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Corruption, Politics and Development

The Role of the World Bank

Heather Marquette

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List of Abbreviations

31stDWM	31st December Women's Movement (Ghana)
ACBF	African Capacity Building Foundation
ACBI	African Capacity Building Initiative
ACC	Anti-Corruption Co-ordinator (UK)
ACP	African, Caribbean and Pacific countries
ADB	Asia Development Bank
AfDB	African Development Bank
AFR	Africa Region
APL	Adaptable Programme Lending
BDP	Bureau for Development Policy
BMZ	Bundesministerium für Wirtschaftliche Zusammensarbeit und Entwicklung
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CDG	Center for Democracy and Governance (US)
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CIDA	Canadian International Development Agency
CONTACT	Country Assessment in Accountability and Transparency
CPAR	Country Procurement Assessment Review
CPFA	Country Profile of Financial Accountability
CRD	Urban and Rural Communes (Guinea)
CSR	Civil Service Reform
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DC	Developed Country
DFID	Department for International Development (UK)
DIDC	Department for International Development Co-operation (Finland)
DRG	Development Research Group
DTI	Department for Trade and Industry (UK)
DUP	Directly Unproductive Profit-seeking activities
EAP	East Asia and Pacific Region
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia Region

ECGD	Export Credits Guarantee Department
EDI	Economic Development Institute
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FCO	Foreign and Commonwealth Office (UK)
FCPA	Foreign Corrupt Practices Act
FINMI	Financial Management Initiative
GAO	General Accounting Office (US)
GATT	General Agreement on Tariffs and Trade
GCA	Global Coalition for Africa
GNP	Gross National Product
GRC	Governance-Related Conditionality
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
IAD	Internal Audit Department
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDF	Institutional Development Fund
IDG	Institutional Development Grant
IDG	Institutional Development Group (UN)
IFC	International Finance Corporation
IFI	International Financial Institution
IGR	Institutional Governance Review
IMF	International Monetary Fund
IRIS	Center for Institutional Reform and the Informal Sector
ISI	Import Substitution Industrialization
LAC	Latin America and Caribbean Region
LACI	Loan Administration Change Initiative
LDC	Less Developed Country
LTPS	Long-Term Perspective Study
MDB	Multilateral Development Bank
MFN	Most Favoured Nation
MIGA	Multilateral Investment Guarantee Agency
MLA	Mutual Legal Assistance
MNA	Middle East and North Africa Region
MNC	Multinational Corporation

NEP	New Economic Policy
NGO	Non-Governmental Organization
NIC	Newly Industrialized Country
NIDB	Nigerian Industrial Development Bank
NORAD	Norway Agency for Development Co-operation
OAS	Organization of American States
OCS	Operational Core Services
ODA	Overseas Development Assistance
OED	Operations Evaluation Department
OP	Operational Policy
OPE	Office of Professional Ethics
OPEC	Organization of Petroleum Exporting Countries
PACT	Partnership for Capacity Building in Africa
PACT	Programme for Accountability and Transparency (UN)
PDC	Prefecture Development Council (Guinea)
PER	Public Expenditure Review
PNDC	Provisional National Defence Council (Ghana)
PREM	Poverty Reduction and Economic Management Network
PSR	Public Sector Reform
RFMI	Regional Financial Management Improvement
SAL	Structural Adjustment Loan (or Lending)
SAP	Structural Adjustment Programme
SAR	South Asia Region
SBD	Standard Bidding Document
SDC	Swiss Agency for Development and Co-operation
SDS	Service Delivery Survey
SIDA	Swedish International Development Agency
SOE	State-owned Enterprise
TA	Technical Assistance
TI	Transparency International
UN	United Nations
UNCICP	United Nations Center for International Crime Prevention
UNCTAD	United Nations Conference on Trade and Development
UNDP	UN Development Programme
UNESCO	UN Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WBI	World Bank Institute

WBIGF	World Bank Institute Governance, Finance & Regulatory Reform Group
WCED	UN World Commission on the Environment and Development
WDR	World Development Report
WHO	World Health Organization

1
Introduction

In 1997, the World Bank announced its intention to provide a 'systematic framework for addressing corruption as a development issue in the assistance it provides to countries and in its operation work more generally'.[1] This included:

- Preventing fraud and corruption within Bank-financed projects.
- Helping countries that request Bank support in their efforts to reduce corruption.
- Taking corruption more explicitly into account in country assistance strategies, country lending considerations, the policy dialogue, analytical work, and the choice and design of projects.
- Adding voice and support to international efforts to reduce corruption.[2]

Although the Bank acknowledged that some of these areas were new territory and would require new staff, new areas of expertise, new procedures and new lending instruments, it claimed that it had long been concerned with corruption. Indeed, a recent report asserts that the Bank has been 'in the business' of combating corruption, 'since its very inception.'[3]

However, until the mid-1990s, the Bank always argued that its Articles of Agreement, the rules that govern its activity,[4] prohibited it from making decisions based on political considerations, and a country's political structure, its human rights record and corruption were all too political for the Bank to consider. Instead, if there was an economic case for lending to a corrupt and abusive regime, then the Bank was obligated to do so. Despite the fact that these same Articles of Agreement also require the Bank to ensure that its funds are spent as intended, it continued lending to corrupt regimes even when it was aware that Bank funds were being siphoned off. The Bank defended this by arguing, firstly, that corruption is a political issue and therefore not part of its mandate, and secondly, that even if only a fraction of aid reached a country's poor, it is still better than no aid at all. Therefore, contrary to claims, the Bank's new framework for combating corruption does indeed mark a departure from its past approach.

As with any international organization, the Bank has evolved as an institution since its inception after World War Two. This change has come about in part because of the historical environment in which it works. Changes in the developing countries that are its clients impact the way in which the Bank must do business, as do the political and economic needs of the developed countries that provide funding for the Bank's work. Change has also come about in part because of the evolutions in development theory, particularly regarding the role of the state in relation to development. The gradual shifts in belief concerning the role that the state plays – planner, facilitator, problem or supporter – is important for understanding how and why the Bank developed its anti-corruption programme.

This book develops an evaluation of the World Bank's policies and strategies on anti-corruption work in the context of the global aid regime. This involves developing a history of the Bank to understand its origins, character and mission; producing a history and analysis of the Bank's involvement of anti-corruption work; and situating the Bank's work in the context of other anti-corruption strategies. By first looking at why and how the Bank arrived at its current position on anti-corruption work, as well as the components that make up the Bank's anti-corruption programme, I can then broaden my analysis to understand the deeper political implications of this work for both the Bank and its borrowers.

The Bank is considered a leader among development agencies, because of the resources it has available to spend on lending as well as on research. Indeed, Cassen points to its prominent position:

> it suffices to say that the [World Bank] Group is the corner-stone of multilateral aid … Its country reports are widely used as the basis of statistical and economic knowledge for all donors. Its policy analysis similarly guides many donors' lending. It has provided intellectual leadership in development thinking. Its chairmanship of Consortia and Consultative Groups, as well as the size of its operations, make

> it a focal point for donor relations with numerous countries … Western aid in its present form could not function without it.[5]

Caufield describes how the Bank often 'proposes, designs, and oversees the implementation of the projects it funds. It requires its borrowers to adopt the economic and other domestic policies it considers conducive to successful development.'[6] Thus, when James Wolfensohn, the World Bank president, announced that 'as far as our institution is concerned, there is nothing more important than the issue of corruption',[7] the donor community and borrowing countries paid close attention. Although there has been great interest from outside the Bank in its anti-corruption efforts, there has been no comprehensive study of it. That makes this book particularly timely and important.

Corruption is acknowledged by most to be a severe problem facing many developing countries. The impact is felt in many ways: according to Robinson, 'it undermines economic growth, discourages foreign investment and reduces the resources available for infrastructure, public services and anti-poverty programmes … it may also undermine political institutions by weakening the legitimacy and accountability of governments. Corruption also reduces the effectiveness of aid-funded development projects and weakens public support for development assistance in donor countries.'[8] Additionally, the Bank found that corruption causes macroeconomic instability, discourages small entrepreneurs, endangers the environment and causes the poor to suffer disproportionately.[9]

The estimates regarding losses to corruption each year are startling. According to the Bank, '[i]n the United States alone, fraud and corruption claim $400 *billion* per year'.[10] Doig and Theobald point to evidence from Switzerland that $420 billion is hiding in its banks from African heads of state.[11] Rose-Ackerman demonstrates the severity of the problem by showing that 'if just 5 percent of the $90 billion of foreign direct investment in the developing world in 1995 were paid as bribes, the total would be $4.5 billion annually'.[12] The costs and consequences of corruption for developing countries in particular are severe, and the Bank is praised by many for tackling this often difficult and shadowy problem.

Background: the Bank and politics

Despite the importance of combating corruption for sustainable development, there are difficult political consequences for the Bank in undertaking this work. Throughout the book, I will refer to the Bank's 'non-political mandate'. Unlike bilateral donors, the Bank ought not to take political considerations into account when making lending decisions. This non-political mandate was devised by the Bank's founders to protect it from the political vagaries of the Cold War and was designed to 'assure all members [of the Bank] of equality before the law … because membership involves both obligations and rights'.[13] The Bank is required to ensure that the money is used for the purposes of the loan, 'with due attention to considerations of economy and efficiency and without regard to political and other non-economic influences or considerations (Art. III. Sec. 5(b))'. Art. 10. Sec. 10. states, 'The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Art. I.'

