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The World Bank's fight against corruption: 'See nothing, hear nothing, say nothing'

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Abstract:

This paper looks at the World Bank's anti-corruption agenda and critiques it in two ways. It first looks at the limitations within the organization of the World Bank itself: its apolitical nature, lending culture and its ignorance of the role it has played and continues to play in perpetuating corruption. It then looks at three recommended reforms that the World Bank encourages as vehicles to stamp out corruption: privatization, empowering civil society and good governance. By analyzing the World Bank as an organization and recognizing its limitations in addressing corruption within the three reforms that will be exemplified, this essay argues that the World Bank remains more concerned with pushing its own neo-liberal agenda than taking a hard stance on deep-rooted corruption and has therefore failed to make significant progress on the fight against corruption.

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Introduction

At the annual meeting of the World Bank and the International Monetary Fund in 1996, James Wolfensohn, the President of the World Bank at the time, brought a new issue to the table that had long been avoided by international financial institutions and the development community alike: the issue of corruption. "Let us not mince words," he declared, in order to bring economic growth and poverty reduction to developing countries, "we need to deal with the cancer of corruption" (Weaver 2007, p.121). With this speech the task of finding the right remedy for such political malady rose to the top of national and international development discourses and in so doing, the anti-corruption agenda began to take form. Since then the World Bank is reported to have spent $10 million annually on investigations and sanctions, has created an investigative department of over 50 staff members and has launched more than 600 specific anti-corruption programs and governance initiatives in almost 100 borrower countries (Steinberg 2001, p.617; Bhargava 2006, p.24). Despite such efforts, however, there has been a proliferation of criticism against the World Bank's anti-corruption strategies from both inside and outside the World Bank itself.

This paper will look at the World Bank's anti-corruption agenda and critique it in two ways. It will first look at the limitations within the organization of the World Bank itself: its apolitical nature, lending culture and its ignorance of the role it has played and continues to play in perpetuating corruption. It will then look at three recommended reforms that the World Bank encourages as vehicles to stamp out corruption: privatization, empowering civil society and good governance. By analyzing the World Bank as an organization and recognizing its limitations in addressing corruption within the three reforms that will be exemplified, this essay will argue that the World Bank remains more concerned with pushing its own neo-liberal agenda than taking a hard stance on deep-rooted corruption and has therefore failed to make significant progress on the fight against corruption.

Looking Within the World Bank

Apolitical nature

> *"It must be a deep thing, this secret of the secret, in which the south in its dishonesty mirrors the dissimulation of dissimulation in the north."*
>
> *-Taussig 1999, p.79*

The World Bank is an international financial institution that was created in 1944 in response to the re-building and development efforts after the Second World War. It has since transformed into five major development institutions, which offer low-interest to interest-free loans and grants to developing countries as well as advice on policy, research and analysis with the goal of 'worldwide poverty alleviation' (Worldbank.org, 2013). While the focus of the World Bank has always been strictly economic, throughout the years issues of governance and corruption have come into play as substantial barriers to World Bank goals and targets. With the wide recognition that weak legal and governmental institutions along with a high level of corruption can have devastating effects on a state's economic growth, the World Bank has been forced to consider these factors within its own operations (Rose-Ackerman 1997, p.95).

While Wolfensohn's 1996 speech addressed the issue of corruption explicitly for the first time, the World Bank's ability to take up his call to action must be understood alongside the Bank's own limited mandate. Although the Bank had addressed issues of governance since as early as the 1950s, delving into corruption head on had always remained a controversial and taboo topic due to the Bank's own provisions which prohibit it from getting involved in political activity, evidenced in its Articles of Agreement (IBRD 2012). Even with the World Bank openly advocating its fight against corruption, its influence in the developing world is still bound by its mandate, and therefore all actions taken to curb corruption must remain apolitical. The General Councel commented:

> The Bank can, in my view, take many actions to help the fight against corruption…The only legal barrier in this respect is that in doing so the Bank and its staff must be concerned only with the economic causes and effects and should refrain from intervening in the country's political affairs
>
> (World Bank 1997, p.24).

Consequently, while limiting its reach to economic reforms only, the World Bank remains powerless in its ability to respond to blatantly corrupt governments and in doing so Hanlon (2004) argues, "ignores [issues such as] state capture and…ensures the elite more years of impunity" (p.756). While the Bank's lawyers have worked hard to prove that corruption and poor governance are directly linked to economic performance, according to Fukuyama (2006), fighting corruption is always going to be political. For that reason the Bank's restrictions against taking action in overtly political work makes the organization itself "poorly structured to lead a fight against corruption" (ibid, p.33).

