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# Opening the black box of project management: Does World Bank project supervision influence project impact?

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**Abstract**

While the World Bank supervises projects, we do not know if this supervision influences project impact. Taking a managerial lens and, hence, moving away from a micro-economic lens, this research shifts the focus from how much effort is spent on project supervision to what makes it successful. Thus, the research looks inside the "black box" of project supervision and specifically examines the perceptions of World Bank project supervisors. Based on a sample of 178 projects and using structural equation modeling, we show that project supervision's critical success factors (CSFs) include design, monitoring, coordination, and training but by far design and monitoring are the prominent ones. Moreover, we find that project supervision positively influences project *management* success, but may not influence project *impact*. Since supervision pays off as it can lead to better project implementation performance, the World Bank should focus more on project planning, context and governance to achieve impact.


*Keywords:* International development projects; Project supervision; Critical success factors; World Bank; Project impact

## 1. Introduction

For decades, practitioners and researchers have argued over whether international development (ID aid actually works (Cassen, 1986) and they have reached paradoxical conclusions. While proponents submit that aid works, albeit not perfectly (Sachs, 2005), opponents contend that aid is ineffective as there is little good to show for it (Easterly, 2006), and even worse that it is actually *the* problem (Moyo, 2009). But from a methodological standpoint, the two sides agree that one may assess whether aid contributes to economic growth and/or poverty reduction (macro-economic perspective) or gauge whether the projects achieve their own specific objectives (micro-economic perspective).

Thus, we read a lot about aid effectiveness from the macro-economic perspective (e.g., Burnside and Dollar, 2000; Doucouliagos and Paldam, 2009; Roodman, 2007), and much about project success from the micro-economic perspective (e.g., Chauvet et al., 2010; Denizer et al., 2011; Isham et al., 1999). Still, the thorny issue of aid effectiveness may reveal what has been labeled a micro–macro paradox (Mosley, 1986), where micro-project related studies show that specific projects do succeed while most macro-studies lead to more nuanced and less positive results (Doucouliagos and Paldam, 2009).

However, because ID economists largely ignore the project management process and, hence, handle it as a kind of black box, they leave a void in terms of how inputs are actually translated into outputs, thus giving no explanation of what goes on in between (Hirschman, 1967; Ika, 2012). While there is no silver bullet in project management, we note that this black box tendency reduces the potential to shed light on the micro–macro paradox. This, as Coase (2012) argues, is a regrettable loss of opportunity in that development economists offer little in the way of practical insight, thus leaving World Bank project supervisors and managers with their own management acumen, personal judgment, and rules of thumb for getting projects right. Opening the project management black box and seeing what is inside, which means focusing on how projects are actually carried out, might prove as challenging as rewarding for our understanding of aid projects and their performance.

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From a managerial perspective, then, we argue that we might learn, *inter alia*, more about why some ID projects are abandoned; why other ID projects fail or succeed; how the management process fails ID projects; and what role strategy, leadership, supervision, coordination, planning, monitoring and evaluation play in ID project success or failure. Insights gleaned from the past and an understanding of the present may enable us to achieve more success in the future. Hence, we could deliver more projects on time, under budget, and on target with their specific objectives. Moreover, we might meet the expectations of both beneficiaries and stakeholders. Then, we might hope to reach impact and sustainability, and thus, contribute more significantly to ID.

Regrettably, there is a dearth of ID literature about project success from the managerial perspective (see Khan et al., 2003; Vickland and Nieuwenhujis, 2005; Struyk, 2007 for a few exceptions). Conventional project management literature on project success has, for its part, focused little on ID projects, including those overseen by the World Bank (see Diallo and Thuillier, 2004, 2005; Khang and Moe, 2008; Ahsan and Gunawan, 2010; Ika et al., 2010, 2012 for a few exceptions).