The founders were all too aware of the relationship between politics and economics. Indeed, 'such cognisance prompted them to emphasize the need to allow the Bank to operate as a universal, financial institution'.[14] In addition to protecting the Bank from Cold War politics, the mandate was designed to protect its reputation as a conservative, technocratic financial institution. 'Political considerations are supposed to be irrelevant … "especially as the Bank's credibility and strength has traditionally depended on its status as a quintessential technocracy exclusively concerned with economic efficiency".'[15] According to the Bank itself, 'As a reflection of the strength of the institution's capital backing as well as its prudent financial policies and risk controls, bonds issued by the World Bank have been AAA-rated since 1959 … We have a record of consistent profitability with annual net income exceeding USD 1 billion for the past 15 years. World Bank lending is limited to sovereign-guaranteed projects and the Bank enjoys a preferred creditor status with its borrower-shareholders. It has never declared a loan loss nor rescheduled any loan. Strict concentration limits and broad sector diversification further minimize lending risks. The Bank is one of the most prudent and conservative financial institutions in the world.'[16] This preferred status enables the Bank to raise capital at favourable rates in order to lend at high volumes with low interest rates.

Several authors refer to this as its 'apolitical mandate'.[17] The Bank itself refers to its 'non-political mandate', There is a subtle distinction here. Apolitical means 'not political, [or] not concerned with politics'.[18] This may describe the way the Bank used to look at development up until the 1980s, as I show in future chapters; however, it now accepts the role that politics plays in development and impacts its own projects. Nevertheless, because of its mandate, the Bank may be concerned with politics but it is not allowed to work in the political sphere or to advocate one particular political system over another. This then is 'non-political' rather than 'apolitical,' and I will refer to it as such.

Critics have accused the Bank of behaving as a political actor, despite the Bank maintaining that it acts without political considerations. It claimed this when it lent to non-democratic regimes, despite popular sentiment against such lending (for example, South Africa under apartheid). It has claimed this when lending to one of its largest clients, China, despite the protests of the US and various human rights groups.[19] However, this principle has not been consistently applied, and will often depend on the amount of leverage the Bank has in the borrowing country.[20]

According to Ayres, 'Political factors seemed to enter in to a greater extent for countries that were highly salient to the interests of the foreign policy of the most important donor countries (most notably the United States) or countries whose development policies, for whatever reasons, were highly conflictual and thus the subject of relatively intense international attention and controversy.'[21] US involvement in the Bank has long been controversial. Critics of the Bank have claimed that the Bank is subservient to US interests. Baldwin noted that these claims were usually rejected by the Bank itself, as well as by some academics. However, he did identify certain facts of life which should be taken into account. The US holds the largest number of votes and is the largest *potential* contributor. The Bank has traditionally found a good deal of its funding on the US capital market, although it has diversified its portfolio considerably since the 1970s. Finally, by unwritten agreement, the Bank president is always an American, and therefore is likely to have at the least an American cultural outlook.[22]

In 1988, the then Bank president Barber Conable said, '"Allow me to be blunt: the political uncertainty and arbitrariness evident in so many parts of Sub-Saharan Africa are major constraints on the region's development … *I am not advocating a political stance here*, but I am advocating increased transparency and accountability in government, respect for human rights and adherence to the rule of law".'[23] By now, many scholars see the Bank's non-political stance as a myth, arguing that lending to nations is inherently political, especially because of the influence of powerful members, like the United States.[24] Miller-Adams explains that '[t]he Bank's apolitical orientation, embodied both in the Articles of Agreement and in the values and beliefs of its staff, is what sociologists call an "organizational myth". The point about such a myth is not whether it is true or false, but that it plays an essential role in an institutions self-conception and quest for legitimacy.'[25]

Through the decades that followed its inauguration in 1944, this non-political mandate accorded with theories on development and the general consensus on the role of multilateral versus bilateral aid and the largely technical nature of Bank lending (for example, road building, dam building). With the large amount of capital available for developing countries from private banks, the Bank had to keep lending just to retain the Bank's position as leader, regardless of the nature of the regime.[26] Furthermore, according to Mason and Asher, the Bank often cut lending to newly democratic countries because of their unsatisfactory economic performance, while concurrently increasing loans to military dictatorships with the power to implement austerity measures.[27]

Until the late 1980s, the Bank maintained, as did many others in both aid agencies and academia, that authoritarian regimes were the best facilitators of economic development, especially in light of the politically unviable austerity programmes prescribed by the Bank under structural adjustment.[28] It was widely agreed that authoritarian regimes were better at managing economic development and growth, as well as maintaining a stable political climate. Even liberal donors such as Sweden lent to brutal regimes in the belief that the poor would be better off with the help than without.[29] Indeed, the Bank argued that its work in non-democratic countries was vital because its mission was to help the poor regardless of the regime, and the 'worst' countries might have found it difficult to find funding elsewhere.[30] Table 1.1 lists the Bank's top twenty recipients of loans and credits from 1948–80. Countries that have not had authoritarian governments at some point during that period are highlighted. As we can see, only India has been a democracy during the entire period. If the Bank had only financed democracies, it would have had a very limited lending portfolio indeed.

During the bipolar race for balance of power during the Cold War, both the US and USSR sought to 'purchase' the loyalty of developing nations through aid,[32] and recipients often held a degree of power in these negotiations. Fearing that rejected states would turn instead to communist countries for aid, the West propped up several totalitarian regimes in order to stabilize the political climate.[33] Some more notori-

Table 1.1 Twenty largest recipients of bank loans, IDA credits, and bank/IDA resources combined, cumulative, 1948–80 (in US$ millions)[31]

Bank		**IDA**		**Bank/IDA**	
Brazil	5,313.7	*India*	8,285.2	*India*	11,055.8
Mexico	4,113.6	Bangladesh	1,454.2	Brazil	5,313.7
Indonesia	3,056.0	Pakistan	1,244.9	Mexico	4,113.6
South Korea	2,948.5	Indonesia	931.8	Indonesia	3,987.8
India	2,770.6	Egypt	783.6	South Korea	3,059.3
Colombia	2,761.4	Tanzania	538.7	Colombia	2,780.9
Yugoslavia	2,684.1	Sudan	522.5	Yugoslavia	2,684.1
Turkey	2,407.4	Kenya	408.3	Turkey	2,585.9
Philippines	2,389.9	Sri Lanka	369.6	Philippines	2,512.1
Thailand	1,960.4	Ethiopia	368.1	Pakistan	2,128.9
Romania	1,502.8	Burma	363.0	Thailand	2,089.9
Morocco	1,437.3	Zaire	277.0	Egypt	1,908.6
Nigeria	1,380.7	Madagascar	255.2	Romania	1,502.8
Argentina	1,350.3	Nepal	235.7	Bangladesh	1,500.3
Iran	1,210.7	Cameroon	230.5	Morocco	1,488.1
Malaysia	1,132.6	Yemen Arab Republic	208.3	Nigeria	1,416.2
Egypt	1,129.0	Senegal	187.7	Argentina	1,350.3
Algeria	1,091.0	Ghana	179.0	Iran	1,210.7
Pakistan	884.0	Turkey	178.5	Kenya	1,197.6
Japan	862.9	Mali	173.2	Malaysia	1,132.6

Source: Ayres (1983), *Banking on the Poor*, p. 258.

ous examples include Chile under Pinochet, the Philippines under Marcos, Uganda under Amin, Equatorial Guinea under Macias, and perhaps most famously, Zaire under Mobutu. It was not only this unique political climate that encouraged both bilateral and multilateral donors to support authoritarian regimes. There were simply many more dictators in the developing world than there are today.[34] As the norm, rather than the exception, donors were unlikely to take the nature of a political regime into account when distributing aid. If they did, there would indeed be few recipients to take advantage of aid.

The fall of communism in the late 1980s ended this almost universal consensus, and instead democratic governments were seen as the best facilitators of development. The Bank joined other donors in promoting the idea that good governance was a pre-condition for economic growth, including accountable and transparent decision-making, an independent judiciary, a free press, increased popular participation through a vital civil society, and finally, a commitment to combating corruption. Many donors now require a commitment to democratization as a condition of aid, which includes respect for the principles listed above, but only the Bank has stopped short of calling this 'democracy'.

Work on corruption makes the Bank's non-political mandate much more problematic. In recent texts on anti-corruption work, the Bank has become much more explicit in referring to the role of politics in combating corruption. A report on corruption in transition countries highlights the importance of political competition for increasing the accountability of leaders.[35] The same report defines political accountability as referring to 'the constraints placed on the behaviour of politicians and public officials by organizations and constituencies having the power to apply sanctions to them'.[36] In other words, the Bank is advocating the need for competitive elections to combat corruption.

Looking at public sector reform, another recent Bank document highlights three important 'drivers' of reform: rules and restraints (including constitutional separation of powers), participation (including representative decision-making and political oversight) and competition (including political competition).[37] However, '[i]t is not being suggested that active involvement to build all of these types of institutions falls within the Bank's mandate'.[38] Clearly, this is an important caveat given that the Bank is proposing liberal democracy as a means of reforming the public sector. Referring to decentralization as important for fostering participation, the report states, '[t]he political rationale for decentralization is the desire to move decision-making closer to people to foster greater democracy. The economic rationale is based on gains in allocative efficiency.'[39] One is left to guess where the Bank has learned of the 'political rationale for decentralization' as there are no references available, and it does not take into account the many established democracies with highly centralized administrations, especially in Europe.

In the Africa region, the Bank speaks of '[a]mending the constitution to redefine the role of the state, introduce new governance arrangements, change the machinery of government or alter the balance of power among the executive and the parliament',[40] as if these things are the same as a management restructure. Goran Hyden has asserted that governance is really like business management theory: 'In the same way as business management theory treats the organization as crucial to business success, the governance approach treats regime – the organization of political relations – as essential for social and economic progress.'[41] Herein lies the danger in trying to take the politics out of things that are inherently political, such as regime choice, participation and government structure. It is simply not possible to do and is likely to fail or to drive the Bank into a more explicitly political direction.