Lending Culture

In addition to the Bank's inability to get involved in high-level politics, the organization itself is under pressure within the donor community to, "move money regardless of performance…which results in greater incentives to give aid than to protect it from corruption" (Marquette 2007, p.33). This pressure is heightened in the run up to the Millennium Development Goals deadline, in where the weight on the Bank to 'do something' to fight poverty is extremely heavy (Fukuyama 2006). With such pressure, according to Weaver (2007), World Bank staff still perceive that to get ahead in the organization is dependent on ones ability to get projects approved and loans handed out quickly (p.60). The Bank's staff incentives promote lending above all other considerations and therefore the goal of building a 'results-oriented culture,' which would hold staff accountable for the impact of loans disbursed, has proven to be unsuccessful (Marquette 2007, p.33; Weaver 2007, p.60). In interviews conducted from 2000-2005, project staff within the Bank proved to remain "unconvinced that good quality supervision was recognized or rewarded in the same way as lending work" (Weaver 2007, p.60-61). Consequently, despite the Bank's new commitment to fighting corruption, it remains limited by its lending culture, in where the rate of disbursing loans is valued higher than withholding them. In the words of a former World Bank staff member, the Bank's approach to combating corruption could be described as, "the 'three-monkey policy': see nothing, hear nothing, say nothing" (Weaver 2008, p.122).

World Bank Accountability

Despite the World Bank's call for transparency and accountability as conditions to the loans they disburse to recipient countries, the Bank itself fails to acknowledge its own accountability in perpetuating corruption and recognizing that, "there can be no south without a north" (Taussig 1999, p.80). I will use two examples to explore this argument further. Firstly, Marouf (2010) argues that the World Bank should be held responsible for its failure to monitor the use of its loans and to address large-scale leakage within Africa attributed to corruption (p.97). According to a review of the health sector strategy, approved by the World Bank in 2007, a mere 25% of projects undertaken in sub-Saharan Africa had satisfactory results (ibid, p.97). This shows that the Bank is failing to monitor its projects closely and due to its inability to address political activity directly "turns a blind eye to the massive levels of leakage" (Marouf 2010, p.98). This example shows how the Bank's "public sector reforms are all one-sided, focusing exclusively on recipient governments and ignoring the World Bank's joint responsibility for ensuring that aid money actually benefits the poor" (p.97). This leads to inadequate spending of Bank funds and allows high-level corruption to perpetuate while the people in need remain no better off.

Hanlon (2007) provides another example based on the belief that the World Bank "do[es] not come to the anti-corruption task with clean hands" (p.42). In approaching the issue of corruption, he argues, the Bank looks only towards the future and in doing so burdens no responsibility for its own participation in improper lending in the past (p.41). Hanlon refers to instances where the World Bank knowingly gave 'illegitimate' loans to the top three most corrupt politicians according to Transparency International, and yet are still collecting repayments on such loans today (p.42). He believes that in situations where the Bank knew money was being stolen, those loans should not have been made in the first place and therefore the Bank should be found complicit in not only deepening the debts of these countries but actually contributing to the problem of corruption that they claim to hold no liability for today. In the words of former Bank President, Paul Wolfowitz, "every corrupt transaction has, unfortunately, at least two parties" (ibid, p.51) and the World Bank remains one of them.

The World Bank Anti-Corruption Agenda

> *"Making of rules and social symbolic order is a human industry matched only by the manipulation, circumvention, remaking, replacing, and unmaking of rules and symbols in which people seem almost equally engaged."*
>
> -Moore 1978, p.1

The current debate around corruption, according to Anders and Nuijten (2007) "is shaped by the division between the state and society and a corresponding public-private dichotomy" (p.2). This school of thought ultimately blames the, "bloated and inefficient state bureaucracy riddled by widespread corruption as the main cause of underdevelopment since it impedes the expansion of the private sector" (ibid, p.8). This approach, as adopted by the World Bank in its definition of corruption as, "the abuse of public office for private gain" (World Bank 1997, p.8), has been criticized for its neutral and technical treatment of a much deeper more complex interplay of power. Contrarily, corruption should not be viewed as merely 'the abuse of public office' but rather as a phenomenon embedded in a web of ever changing social practices which "can always be used and abused in different ways, serving the interest of economic classes or groups in society" (Anders and Nuijten 2007, p.14). Limited by its mandate, lending culture and lack of self-critique as discussed above, this section will look at three World Bank recommended reforms and show how they have not only failed to combat corruption, but in many cases have worked to further the World Bank's own neo-liberal agenda.

