in so much of life, seems to be that it depends—not just on showing up, but on what staff do once they get there. Field staff are sometimes irrelevant, sometimes critical components of success, and sometimes defeat their organization's interests. As in so much of development assistance and development studies, this paper's findings suggest that when it comes to the decentralization of field staff, it seems there are no silver bullets or easy answers.

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