Increasingly, voices within the Bank are calling out for it to cast aside its non-political mandate and embrace democracy as a condition for Bank lending. Joseph Stiglitz, formerly the Bank's chief economist,[42] connected its work on corruption to democratization: 'Earlier, discussions of corruption would have been off limits for the World Bank, which was generally proscribed from engaging in political matters not directly related to development. But the new thinking argues that there is no bright line of demarcation: corruption, though a matter of politics, is at the heart of underdevelopment. But once that line has been broached, the limits of what should be in the Bank's purview are no longer clear. Openness, transparency, and democratic processes provide an important check on the operation of special interest groups and the extent of corruption.'[43] Indeed, Stiglitz calls on the Bank to 'support democratic pluralism'.[44]

Another statement made by former World Bank Vice President for East Asia and the Pacific, Jean-Michel Severino, could have far-reaching implications for the Bank as a whole. Referring to Indonesia, he said, 'It is very clear that if we came to a situation where these governance, democracy and human rights goals were not present in the government, I don't see how there could be any financial, political or technical support from the international community.'[45] Furthermore, these conditions apply to all countries, not just Indonesia. Mr Severino is also said to have acknowledged the role of World Bank efforts to spread democracy.[46] It will be interesting to see if democracy is to become an overall condition of lending, or if this is simply an overzealous staff member speaking out of turn. It is too early to tell. One thing is for certain: if the Bank is to require moves towards democratization as a condition for lending, it will have to amend its Articles of Agreement.[47] Significantly, during separate interviews with three senior Bank staff, I was told that 'we're pushing the envelope' on the Board to approve this sort of amendment.

Kapur and Webb refer to the 'legal wriggles' needed to address corruption because of the Bank's mandate: 'If it is true that one cannot wade into water without getting wet, [governance-related conditionalities (GRCs), including corruption] will inevitably increase the politicization of the [international financial institutions (IFIs)], tarnishing the technocratic smock that provides credibility to their prescriptions. If the IFIs have always been vulnerable to the political pressures of their main shareholders, GRC opens the door more widely.'[48]

Table 1.2 Donor approaches to anti-corruption[51]

	World Bank	**USAID**	**UNDP**	**DfID**	**EU**
Accountability	x	x	x	x	x
Civil society	x	x	x	x	x
Decentralization	x	x			
Democracy		x	x	x	x
Human rights	x	x	x	x	x
Legal reform	x	x			x
Media	x	x			
NGOs	x	x	x	x	x
Partnership building	x	x	x		
Private sector	x	x	x		
Privatization	x	x			
Public sector	x	x	x	x	x
Service delivery	x	x		x	
Transparency	x	x	x	x	x
Watchdogs	x	x			

Source: Marquette (2001), 'Corruption, Democracy and the World Bank', *Crime, Law & Social Change*, 36 (4), p. 401.

Since the early 1990s, the World Bank has been responsible, directly or indirectly, for the majority of research available on corruption. The research is economics-led and avoids, for the most part, directly addressing overtly political issues, which the Bank says includes 'election processes or the structure and financing of political parties'.[49] Table 1.2 highlights areas of primary concern for anti-corruption strategies for select donor agencies, including the Bank, and it illustrates how all-encompassing the Bank's approach is. There are also many areas – including accountability, human rights, a free media, and civil society – that are associated with notions of democracy.[50]

The Bank's research on corruption attempts to separate the political and economic from issues like civil society. It assumes that issues like privatization are inherently economic, ignoring political arguments about the role of the state and the provision of public services. As Fillip points out, 'The assumed ability to separate the economic and political dimensions of governance [and corruption] is what allows the Bank to address governance issues without going beyond its mandate.'[52] The Bank continues to churn out research at an astounding rate to remind us of the economic implications of these issues and to de-emphasize the political. It is this research that drives the direction of the Bank's anti-corruption work.

In a current study of the World Bank's work on legal reform, Weaver addresses the challenges that the Bank's non-political mandate poses for this work, which it claims 'can be addressed through apolitical, technical assistance as allowed under the Bank's mandate'.[53] She cites Lawrence Tshuma, who writes of the inherently political nature of legal reform. '"Despite its claims to the contrary, by advising governments on, and by lending for, law reform programmes, the Bank is involved in a process of social restructuring which involves the use of state power and is therefore political".'[54] Referring to a number of studies of legal reform in Latin America, Weaver concludes that 'clinging to the myth of apolitical development and failing to take political factors into account may hinder the effective design and implementation of legal reform projects'.[55]

Speaking before a group of NGOs in 2000, James Wolfensohn, the current Bank president, explained how the Bank became interested in tackling corruption:

> Let me say first-off that until three years ago, the word 'corruption' was never mentioned at the World Bank. As some of you may know, the true story that when I got to the Bank, the General Counsel called me in to give me my briefing on what I could do and what I could not do as President of the Bank. And he said the one thing you cannot do is to talk about the 'c' word. And I said what is the 'c' word? He said the 'c' word is corruption. And under the charter of the Bank you are not allowed to talk about politics and corruption is politics. Therefore, don't talk about the 'c' word. You can talk about anything else. You can talk about social justice, you can talk about poverty, but for God's sakes don't talk about the 'c' word because you will get fired. Your shareholders won't like it.
>
> And that is not an allegorical story. That is, in fact, a true story. I took this for about two years until I recognized that there was no way to deal with the issue of equity and poverty and development without tackling the question of corruption. So, I came out in my Annual Meeting speech, I said corruption is a cancer and it is not political but it is social and it is economic and, therefore, I am allowed to talk about it. And if you politicians think that it is political, that is your problem. I think it is social and economic. Therefore, I can talk about it.[56]

Wolfensohn has been backed by the US government, which blames the previous lack of focus on corruption on 'overly restrictive interpretations of their Articles of Agreement against consideration of noneconomic factors in their activities' and 'reluctance' on the part of the Executive Directors to tackle the issue.[57]

The former General Counsel of the World Bank, Ibrahim Shihata, referred to in the above quote from Wolfensohn, has highlighted his areas of particular concern: lack of competence, the Bank acting as both judge and jury to determine the quality of a country's political system, the implications for the Bank's reputation on the financial markets and the impact on the poor. 'Conferring on the World Bank a direct and explicit political role for which it has neither the mandate nor the competence would … raise major legal and political issues … Plainly, these provisions do not envisage a role for the World Bank in the political reform of its borrowing members.'[58]

Even if it were to amend the Articles, a difficult and laborious process, its entire culture would require restructuring as well. The Bank is staffed largely by economists, and its programmes evolve out of the perceived primacy of economic concerns. A new emphasis on democracy would require that more political scientists, anthropologists and sociologists join the Bank. It would also require new products, new monitoring systems, a switch to qualitative, rather than quantitative measurements for assessment, in addition to the acceptance of the international community as a whole that the Bank belongs in the 'democracy game'. This is not an insignificant change to its mandate, one that can take place as 'democratization through the back door'. Indeed, it is worthy of another Bretton Woods debate, open to a wide range of stakeholders, including NGOs, academia, the media and so on.

I would like to offer a couple of caveats here. Firstly, the Bank is a vast and complex institution. It appears to some as an unchanging and highly technocratic bureaucracy that either does its job well and is a highly efficient leader in the global marketplace, or instead a behemoth that never learns the lessons of its failures and always insists on 'business as usual'. On the other hand, some see it as a vastly changing and fluid institution that either easily adapts to the changing political and economic environments in a way that reflects the needs of its members, or instead insists on simply tacking on new philosophies and new sectors without any real rethink of the needs of its members. The truth is that the Bank can be all of these things at the same time. By using documents, news reports and interviews, you can shed different light and shadow on the same issues depending on the sources used, thus highlighting the need for openness and alertness when analysing the data. In addition, when the Bank does change, it does so rapidly. I have had to be flexible in the development of this research to accommodate many changes in a vast programme that the Bank refers to as ‘evolving’. Because of this I have tried to balance detailed analysis with some broad generalizations.

Structure of the book

Chapter 2 looks at the way the Bank has developed as an institution since its inception in 1944 to show how it reacts as an institution to changes in the political and theoretical environments. The direction that Bank policy has taken in the past has largely been the result of changes in its environment, and this chapter provides the basis to show that good governance and anti-corruption work are no different from past efforts. Indeed, we can see how the Bank has been largely a reactive force in development, rather than a proactive one, despite its claims that it has often acted as a ‘leader’.

Chapter 3 builds an in-depth analysis of the introduction of good governance and anti-corruption work at the Bank. Anti-corruption work has developed out of its interest in good governance, and the two are inextricably linked. I show that the Bank has long had an interest in working on corruption; however, the prevailing political climate needed to change before it was able to address the issue as it had long desired. These changes finally came with the end of the Cold War and the continuing failure of structural adjustment to make a significant impact on economic growth in developing countries. Increased media attention to the problems of corruption for development, largely as a result of the work of Transparency International (TI), also helped the Bank to explicitly address the issue without amending its non-political mandate.

Chapter 4 provides a thorough analysis of the Bank’s current anti-corruption work by focusing on its four-part strategy: minimizing corruption in its own work; helping countries build anti-corruption programmes; mainstreaming corruption as a focus in its lending operations; and forming international coalitions to fight corruption. Although this chapter appears to cover a very narrow area, it is actually broad, encompassing areas like procurement, public sector management, community empowerment, civil society, the media, international organizations and financial management, often both from a procedural and a theoretical perspective. The result is an anti-corruption programme at the Bank that is impressive in parts but unmanageable in its entirety.

Chapter 5 focuses on the notion of 'comparative advantage', with bilateral and multilateral donors each claiming advantage in some aspect of anti-corruption work. This chapter will, in the first section, provide an overview of major donors' programmes, highlighting the area identified by that organization as its area of 'comparative advantage'. The second section offers an evaluation of these claims and how they impinge on the future work of the World Bank. Finally, Chapter 6 concludes the book.