Privatization: The Case of Uganda

According to the World Bank, "corruption principally occurs where officials are in a monopoly position, have large discretion in their actions, and little accountability" (Riley 1998, p.137). Privatization, therefore, has been promoted by the Bank to shift power from the state in making economic decisions to relying on the market; reducing the incidence of politicians and bureaucrats using such decisions for self-gain. This ideology however, has failed to take into consideration the "privatization activities themselves being susceptible to corruption" (Mwenda and Tangri 2001, p.132), and as a result has led to issues of state capture and inequality. To evidence this process I will use Uganda's privatization process, prompted predominantly by the World Bank, to show the malpractice that is common in many countries within Sub-Saharan Africa in the process of privatization (ibid).

At the beginning of the 1990s in order to maintain support from multilateral organizations such as the World Bank, Uganda committed to undergoing massive state privatization (Mwenda and Tangri 2001, p.118). Despite public criticism and a slow start due to transparency and pricing problems, the World Bank encouraged Uganda to speed up the pace as "the burden of sustaining many weak and loss-making parastatals would jeopardize economic growth" (ibid, p.119). However, as the divestiture process sped up, it became clear that public enterprises were being sold off below value and predominantly to investors to whom the state held political or kinship ties to (ibid, p.127). Despite public condemnation Uganda's President, President Museveni, did not take action against those involved, as in many cases they were friends, relatives and other figures favoured by the regime (ibid, p.129). By 1999, the World Bank concurred that Uganda's privatization process was discredited for misconduct, state manipulation and corruption-related scandals, yet no legal action took place and Bank loans persisted (ibid, p.127, 129).
The World Bank remained quiet; throughout the 1990s the Bank regularly maintained that it believed "Uganda's political leadership was committed to clean government and controlling corruption" (Cooksey 2012, p.119). It is evident that for the Bank, implementing privatization took precedence over issues such as transparency and accountability and therefore so long as economic reforms were being put in place, they were unwilling to publicly address issues of

corruption (Mwenda and Tangri 2001, p.130). By continuing to provide large amounts of aid to a government who was knowingly corrupt and refusing to publicly confront corruption, one could argue that the Bank not only condoned corrupt practices in order to achieve their own agenda, but acted as accomplices in aiding political leaders to abuse their state power (Cooksey 2012, p.105).

Empowering Civil Society: The Case of Nigeria

Donor support for NGOs, since the late 1980s, rapidly intensified with the belief that "bloated, inefficient and – in a word – corrupt" (Smith 2010, p.248), states hinder economic growth. NGOs were seen as a vehicle for giving "ordinary people greater access to and influence over the state, thereby mitigating the misuses of state power to enrich elites and entrench inequality" (ibid, p.250). Looking to expand its neo-liberal agenda by decreasing the size and power of the state, by the end of the Cold War, World Bank funding shifted towards a doctrine that privileged 'civil society'. This dispensation continues today in the fight against corruption, as the Bank allots approximately 10% of its annual funding portfolio to civil society organizations (World Bank 2011). However, despite the belief that 'civil society' would be a "key institutional engine in processes of democratization and development" (Smith 2010, p.244), the World Bank fails to address how such organizations are also being manipulated as a way to carry out corruption and further perpetuate social inequalities (ibid, p. 250). This 'façade of civil society' (ibid) is widely evident across Africa as a means to commandeer donor funding, as I will substantiate now with the case of Nigeria.