Yet, many ID projects do not succeed. Indeed, a recent McKinsey-Devex survey suggests that 64% of donor-funded ID projects fail to produce much needed intended impact for beneficiaries (Hekala, 2012; Lovegrove et al., 2011). The Independent Evaluation Group (IEG), claimed, in an independent rating in 2010, that nearly 40% of World Bank (funded) projects were unsuccessful (Chauvet et al., 2010). The World Bank itself has discovered that only half of its Africa projects succeed (Associated Press, 2007; Dugger, 2007). Thus, many World Bank projects frequently fail to achieve their goals and objectives for a number of managerial and organizational reasons: poor stakeholder management, delays between identification and start-up, delays during implementation, cost overruns, and coordination failures (Ika et al., 2012). While any of these reasons may explain a poor showing of World Bank projects, supervision also bears its fair share of harm (Ika, 2012).

This research addresses managerial and organizational issues of ID projects and World Bank project supervision in particular. This research has three key objectives. First, from a managerial perspective and from the perceptions of World Bank project supervisors (also known as Task Managers or Task Team Leaders), it empirically examines how project supervision and a set of its CSFs are interrelated. Indeed, although there is evidence in the project management literature that CSFs are interrelated, there is a lack of formal studies that analyze the relationships among them (Esteves et al., 2003; Lechler and Gemünden, 2000). Second, it investigates the influence of project supervision on two project success dimensions (project *management* success and *impact*[1]). "Although the multidimensional approach for assessing project success is a common understanding today, most of the project management literature does not differentiate between the impacts of success factors on the various success dimensions" (Dvir and Lechler, 2004, p. 3). Third, using World Bank as our focus, it analyzes how specific project characteristics influence supervision CSFs.

The paper is organized into six sections. Section I describes World Bank project supervision and reviews its contribution to project success. Section II derives the conceptual framework and specifies the hypotheses based on that literature review. Section III discusses the methodological concerns and tests the conceptual framework with structural equation modeling. The findings are reported in section IV. Section V discusses theoretical contribution and practical implications of the research, presents its limitations and offers suggestions for further research. Section VI provides concluding comments.

## 2. World Bank project supervision and its contribution to project success

Even at the times when the world needs the World Bank to move beyond the economic crisis and aspire for a world beyond ID aid (Zoellick, 2012), if you ask the question – what does the World Bank do? – the obvious answer would echo that of the 1970s: it finances and supervises ID projects. In fact, in the context of the prevailing program approach, the World Bank supervises project planning and implementation in most developing countries. While planning and implementation is the responsibility of the borrower – client country or government – supervision falls to the World Bank (Baum, 1970; World Bank, 2012). Planning rests with the government analysts. Implementation, however, rests with the project team led by the National Project Coordinator – the head of the national project management unit – a government official who is considered the true project manager. The latter is not under the payroll of the World Bank, and thus, does not work at its headquarters (Diallo and Thuillier, 2004). Supervision – not solely supervision of implementation but also that of planning – instead falls specifically to a task team led by the project supervisor who serves as the World Bank's principal point of contact for the client government (World Bank, 2012).

World Bank project supervision is a combination of design, advisory, technical, and monitoring services that are provided to enhance project outcomes. Thus, it is a way for the World Bank to combat project management weaknesses such as poor project design; imperfect plans, delays, cost overruns; coordination failures; concept, scope or design changes; risks; poor institutional environment in developing countries, etc. (Ika et al., 2012; Kilby, 2000; Spilsbury et al., 2010; World Bank, 2012). Consequently, project supervision is understood in this paper as all planning and implementation (project management) activities overseen by World Bank task teams to ensure that projects successfully reach their expected deliverables, objectives and outcomes. Hence, project supervision is the supervision of project management (planning and implementation) and thus the "*management* of project management" as the British Association for Project Management (APM) would coin it. As such project supervision

[1] There is an oft-heard saying in project management theory and practice that "the operation was a success, but the patient died". Hence, it is common to distinguish between project *management* success that focuses on the project process (the delivery of the project with respect to time, cost, and specific objectives) and long-term *deliverable success* or *impact* that focuses on the project's fitness-for-use and, thus, on the effects of the project's final product or service (relevance for country and beneficiaries, impact and sustainability) (e.g., Diallo and Thuillier, 2004).