2
The Emergence of a Development Agency, 1944–1981

In 1997, the World Bank announced a commitment to combating corruption within its own projects and within its client countries. The first has always been a concern of the Bank since its inception. The second marked a complete departure from past Bank activity, where the Bank had dealt with some of the world's most notoriously corrupt dictators and political regimes, often in the face of heavy criticism from many of its shareholders. This current focus on corruption at the World Bank must thus be seen both within the context of an overall international movement and as the result of certain historical events. It is important to examine the changing philosophy of development at the Bank, with the Bank both informing and being informed by changes in development theory, and also the significance of changes in Bank leadership.

The Bank's position as a leader among development agencies, and the propensity of donors to develop policies through a process of osmosis,[1] means that any changes at the Bank gradually trickle down into other donor programmes.[2] When producing an analysis of the Bank's anti-corruption programme, it is important to develop an understanding of where it has come from – both in a historical context and in a theoretical one. The Bank is affected by both external factors and actors. It is subject to the vagaries of history – such as war and social upheaval – just like any international organization. Its work also has a symbiotic relationship with development theory. It feeds off of existing theory and practice but also contributes greatly to the discourse through its own vast research.[3] In the words of its former General Counsel, 'The World Bank does not exist in a vacuum. It deals with a world that undergoes constant changes in a fast increasing pace. Changes occur not only in the economic conditions and relationships the Bank is meant to address, and in their underlying political, social

Table 2.1 Gillies' four eras of politics in World Bank lending

1946 – mid-1970s	Avoided politics by-and-large to build its reputation and credibility and also to stay out of the Cold War
Mid-1970s to 1980	Carter's human rights legislation; 'hotch potch application'
1980s	Reagan influenced for geopolitical and ideological reasons
Late 1980s onwards	Rise of political conditionality and good governance

Source: Gillies (1996). 'Human Rights, Democracy and Good Governance: Stretching the World Bank's Policy Frontiers,' in Griesgraber and Gunter (eds), *The World Bank: Lending on a Global Scale* (London: Pluto Press), p. 119.

and environmental underpinnings, but also in the expectations of its members, the ideological orientation of its work and continuously evolving development economic theories.'[4]

Gillies provides us with a useful typology to view the changing approach to politics within the World Bank (see Table 2.1). If we compare Gillies' typology to the flow chart on the changing role of the state found in Figure 2.1, we can see how they are linked.

This chapter will trace the historical trajectory from the Bank's early focus on project-based lending to the important shift to policy-based lending under Robert McNamara, and will highlight certain internal and external factors which led to today's policy on corruption. This evolutionary path can be seen in Figure 2.1. This is important in order to understand the evolutionary process of such a significant shift in focus, leading as it does to an increased politicization of Bank policy.

The World Bank and Bretton Woods

During World War Two, allied government officials, especially in the US and UK, realized that stability of international economic markets and reform of the international trade system would be essential factors in the ultimate establishment of long-term peace.[5] Two of the most prominent economists of the time independently developed plans for international economic institutions which would bring about stability in the postwar world, separately and without one another's knowledge. Harry Dexter White, the director of the Division of Monetary Research and chief economic advisor to US Treasury Secretary Henry Morganthau, developed the American plan. The British plan was developed by Lord John Maynard Keynes, the pre-eminent economist of the age and an advisor to the British Treasury.

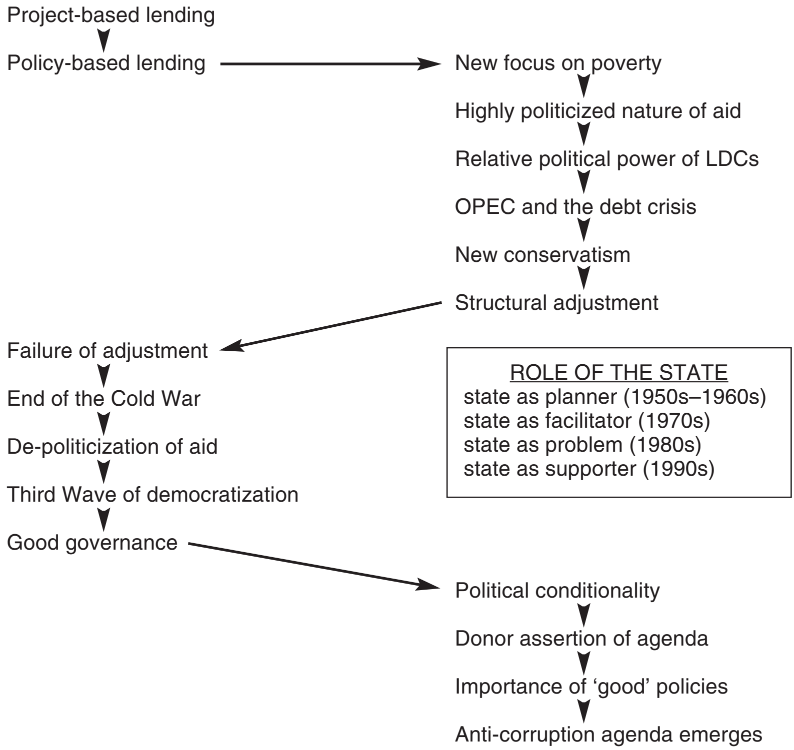

Figure 2.1 Evolutionary process: anti-corruption work at the World Bank

In 1944, President Roosevelt invited the forty-four Allied nations to the Mount Washington Hotel near the Bretton Woods resort in the White Mountains of New Hampshire to discuss the American and British Joint Statement.[6] In July, more than 400 delegates arrived, in order to spend twenty-one days discussing the Joint Statement, using it as a framework to draft the Articles of Agreement, as well as establishing organizational details and dealing with the special interests of member countries.[7] It was at Bretton Woods that the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, or World Bank) were born in order '[t]o assist in the reconstruction and development … of members by facilitating the investment of capital for productive purposes … to promote foreign investment … [and] to promote the long-range balanced growth of international trade'.[8] However, the introduction of the

Marshall Plan in the same year left the Bank without its primary goal of reconstruction. Work on development had been an afterthought, pushed for by Latin American delegates to Bretton Woods. The Bank had faced immediate criticism from the developing world that its management team cared more about placating Wall Street than aiding less developed countries (LDCs), but with the Marshall Plan, the Bank turned its full attention to the LDCs.[9]

White and Keynes originally intended to head the IMF and Bank, respectively, setting precedent for one to be headed by an American and one by a European. The death of Keynes and murmurs in Washington about White's alleged communist ties[10] made this impossible, so Camille Gutt, the former finance minister of Belgium, was appointed as president of the IMF on 7 May 1946. No financiers were found willing to deal with the inevitable politics of heading the Bank, so Truman finally appointed Eugene Meyer, publisher of *The Washington Post* on 25 June. Meyer believed that the new Bank would have to make very prudent initial lending decisions in order to build a solid reputation among investors; however, his directors wanted to begin disbursing funds immediately.[11] Chile was the first developing country to apply to the Bank for funds in September 1946, only three months after its opening. The $40 million loan application presented only a vague outline of possible projects for its use. At the time, Chile was in default on over $300 million in foreign bonds, and Meyer refused to make the loan, to the consternation of his directors. The US executive director Emilio G. Collado and Meyer argued vehemently over whether or not the Bank should 'simply hand out money' or make decisions based on sound judgement.[12] Confrontations such as this led to Meyer's resignation in December, a mere six months after accepting the presidency. Chile did eventually become the first recipient of a Bank loan for development, but not until March 1948, in the amount of $13.5 million for the building of a dam.

Mikesell claims that challenges faced by the Bank after its establishment 'do not reflect the high competence of its originators. This failure was due in part to the national political pressures on all the participants and in part to the conflicted attempt to create institutions that would both address the immediate post-war financial problems and provide a long-term framework for an international system.'[13] Several factors were not foreseen by the drafters. First and foremost was the Cold War. Second was the underestimation of the cost of reconstruction. Third, the time necessary to re-establish normal international trade and payments relationships was also underestimated. Fourth, the rapid nature of independence in the colonial world drastically changed the nature of Bank membership. Finally, the drafters did not understand the differences between the needs of the industrialized world in comparison with the needs of the developing one.[14]

Meyer was replaced three months later by John J. McCloy, a Wall Street lawyer and former assistant secretary of war. McCloy brought with him two colleagues from Wall Street – Eugene Black, vice president of Chase National Bank, to replace Collado as US executive director, and Robert Garner, former treasurer of Guaranty Trust, as vice president. This change in management heartened the financial community, which recognized the solid reputations of the new appointments. Wall Street responded positively to the Bank's first public sale of bonds on 15 July 1947. By noon, the $250 million offering was oversubscribed.[15] It was clear that despite early concerns, investors believed that the Bank had a future as a development institution.

The rise of development theory

As the Marshall Plan worked to rebuild Europe, a wave of independence rolled throughout the colonial world – starting in India and, over time, spreading throughout Asia and Africa. The Bank's first quarter century saw its membership grow from thirty-eight countries in 1946, to 116 countries in 1971.[16] Although the weighted voting structure[17] still allowed these new countries minimal input into lending decisions and policy making, their external influence was felt most strongly within the Bank vis-à-vis a shift in development ideology.