Where there is money, there is opportunity; and with the proliferation of funding being made available to NGOs since the late 1980s "a large proportion of the NGO sector in Nigeria was created solely in response to awareness that donor monies were available" (Smith 2010). With this, NGOs became a mechanism for the government as well as wealthy individuals to not only obtain donor funding but also re-assert their own power and status with the illusion that they were 'doing good' for those less fortunate. Terms created by ordinary Nigerian citizens such as, GONGOs, standing for 'government organized non-governmental organizations' show the "average citizens perspective that NGOs were linked to a world of fraud, deceit, and corruption" (ibid, p.250-51). This common pattern in Nigeria "where aid dollars flow in ways that further corruption as much as (or more than) they promote their ostensible development objectives" (ibid, p.254), evidences how easily "anti corruption discourse [can] end up serving the interests of the powerful" (ibid, p.256). Therefore, while the World Bank funds civil society groups all across Africa, such funding decisions have not always worked to combat corruption, but in many cases have even fueled it. If the World Bank is not accountable to the loans it disperses, so that legitimate NGOs have a more equitable opportunity to access funds that are needed, more often than not, such funds will end up in the very pockets these loans were meant to circumvent and corruption will continue to persist.

'Good Governance': The Case of Mozambique

While the concept of 'good governance' has been manipulated to serve a number of purposes since its inception in the World Bank Report in 1989, it is still widely prevalent within Bank literature today (Leftwich 1993, p.610). Almost half of all Bank projects in 2005 addressed the issue of governance and in countries where corruption was seen to be rampant, governance issues continued to dominate the Bank's Country Assistance Strategies (Bhargava 2006, p.23). In the context of the anti-corruption agenda, 'good governance' "is about transforming 'dysfunctional' state bureaucracies into efficient and transparent service providers that are accountable to the public and subject to the rule of law" (Anders 2008, p.190). Despite such an aim, the World Bank has rarely lived up to taking action against governments who are not 'accountable to the public' or acting outside 'the rule of law'. In many cases their governance initiatives have been half-hearted and relied more on governance promises than actual performance outcomes, which has led critics to believe that the World Bank is still willing to ignore poor governance, so long as they adopt growth-focused policies. I will use Mozambique as an example of this.

With the pressure from the World Bank and IMF throughout the 1980s-90s to privatize, in 1996 and 1997 Mozambique was forced to sell off its two state owned banks to buyers known to be corrupt and closely tied to the Mozambican elite (Hanlon 2004, p.751-2). Through a series of share selling and loans that were never paid back, by the beginning of the 21st century the two banks were involved in scandals where over $400 million was lost (ibid, p.752). Following this, an editor investigating the scandals and the acting head of the collapsed 'Banco' were both publicly assassinated with little to no investigations following either of their murders (ibid, p.752). Two months after the second murder, Mozambique requested $600 million in aid from donors and was given $722 million (ibid, p.747). By donors providing more money than the government requested, it became evident that the international donor community "recognized 'the good performance of the government' and that this 'overrides the bank scandal and the assassinations'" (ibid, p.748). Hanlon argues that while the World Bank emphasizes 'good governance' it has never considered, "high-level corruption and state capture as governance issues" (ibid, p.758). The Bank explicitly attributes 'good policies' to 'good economic policies', and therefore fails to address crippling corrupt actions so long as 'market-friendly' policies are put in place (ibid, p.760).

Conclusion

This essay has looked at the World Bank's anti-corruption agenda in two ways. It has first, addressed the limitations within the Bank itself in terms of its mandate, lending culture and disregard for the role it has played and continues to play in perpetuating corruption. It has then looked at how such limitations have played out within three of the World Bank's anti-corruption reforms: privatization, empowering civil society and good governance. It has become clear that while preaching transparency and accountability, the World Bank's own efforts at curbing corruption have frequently disregarded such aims and have instead been used to advance its own neo-liberal agenda within the countries that it is working in. States that have adopted World Bank reforms still fail to prevent the social and political consequences that such interventions produce and therefore corruption continues to persist and social inequalities incessantly grow deeper (Blundo 2006, p.802).

While this essay has worked to outline the failure of the World Bank in its fight against corruption, it is necessary to balance out the argument with the recognition that the World Bank is not a 'world government' for borrowing countries (Shihata 1997, p.22). Being subject to a voting system and limited by its Articles of Agreement, taking on a superior role beyond its defined purposes would create an unequal power hierarchy whereby the rich countries rule over the poorer ones (ibid). Instead, the World Bank must tread carefully in its work respecting the sovereignty of the borrowing states that it works within. With these factors in mind however, this essay stays firm in its argument that because of the limitations inherent in such an institution, and its inability to move beyond reforms that disallow it from attributing loans to performance rather than promise, the World Bank is unable to make an influential imprint on the 'cancer of corruption'.

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