CONTRACT AWARDS BY WORLD BANK AND ECONOMIC GROWTH OF COUNTRIES

Hüseyin Mert Ezer, 68939

INTL 450 – Spring 2024 – Koç University

We are, in this research, want to look for patterns and potential relation between the gross domestic productions (GPDs) of countries and the investment contract awards provided by the World Bank Group, as a part of a macroeconomic analysis regarding the Social Development Goal #8: Decent Work and Economic Growth. The main objective is not to prove a thesis statement but to explore data to gain insights over investment and economic growth.

We used three datasets to perform our analysis: World GDP data, Contract Awards in Investment Project Financing, and Contract Awards in Investment Project Financing (since FY 2001 - FY 2016) from World Bank Group.

Since we base our analysis over the investment data, we should describe it. The data available “includes all contract awards financed by The World Bank under Investment Project Financing (IPF) operations. The data source is STEP (Systematic Tracking of Exchanges in Procurement), which is required to be used by Borrowers in all IPF operations subject to the World Bank’s Procurement Regulations” (Socrata, 2024). IPF, meanwhile, unlike commercial lending, provides assistance and monitoring in the project management (World Bank, 2024). Also, “all contract values reflect committed (not disbursed) amounts, and are in US dollars, based on the US Treasury's rate of exchange at the time of the Bank's no objection to the contract award” (World Bank, 2024).

The contract awards in the dataset of Contract Awards in Investment Project Financing (since FY 2001 – FY 2016) were reviewed before being awarded, and the dataset does not contain all the contracts awarded by the Bank, but are, warned by the World Bank, to be viewed “only as a guide” for the all contracts awarded, and those which are the major commitments (CITE,).

We first omit the “Project Global Practice” column in the contract awards dataset and combine all the contract awards grouped according to year and country. The dataset contains contract awards that do not necessarily relate to a single country but either the whole world or a region. For these values, we had to drop them as to not be able to attain them to a country. When we are done with the contract award dataset, it was easy to merge GDP dataset with the pre-processed main dataset, since the values were corresponding to year and country.

We were going to use a cluster analysis, and to prepare the data, we first created a new column for “Award Amounts to GDP”, where we compared the total award amount for that year for a country against its GDP. When we standardized both GDP and Award Amounts to GDP columns, we had a chance to compare different trends for the diverging values from the mean. As it turned out and could be seen in the Figure 1, that relative contract awards were only provided to countries with the lowest GDP values. But what remarkable is that not all the countries with the lowest GDP have the proportionately higher contract awards, but only a selected few of them have the access to these external funds. While there are 39 countries that remain in the clusters of “Low GDP, Middle Award” and “Low GDP, High Award”, there are 104 countries in the Cluster 4, which is “Low GDP, Low Award” countries.

A graph of a cluster analysis

Description automatically generated

Figure . Cluster Analysis

Considering the clusters, we questioned whether there were any investment categories that were being focused on for different clusters, as the way to show a trend for different investment goals and potential growth directions of the economies being speculated by the World Bank Group.

For that we channelled back the original dataset of investment project contract awards containing the information on “Project Global Practice” where the values range from “Agriculture, Fishing and Forestry” to “Health” and “Social Protection”. The values we derived from each cluster did not provide a significant divergence among each other but confirmed the same composition of investment gravity in each of the category, as can be seen from Figure 2. Transportation remained the major category in each of the clusters, but not in “Low GDP, High Award” since it contained predominantly awards in Health. The largest five categories were the following: Transportation, Water, Sanitation and Waste Management, Public Administration, Energy and Extractives, and Health.

A group of pie charts

Description automatically generated

Figure . Project Global Practices for Clusters

The analysis we have shown that the investment projects awards and GDP are inverse values that do not have, beside other clusters, a “High GDP, High Award” cluster, meaning that the World Bank Group has concern and direction towards underdeveloped countries. Also, when we examine the countries, they are mostly the so-called “Global South” countries, and do not contain Northen American and Western European countries as award winners. For that, we might argue that China remains as an exception to the general trend of lower GDP countries to utilize the contract awards, to close the gap with the developed countries.

When we examined the contract award categories of each cluster of countries, we did not find much significant difference between different clusters, but instead a general trend of proportionality between the Project Global Practice categories remained relatively the same across clusters.

We conclude, given our objective and the analysis that we run, we were unable to derive much from exploring the data, but instead we derived information over the trends of the World Bank to provide contract awards to which countries in the global economic framework, and in what categories these investment awards are being stacked in. A further study in the subject is required as this work only opens a door to a potential topic to examine the decent economic growth and the role of the World Bank in the global economic development.

REFERENCES

World Bank Group (2024). *Investment Project Financing (IPF).* <https://www.worldbank.org/en/what-we-do/products-and-services/financing-instruments/investment-project-financing>

Socrata (2024). *Contract Awards in Investment Project Financing*. <https://dev.socrata.com/foundry/finances.worldbank.org/kdui-wcs3>

World Bank Group (2024). *Contract Awards in Investment Project Financing (since FY 2001 - FY 2016).* <https://finances.worldbank.org/Procurement/Contract-Awards-in-Investment-Project-Financing-si/4bhp-2q7b/about_data>