In the early 1950s, the general consensus was that the neoclassical model of economics based on the free market had failed capitalist countries during the Depression, leading Myint to describe the 'anti-neoclassical' nature of development theory at the time. Myint explains:

> The consensus … was that the problem of economic development was essentially 'dynamic' and could not be satisfactorily considered in terms of the 'static' neo-classical theory of resource allocation. It was also believed that economic development would not take place simply by relying on the market forces, but needed development planning to push through massive investment programs.[18]

Roger Stone, director and president of the Sustainable Development Institute, asserts, 'the early World Bank model is often described as "neo-Keynesian" in recognition of its emphasis on government planning and job creation in the context of a free economy'.[19] Many countries and institutions, including the Bank, turned therefore to the Soviet Union as a model for rapid development, as it had risen from a primarily peasant economy at the turn of the century to the second most powerful nation in an increasingly bipolar world.[20] According to Dobb, '[the Soviet system] affords a unique example of the transformation of a formerly backward country to a country of extensive industrialization and modern technique at an unprecedented *tempo* … As such it seems likely in turn to become the classic type for the future industrialization of the countries of Asia.'[21]

The rhetoric of nationalist developmentalism, according to Preston, had been 'used by local leaders in pursuit of independence' and 'affirmed the model of independent statehood which was to be the vehicle of the achievement not merely of political freedom for the elite but also growth and welfare for the masses'.[22] The Soviet model of economic growth attracted many new countries, such as India and China, and many African nations as well. As James explained, 'The new states searched for a particular economic strategy appropriate to their particular political condition. Their answer often lay in a partial disengagement from the world economy, and a reluctance to accept the goal of currency convertibility, or to see any substantial advantages in trade liberalization.'[23]

Growth theory fitted into the political environment of the time. It managed to combine development through industrialization, loosely based on a Soviet-style system of planning, with an emphasis on the free market and international trade. Theories of economic growth had been in existence for some time, most prominently those by List, Toennies and, of course, Marx.[24] However, the most institutionally influential of the twentieth-century growth theoreticians is Rostow, who developed a model known as 'modernization theory'. Rostow's *The Stages of Economic Growth: a Non-Communist Manifesto*[25] sets forth his theory of development, based on that of List, whose model of development also had five stages. The first is the 'traditional society,' with its focus on the family and on agriculture. The second stage is the 'preconditions for take-off'. According to Rostow, this stage started in Europe in the late sixteenth century. Preconditions include, among other things, a political system, banks and a growing merchant class. The third stage is the 'take-off', which he defined earlier as 'an increase in the volume and productivity of investment in a society, such that a sustained increase in *per capita* real income results'.[26] During the take-off, new industries expand, profits are reinvested, savings increase, society and political structures change, and production exceeds consumption. The fourth stage is the 'drive to maturity', where the economy continues to grow at a steady pace. The final stage is the 'age of mass consumption', where production turns to service-based industries and the focus on social security and the welfare state begins.

Rostow's model was criticized by economic and political theorists alike. Hoselitz wrote, 'Economists have, on the whole, seen little usefulness in the various theories of economic stages.'[27] Meier and Baldwin stated, 'Almost all historians now recognize the limitations of such a linear conception of history and no longer attempt to classify countries according to stages of development.'[28] After giving several pages of empirical data, Kuznets scathingly replied, 'Unless I have completely misunderstood Professor Rostow's definition of take-off and its statistical characteristics, I can only conclude that the available evidence lends no support to his suggestions.'[29] Politicians, on the other hand, as well as international institutions such as the World Bank and the UN, welcomed his theory.[30] In it they found a non-Soviet justification for development through industrialization, appealing to both nationalist elements in the newly independent countries of Asia and Africa and to capital-exporting industrialists in the developed world.[31]

The Bank and development in the 1950s and 1960s

The Bank, meanwhile, had yet to achieve a stable management environment by the end of the 1940s. McCloy resigned relatively soon after taking the helm, in June 1949. A primarily political animal, he left the Bank to become the US high commissioner of Germany, leaving Eugene Black as his successor. Black worked closely with clients and created rapport. 'His personality, his reputation for soundness, and his stature were vital attributes in securing a doubling of the capital subscriptions of the Bank by 1959.'[32] In its first eighteen months of business, the Bank received only three loan applications from developing countries – Chile, Iran and Mexico. Indeed, Bank staff had to go out into the field to elicit interest in loans; and when applications did come in, they were vague and for unspecified projects. To address this, Black decided that the Bank should offer developing countries its technical expertise in designing projects for lending.[33]

Within the first five years of Black's presidency, ninety-six loans were made, totalling over $1.8 billion, in twenty-eight member countries and three overseas dependencies, with $1 billion of that total spent outside of Europe.[34] Black also made the first loan to Sub-Saharan Africa in 1952, to the Belgian Congo (now the Democratic Republic of the Congo). This was a twenty-five-year loan, in the amount of $40 million, at a rate of 4.5 per cent, and guaranteed by Belgium. The loan was part of the Congo's Ten Year Development Plan, which called for public investment of up to $800 million for transport, communications, electric power, water supply, housing, health, education and research. A large component of the plan involved locating private investment in mining, manufacturing, large-scale agriculture and commerce, in order to raise exports 30–50 per cent over a ten-year period. The Bank's loan was to be used to import the capital equipment necessary to put the plan into motion.[35]

In keeping with modernization theory, the Bank believed that modern infrastructure was the key to successful development. The Food and Agriculture Organization (FAO) said that the key was improved agriculture; the UN Educational, Scientific and Cultural Organization (UNESCO) said it was education; and the World Health Organization (WHO) said it was health. Only the Bank could back up its theory with money. 'It was the availability of financing for such undertakings that stimulated philosophising about the vital role of economic infrastructure in the development process, rather than the reverse.'[36] In order to reinforce this philosophy throughout the developing world, the Bank established its Economic Development Institute (EDI) in 1956, funded by the Ford and Rockefeller foundations, in order to educate potential development professionals from developing countries.

Black resigned in 1963, after thirteen years as Bank president. During his term, 370 loans were made, totalling over $7 billion, with no defaults, a net income in his last year of $83 million, and no taint of corruption or mismanagement. Caufield notes, 'Under Black's leadership the Bank was more than a mere lender. It became a diplomat, acting as a middleman in disputes between nations. It became a force in academia, shaping the newly emerging field of development theory. It became the unofficial planning agency for the Third World, co-ordinating the lending of other aid donors. It became an international phenomenon.'[37]

Development theory truly came into its own during the 1960s, dubbed 'the Decade of Development' by President Kennedy in his Foreign Aid Message of March 1961. He stated:

> The 1960s can be – and must be – the crucial 'decade of development' – the period when many less-developed nations can make the

> transition into self-sustained growth – the period in which an enlarged community of free, stable, and self-reliant nations can reduce world tensions and insecurity ... For we are launching a 'decade of development' on which will depend, substantially, the kind of world in which we and our children will live.[38]

The importance of development to the American government was duly noted by the developing countries, who recognized the opportunity presented by Kennedy's announcement.

In the United Nations, the newly independent countries exerted a considerable amount of influence. At the 16th Session of the UN General Assembly in 1961, LDCs proposed a conference dealing with trade issues. Their primary concern lay with the General Agreement on Tariffs and Trade (GATT), which they saw as inadequate for dealing with trade problems endemic to LDCs. They also disliked GATT's Most Favoured Nation (MFN) and reciprocity provisions, which can be argued are applicable only if trading partners are on equal terms of trade.[39] The Group of 77 emerged from the first UN Conference for Trade and Development (UNCTAD I), held in Geneva in 1964, as an 'unofficial but very influential group of LDCs within the UN General Assembly'.[40]

The head of UNCTAD, Raúl Prebisch, is generally accepted as the founder of structuralist economics, which rejects the formalism of neoclassical and modernization models of development, focusing instead on the substantive historical reality of economic activity.[41] Hettne explains that modernization was an example of positivism, or 'value-free' social science, which objectively views things as they are, not as they should be. The dependency theories which grew out of Prebisch's structuralism are instead examples of normativism, which looks at development as what *should* happen, and acknowledges that different circumstances imply that cases should be looked at subjectively.[42] Prebisch theorized that those countries which existed in the periphery (the underdeveloped South) of the market, controlled by the developed world in the North at the core, were unable to develop because they were dependent upon declining terms of trade with the core. In other words, the periphery would have to export more and more to the core in order to import the goods that the core produced.[43] To counter this imbalance in terms of trade, he recommended that LDCs support programmes of import-substitution industrialization (ISI) on a regional basis to build economies of scale, while focusing on exporting manufactures. He also recommended that LDCs pursue policies of income redistribution, promote education, redistribute land from the hands of a few elites to the masses, and therefore create the greater social mobility he believed was necessary to make ISI work.[44]

Dependency, a neo-Marxist theory, grew out of Prebisch's structuralist theory. Frank stated that dependency of the periphery was intentionally maintained by the core in order to exploit its resources. The only way out of this state, according to Frank, was through socialist revolution resulting in the collapse of the capitalist system.[45] Cardoso and Faletto disagreed with Frank's belief that the periphery had no choices other than revolution, but rather focused on the role of the dominant class and the ownership structure of domestic industry.[46] Both Nkrumah and Woddis explained that political imperialism had been replaced with economic neo-imperialism in an attempt by the North to exploit the South's resources, to preserve the North's strategic interests, and to prevent the spread of socialism.[47] According to Nkrumah, 'The essence of neo-colonialism is that the state which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside.'[48]

As interest shifted from modernization to dependency, Black was replaced by George Woods, a board member of the Henry J. Kaiser Co.[49] and chairman of First Boston Corporation, as president of the World Bank. His five-year term was marked by two ironies. Firstly, he wanted to make the Bank more 'responsive' to the needs of developing countries, but his undiplomatic dealings and tough economic demands soured his relationships with the Bank's borrowing members. Secondly, he suffered great embarrassment at the Bank's prosperity, which had reserves of almost $1 billion when he took over from Black. With the encouragement of the US and Germany, he started transferring portions of this surplus from the IBRD to the International Development Association (IDA)[50] – over $200 million from 1964–6.

A World Bank oral history records Woods asking, '"Do you really think that a development finance agency ought to measure its success by the lack of defaults? We shouldn't be concerned by whether a country is able to service a loan. We should be more concerned with what good it is doing for the country."'[51] In an article for *Foreign Affairs*, he warned that LDCs were devoting over one-tenth of their foreign exchange earning to debt service, and yet still had not achieved the 'precondition of industrialization, including stable government, an acquisitive outlook, and technical capacity'.[52] Woods' term as president stands out as being unremarkable, but he did pave the way for a more dramatic role for the Bank in the next decade. His essay contains 'one of the most widely quoted statements of the first "Development Decade"',[53] in which Woods claimed, 'A preliminary study made by the World Bank staff … suggests that the developing countries could put to constructive use, over the next five years, some $3 to $4 billion more each year than is currently being made available to them.'[54] This statement greatly influenced the next Bank president, Robert McNamara, who took over after Woods retired in 1968.

A turning point for the Bank

The late 1960s marked an extraordinary shift in the World Bank's development ideology. This transformation can be partially attributed to the arrival of the remarkable McNamara as president, who possessed a completely different background and ideas than those held by any of his predecessors. In addition, upheavals in the political environment around this time forced McNamara to rethink the Bank's entire approach to development. Eichengreen and Kenen identify four major changes that altered the *raison d'être* of the World Bank and IMF: (1) the global economic dominance of the United States; (2) the small number of countries involved in the design of the Bank and IMF; (3) the protectionist stance taken by many developed countries (DCs); and (4) the success of DCs in managing domestic change.[55]

The Bretton Woods system as envisioned by its founders ended abruptly on 15 August 1971, when US President Nixon announced his New Economic Policy (NEP). The booming American postwar economy was in a state of crisis by the beginning of the 1970s. Industrial productivity was down, excessive domestic inflation existed, unemployment levels were at their highest since the 1930s, and there were also massive short-term capital flow problems. The US faced balance of payments deterioration due to an import increase resulting from increased demand from consumers and industry and massive military spending on Vietnam.[56] Importantly, it faced increased competition from a recovered European Community as well as from Japan, with the three becoming increasingly interdependent. Instead of seeking a way to work within the state of increasing interdependence, the US suspended the convertibility of the dollar into gold, destroying the pegged rate system of Bretton Woods.[57] This had the effect of 'shattering the linchpin of the entire international monetary system – on whose smooth functioning the world economy depends'.[58] The NEP also imposed several new import surcharges; set up export subsidies and a business development incentive programme which discriminated against foreign inputs; reversed traditional US policy regarding protectionism and free trade; and Nixon himself broke tradition by calling for a decrease in foreign aid, taking domestic political credit for the action.[59] A weakening global economy forced the Bank to justify its existence and its need for financial contributions from DCs by changing its overall approach and introducing an emphasis on morality and on poverty.

Poverty and the change to policy-based lending

Robert McNamara joined the Bank in June 1968, and was the first Bank president (and the last, thus far) to hold a high-level political position. As early as 1966, while still US Secretary of Defence, McNamara gave a speech in which he announced that US security interests lay in LDCs because he believed there existed a correlation between poverty and violence. He stated, 'There is an irrefutable relationship between violence and economic backwardness … In a modernising society, security is development…A developing nation that does not in fact develop simply cannot remain secure.'[60] His ideology became known as 'containment liberalism', whereby 'the poor could gain a larger share of the national wealth without political and social upheaval or without seriously depriving local elites'.[61] Achieving balance between the poor and elites was, in McNamara's opinion, the key to successful development and also the key to global stability. He was therefore distressed to find, upon his arrival at the Bank, that Congress held *de facto* control over many of the IDA's lending decisions, because of its unique funding position.[62] When McNamara asked staff why there was no lending in certain areas, '[h]e was told that Indonesia was a pariah to the American government; Egypt was unpopular with Congress; Africa was too backward to benefit from the Bank anyway'.[63]

In his inaugural address to the Bank's Board of Governors in September 1968, he established his desire to set a 'development plan' for each LDC with a list of projects that would receive support if money was no object.[64] He stated a firm commitment to double Bank lending in the following five years from that lent in the previous five, as well as to increasing lending in Africa, Asia and Latin America, with new projects for sectors previously untouched – education, health, family planning and agriculture. During his first five-year term, McNamara kept his promise to double lending in comparison with the previous five years. As a matter of fact, he succeeded in doubling lending in comparison with the previous *twenty-five* years. In West Africa, there were almost three times the number of project commitments in his first five years than in the previous twenty-five. In East Africa, as well as Europe, the Middle East and North Africa, the total number of money committed almost doubled during the same period. Under McNamara, Bank spending increased from approximately US$2.7 billion in 1970 to US$8.7 billion by 1978, with the aim of alleviating poverty and maintaining political stability in the developing world. This additional funding was created by tapping the previously under-utilized European financial markets, which not only increased finance available to the Bank but also decreased reliance on the US capital market.

In the years 1946–68, the Bank had 708 projects totalling over $10.5 billion; while in the years 1969–73, these figures were 760 and $13.5 billion, respectively.[65] This indicates that the average amount spent per project increased. This is due to a change in focus from project finance to policy finance. Singer claims McNamara 'seized eagerly upon an academic doctrine by the name of "fungibility", which maintains that if high priority projects are funded, it frees up government reserves which would have been spent on that project and can now be spent instead on things like the military, high civil service salaries, and pet projects'.[66] Hence, lending for individual projects could distort overall development priorities.[67] In this vein, McNamara recognized that building a dam is not enough to encourage development. A country must also have engineers and managers to ensure the dam produces results after it is built, and it must also have healthy people ready to take advantage of the benefits a dam could bring. McNamara believed that current Bank lending presented a disjointed approach to development, and that, 'What we need – and what we must design – is a comprehensive strategy that will constitute an overall plan into which particular policies and individual projects can be fitted as logical, integral parts.'[68] This included a shift in focus from project lending, for things like dams and airports, to policy lending, for health, education and improvements in agriculture.

The consensus which emerged under McNamara's leadership became one based upon poverty alleviation, rather than simply economic growth, with the following considered necessary: '(1) investment in education, health, nutrition, low-income housing, communications, and information; (2) employment generation through economic growth; (3) support of small enterprise development through credits, technical assistance, the provision of information, and clear, secure property rights; and (4) the provision of efficient public or private safety nets.'[69] The language and concepts introduced were foreign to the Bank as a financial organization. McNamara discussed redistribution of income and land reform. He insisted that 'the rich and powerful have a *moral* obligation to assist the poor and the weak'.[70] The sweeping goals he set for himself and his staff were criticized by many within the organization as unquantifiable and fiscally unsound,[71] but became the backbone of its lending strategy despite this.

The debt crisis

In 1973, five years after McNamara became Bank president, the price of oil doubled. The increased price shocked both developed and developing countries, as the average price per barrel of oil rose sevenfold in three years, from approximately \$2 in 1972 to approximately \$14 in 1974.[72] Global inflation rates soon soared and other commodities, many produced in the developing world, followed suit.[73] Unfortunately, the oil embargo proved costly to the oil-importing LDCs, and the benefits received from inflated commodities prices were short-lived. The cost of oil imports increased by \$10 billion, or 40 per cent of the entire net inflow of external capital to LDCs in 1973.[74] DCs, facing increased pressure at home, sought to decrease their contributions to the IDA, limiting the Bank's ability to increase lending to the very poorest countries at a time when the need for aid had greatly increased. McNamara told the Board of Governors in 1974, 'aid is not a luxury – something affordable when times are easy, and superfluous when times become temporarily troublesome. It is precisely the opposite. Aid is a continuing social and moral responsibility, and its need now is greater than ever.'[75]

To offset the decrease in IDA funding, McNamara arranged a meeting with the Iranian Shah Mohammed Reza Pahlavi to explain the detrimental effects of the embargo on the world's poor. In February 1974, the Shah promised that OPEC would establish a fund in order to make concessional loans for growth, one-third administered by the Bank's LDC Board of Governors, one-third by OPEC, and one-third by the DCs. The plan never materialized, because other OPEC countries were angered at not being consulted, and Nixon and Congress used their 23 per cent vote in the Bank to block it.[76] However, it did bring attention to the need for further bilateral aid.[77] As we can see in Table 2.2, overall OECD aid increased fivefold from 1960 to 1980, although it decreased as a percentage of GNP. OPEC countries began giving foreign aid in

Table 2.2 Official development assistance (ODA) from OECD and OPEC members, 1960–80 (selected years)[78]

	1960	**1965**	**1970**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**
OECD ($ in millions)	4,628	6,478	6,967	13,820	13,829	15,680	19,994	22,267	24,594
OECD (as % of donor GNP)	.51	.49	.34	.36	.33	.33	.35	.34	.34
OPEC ($ in millions)	n/a	n/a	n/a	5,516	5,596	5,866	4,344	4,711	n/a
OPEC (as % of donor GNP)	n/a	n/a	n/a	2.71	2.27	1.96	1.35	1.28	n/a
Total ($ in millions)	**4,628**	**6,478**	**6,967**	**19,336**	**19,425**	**21,546**	**24,338**	**26,978**	**24,594**

Source: World Bank (1980), *World Development Report*, pp. 140–1.

1975, contributing a significant amount compared to OECD countries, if one looks at percentage of GNP.

During the period of buoyant commodity prices in the early 1970s, many developing countries borrowed heavily from private foreign commercial banks against future commodity earnings, calculated at the inflated prices which existed at the time. Private investment by commercial banks in LDCs picked up in the 1960s and soon surpassed that of the World Bank in the 1970s. This was due mainly to the rise of the 'Eurodollar', the term used to describe US dollars held outside the US.[79] Bankers everywhere saw possibility in this. They could trade in US dollars, the currency of international trade, while bypassing restrictive US laws. Even US banks began opening branches overseas to take advantage of this. In 1960, only eight US banks held branches overseas, but this figure had risen to 107 by 1972.[80]

After the OPEC embargo, new oil millionaires began to invest in Eurodollar accounts in international banks at high rates of interest. The banks, faced with a massive increase in deposits, sustained these high interest rates with loans made to LDCs, also at high rates of interest.[81] Few of the new lenders had experience in making capital risk assessments for LDCs, and did not pay attention to how the money was being spent or to the management of the currency composition of the debt. These loans were so profitable, bankers went out actively seeking LDC governments to offer finance, whether needed or not. These lending decisions were based upon the belief that unlike individuals, 'governments … never willingly default on sovereign debt'.[82] In the words of Caufield, 'To paraphrase Oscar Wilde's characterization of fox hunting, the lending boom of the 1970s and early 1980s was the uninformed in pursuit of the uncreditworthy.'[83]

Despite the growing atmosphere of uncertainty and turmoil, McNamara insisted that LDCs deeply in debt continue to borrow, reasoning that debt is not a liability but rather a catalyst for growth. Speaking to the Board of Governors in 1978, he said, 'While a number of analyses have concluded that there is no general problem of middle-income developing countries being unable to service debt, individual countries may run into liquidity problems. The availability of private capital to a broader range of middle-income developing countries would make the market less sensitive to developments in a restricted few.'[84] However, unanticipated exogenous shocks, such as the decline in commodity prices, unprecedented oil prices, declining terms of trade, increased trade protectionism in developed countries, high interest rates, a strong dollar, adverse weather conditions, and further endogenous shocks such as capital flight, inefficient state enterprises, and poor fiscal management by debtor governments precipitated a debt crisis by 1982.[85] LDCs were left with high levels of external debt and no means with which to obtain the foreign exchange required to pay. In 1970, total external debt owed by LDCs was $17 billion, but by 1978 this figure stood at $55 billion.[86]

In 1976, Zaire stopped payment of over $700 million owed to private banks. The banks did not want to reschedule for fear of setting precedent; instead, Citibank called on creditors to lend a further $250 million to cover the overdue payments. Zaire was unwilling to adopt required economic reforms, and instead defaulted on a further $800 million owed to bilateral and multilateral agencies. The IMF placed Erwin Blumenthal, a former Bundesbank official, in charge of Zaire's central bank, but he took only a year to determine that the situation was hopeless. Therefore, most creditors had to write off their loans.[87] Zaire was followed by Peru (1977), Turkey (1978), Iran (1979) and Poland (1981).

The gravity of the matter became apparent when Mexico announced in 1982 that it could not pay the $81 billion owed to foreign creditors. To illustrate the serious nature of this announcement, two-thirds of Citibank's net corporate assets were held in Mexican loans, and over 80 per cent of the Bank of Tokyo's. If other Latin American countries were to default as well, the top six US banks would go bankrupt. The IMF was forced to step in. It gave Mexico emergency loans with conditions of austerity and the promise to keep up interest payments on existing debt. It also arranged for $5 billion more in loans from private banks by threatening to let Mexico default.[88] With this, a new role for both the IMF and World Bank emerged.

McNamara and politics

Robert McNamara's time as Bank president provides interesting examples of the Bank's political involvement in US foreign affairs, not necessarily surprising considering McNamara is a former US Secretary of Defence. On 4 November 1979, as McNamara argued with Congress that the IDA required more funding to help offset the oil price shocks, the US embassy in Iran was invaded. According to Shapley, 'The mighty United States, long-term protector of Iran and largest financier of the Bank and IDA, had been spit in the eye. So much for foreign aid.'[89] Congress pounced on the issue and refused to release funds to the IDA unless it received a guarantee from the Bank that the funds would not be lent to Iran, and also Vietnam, Cambodia, Cuba, Laos, Angola and the Central African Republic. Although this violated the Bank's non-political mandate, McNamara agreed. This action immediately undermined the Bank's credibility as an international (as opposed to US) organization, and McNamara was forced to retract his statement.[90]

Following the election of US President Jimmy Carter, Senator James Abourezk, a Democrat from South Dakota, accused the Bank of seeming to favour non-democratic military regimes in its lending portfolio. He cited Chile, Uruguay, Argentina and the Philippines, which were each scheduled to receive loans at that time totalling $664 million, despite accusations by the international community of gross violations of human rights.[91] Congress passed the 'International Financial Institutions Act, 22 USC 262 g' to require US executive directors to use their votes in the IFIs to 'advance the cause of human rights', by avoiding lending to torturers or those regimes who give refuge to terrorists.[92] A further bill in the Senate required 'US delegations to international financial institutions to vote against loans for gross violators of human rights, unless funds directly benefit basic human needs'.[93] However, these bills caused great controversy within the US government. Liberals in Congress who had lobbied for and pushed through the legislation balked at the idea of cutting off funds to the IFIs in order to influence policy on human rights, because they believed the IFIs were good for development overall and thought cutting off funds would adversely impact the poor.[94] Carter himself opposed the legislation 'as an unwise restriction on executive authority and a politicization of the multilateral bank'.[95] Even the US administration wanted to uphold the Bank's non-political mandate. However, the legislation was passed by Congress, although it has not always been consistently applied.

Conclusion: the advent of structural adjustment

Meanwhile, politicians in the North were facing a changing of the guard, especially in the US and UK. Conservative Margaret Thatcher was elected Prime Minister of Britain in 1979. Within a month, the new government cut taxes and spending, including foreign aid.[96] When Republican Ronald Reagan was elected US president in 1980, he appointed David Stockman, one of Reagan's infamous 'Whiz Kids', as director of the Office of Management and Budget. The many supporters of 'supply-side economics' believed the budget could be balanced through tax cuts, which would increase the incentives to earn and hence increase overall tax revenues in the long term. Stockman realized that in order to finance this tax cut and the increased defence spending required by Reagan, overall spending would have to be cut by approximately $40 billion in fiscal year 1982 in order to produce the balanced budget promised by Reagan during his campaign.[97] One of his first casualties was the then unpopular budget for foreign aid, especially for the IDA.[98] In Stockman's own words:

> The Gramm–Stockman budget plan had called for deep cuts in the foreign economic aid on the basis of pure ideological principle. Both [Phil] Gramm and I believed that the organs of international aid and so-called Third World development – the UN, the multilateral banks, and the US Agency for International Development – were infested with socialist error. The international aid bureaucracy was turning Third World countries into quagmires of self-imposed inefficiency and burying them beneath mountainous external debts they would never be able to repay.[99]

In order to exist in this new antagonistic environment, it was obvious that the Bank had to change. McNamara was aware of this need, even before the elections of Reagan and Thatcher. Speaking to the Board of Governors in Belgrade in 1979, McNamara announced a new kind of lending that the Bank was possibly looking to implement that would assist in export promotion and prevent balance of payment difficulties in LDCs, which would be known as structural adjustment.[100] The first structural adjustment loan (SAL) was made in March 1980 to Turkey for $200 million, with a total of $1.5 billion scheduled over a four-year period.[101] McNamara did not see out the programme he initiated. Despondent after the death of his wife and discouraged by the failure of his 'war on poverty', he retired in June 1981 and was replaced by A. W. 'Tom' Clausen, the former head of the Bank of America.[102]

Intending to find ways to trim the Bank's US financing, the Treasury department investigated the usefulness of the Bank for US interests, but found that 'the United States is without question the major influence in the Bank'.[103] Examples of US influence included 'McNamara's 1979 pledge not to lend to Vietnam, the Bank's refusal to lend to Chile while Allende was in power, and its willingness to lend generously to friends of the United States, such as Zaire, Indonesia, Thailand, and the Philippines, even when they failed to meet the Bank's normal standards of creditworthiness.'[104] The administration lobbied for, and won, an increase in its contributions to the Bank and IMF in light of its approval for the Bank's role and its structural adjustment programmes.[105] It backed off, for the most part, from trying to influence Bank lending for human rights considerations, reflecting a different approach to human rights in the new administration.[106]

The debt crisis helped to discredit McNamara's 'containment liberalism,' after which Bank policy institutionalized neoliberalism within the aid agenda. The crisis was blamed in part on government mismanagement, so neoliberalism argued 'for the abandonment of economic planning directed by the state and for a return to free markets, the principles of comparative advantage, and the development of entrepreneurial spirit'.[107] This ideology became popularly known as 'the Washington Consensus', which 'begins with the view that decentralized, market-driven or market-oriented economies are the best performers in terms of production and economic growth, economic efficiency, and flexibility and adaptability to change in the international situation caused by economic cycles and by secular changes in technology, information, relative prices, factor mobility, and consumer preference'.[108] Within the first week of Clausen's term, he made it known that he disagreed with McNamara's focus on poverty and with the overall version of 'Keynesian economics' followed by the Bank up to that point. Instead he believed in 'supply-side economics', really a version of 'trickle-down economics', where the benefits of economic growth 'trickle-down' from the rich to the poor, with growth stimulated by the private sector.[109]

The Berg Report, published in 1981, set out the Bank's plans for structural adjustment, and is often credited with engendering neoliberalism. It stated that Sub-Saharan Africa's poor economic performance was based on rapid population growth, the legacy of colonialism, poor crop performance due to inclement weather, and poor public policy. Declaring that 'increased aid *together with policy reform* holds the promise of a highly fruitful investment which will be able to accelerate growth during the 1980s',[110] the Bank proposed the establishment of 'structural adjustment programmes (SAPs)'. The four main elements of SAPs are currency devaluation, reduction of the state's role within the economy, elimination of subsidies in order to improve price incentives and the liberalization of trade.[111] The intent of SAPs are to 'support programmes of specific policy changes and institutional reforms in order to achieve improvements in the balance of payments, maintain economic growth in the face of severe constraints and increase inflows of external assistance'.[112]

SAPs have indeed succeeded in achieving this final aim – to increase flows of external assistance, both in grant form and in loans. Total external debt owed by LDCs was $106 billion in 1980, but was a remarkable $535 billion in 1995, constituting 38.7 per cent of LDC GNP and 183.9 per cent of exports.[113] Furthermore, in 1980, 22 per cent of Sub-Saharan Africa's external debt was owed to multilateral agencies (such as the World Bank and the International Monetary Fund [IMF]). In 1995, this figure was 40 per cent,[114] indicating not only an overall increase in external debt since SAPs were introduced, but also that a larger percentage of this debt is owed to the multilateral institutions.

Edward Jaycox, formerly Vice President for Africa at the Bank, explains that 'the Bank's main goal as a development institution is to assist a country both to accelerate its economic growth and reduce domestic poverty',[115] but many critics believe that SAPs have had the opposite effect on Sub-Saharan Africa. Not only have the poor themselves been adversely affected by SAPs, but their ranks have swelled since their implementation. In the 1980s, incomes in Sub-Saharan Africa fell by an average of 20 per cent, unemployment quadrupled, investment fell to pre-1970 levels, and its share of global trade halved to 2 per cent.[116] In 1994, the World Bank claimed that, 'In African countries that have undertaken some reforms and achieved some increase in growth, the majority of the poor are *probably* better off and *almost certainly* no worse off.'[117] In 1992, the *World Development Report* showed a mixed review to SAPs. It estimates that middle-income countries showed growth rates 4 per cent higher than would have occurred without SAPs, but lower-income (mostly in Sub-Saharan Africa) results were mixed.[118] Table 2.3 shows a comparison over time of GNP growth or decline between Sub-Saharan Africa, with a high proportion of countries under Bank-directed adjustment, and Southeast Asia, where this adjustment was rare. Of all countries surveyed in Sub-Saharan Africa 52 per cent show a decrease or stagnation in GNP, while the same figure for Southeast Asia is only 13 per cent.[119]

Structural adjustment has attracted much criticism.[120] Some critics argue that the targeting of services which greatly affect the most disadvantaged are not sustainable politically in the medium or long term,[121] while Bello argues that SAPs actually weaken the domestic entrepreneurial groups necessary to the 'supply-side', by 'eliminating protectionist barriers to imports from the North and by lifting restrictions on foreign investment'.[122] Chossudovsky even goes so far as to accuse the World Bank of having a 'hidden agenda', whereby the 'compression of

Table 2.3 Comparison of GNP per capita change in Sub-Saharan Africa and Southeast Asia, 1984–94

Country	**1984 GNP Per Capita in USD**	**1994 GNP Per Capita in USD**	**(I)ncrease, (D)ecrease, (S)ame**
Benin	310	410	I
Burundi	280	210	D
Cameroon	890	820	D
Cape Verde	350	850	I
Central African Republic	310	410	I
Comoros	340	510	I
Congo	1180	1030	D
Côte d'Ivoire	950	670	D
Ethiopia	140	110	D
Gambia, The	360	370	I
Ghana	360	450	I
Guinea	310	510	I
Guinea-Bissau	170	220	I
Kenya	390	310	D
Lesotho	510	590	I
Madagascar	320	230	D
Malawi	210	210	S
Mali	180	310	I
Mauritania	470	530	I
Mauritius	1240	2700	I
Niger	310	280	D
Nigeria	860	320	D
Rwanda	260	250	D
Senegal	490	780	I
Sierra Leone	390	170	D
Tanzania	280	110	D
Togo	340	390	I
Uganda	230	170	D
Zimbabwe	850	570	D
China	310	470	I
Indonesia	580	670	I
Korea, Republic of	1910	6790	I
Malaysia	1860	2790	I
Papua New Guinea	820	950	I
Philippines	820	770	D
Solomon Islands	660	710	I
Thailand	790	1840	I

Source: World Bank (1984), *World Development Report*; World Bank (1994), *World Development Report* (New York: Oxford University Press).

wages in the Third World and Eastern Europe supports the relocation of economic activity from the rich countries to the poor countries'; in other words, 'the development of a world-wide cheap-labour export economy'.[123]

Ponte takes a more pragmatic approach, explaining that the Bank's claims of success must be re-evaluated using its own figures and methodology. His study criticizes the inclusion of some countries in Bank calculations, and the exclusion of others. Furthermore, his own calculations adjust the time periods examined, and therefore show the Bank's estimates to be over-optimistic. Importantly, he points out that Bank evaluations exclude vital factors, such as the state of the international economy, terms of trade, price variations, the weather and the initial condition of individual economies.[124]

Mosley asserts that although the Bank is quick to explain that each SAL is custom-designed and not a standard 'one-size-fits-all', it is easy to see patterns emerging. After pointing out the many similarities in SAL design, Mosley goes on to explain that there seems to be no rhyme nor reason in the implementation process. Malawi, with a debt-service ratio of 3.2 per cent from 1978–80, received a SAL with very tight conditions attached, while Bolivia, with a ratio of 36.3 per cent in the same time period, received very loose conditions. Moreover, Pakistan complied with 90 per cent of the conditions in its first SAL, but was turned down for a second, while Kenya complied with only 38 per cent, and yet received two additional SALs.[125] Evidence such as this led Mosley to conclude, 'First impressions therefore suggest that the relative bargaining strength of donor and recipient, rather more than considerations of strict economic appropriateness, may have exerted an influence on the World Bank's conditional aid programmes.'[126] In other words, those borrowers who need the money the most may be in a weaker overall bargaining position, regardless of compliance with conditions.

What many critics of SAPs point out, either implicitly or explicitly, is that it is an imposition of economic and political conditions upon a recipient of a loan by the donor, and that the relationship between the two parties is inherently unequal. Its goals can be contradictory when applied across countries,[127] and often implemented as if in a vacuum, with one set of rules applying to poor countries and another for the rich. As Bromley points out, 'Since the neoliberal discourse assumes away any specific problems of *development*, it naturally argues for a position wherein all the policy adjustment lies on the side of the developing countries, in their conforming to the "realities" of the world market.'[128] In their criticism of the Berg Report, Sender and Smith state that the most obvious problem is that adjustment does not deal with Africa's political conflicts, wars and class realities. It instead assumes that state intervention in the economy has been based on ignorance and the errors of African bureaucrats.[129]

The failure of adjustment led donor agencies, and in particular the World Bank, to conclude that factors in governance, and not just economic errors, on the part of recipients were to blame and that future lending would need to take governance into account in order to be successful. The 1990s saw a complete rethinking of the role of the state in the development process, and an introduction of political conditions into donor agendas, in addition to existing economic ones, rather than a complete rethinking of the use of conditionality in general.

3

The Path to the World Bank's Anti-Corruption Programme, 1981–1997

Conditionality in aid is not a new phenomenon, and there is extensive literature about it. Different analysts offer different definitions. Nherere defines conditionality as 'the granting, withholding, suspension or reduction of economic aid, or other benefits, being made conditional upon the recipient country's performance against other standards',[1] whereas Mosley defines it as 'negotiation with the recipient government of a set of changes in economic policy that the recipient must implement in return for a loan or grant'.[2] Gordon refers to conditionality as a set of 'agreements between donors and recipients that exchange financial transfers (either grants or loans) by the donors for policy changes by the recipients'.[3] Karl and Schmitter define it as 'linking specific rewards explicitly to the meeting of specific norms, or even to the selection of specific institutions'.[4] Hewitt and Killick describe it as 'leverage' to achieve policy change.[5] To simplify, conditionality can be defined as a system of rewards and punishments. Funding is received for meeting the donor's objectives, with sanctions applied if the objectives are not met. There are several ways to apply negative sanctions: withholding grants and loans, terminating funds and technical support for projects in progress, restrictions on trade or economic and political sanctions. The innovation in aid in the 1990s, therefore, is not the introduction of conditionality on lending, but rather the increasingly political nature of the conditions themselves.

Robinson explains, 'Political conditionality refers to the linking of aid to administrative and political reform in recipient countries, in the pursuit of what is termed "good governance". There are four components to this: sound economic policies, that is, adherence to market principles and economic openness; competent public administration; open and accountable government; and respect for the rule of law and human rights.'[6] According to Baylies, 'Political conditionality in its broadest sense – with its concerns for human rights, pluralist politics and efficient government – focuses directly on the state in its relationship to society and more importantly, its relationship with the economy'.[7] The main point to remember is that political conditionality specifically links the provision of aid to political reform in recipient countries, and that for donors, the ideas for what constitutes political reform are naturally based largely on Western concepts of liberal democracy.[8]

The changing orthodoxy on democracy and development

The relationship between development and democracy has been the subject of much recent debate and is important for understanding the justifications for the Bank's anti-corruption programme. In a recent book, Sandbrook, an expert on democratization in Africa, provides us with an important caveat: 'In all of this, certainly, we must step carefully, for debates about democracy, development, and globalization will surely lead us into an ideological minefield.'[9] Pye also warns that 'Ideologues of the right should ... be cautious about proclaiming the victory of capitalism and democracy. It is precisely the relationship between economics and politics that needs to be re-examined in the light of current developments and in a spirit that is as neutral of old ideologies as is possible in a scholarly environment.'[10] Kausikan reminds us of 'the common failure to make a critical distinction between democracy as a political theory of legitimization of government and democracy as a mechanism or instrument of government'.[11] The first he describes as almost universal while the second is more flexible.

In the years following World War Two, scholars from both the right and the left tended to agree that democracy was a 'luxury' that followed economic development and would fail in poor countries, with states forced to make a 'cruel choice' between development and democracy.[12] In an early and very influential article, Lipset argued that economic development would bring a rise in education, leading to the development of a political culture supportive of democratic practices.[13] In other words, 'The more well-to-do a nation, the greater the chances that it will sustain democracy.'[14] Along with higher education levels, he also believed that increased levels of urbanization, high literacy rates, increased wealth, a higher national income, strong civil society and an effective and legitimate political system[15] were essential for the emergence of a democratic polity.[16] Therefore, 'Given the existence of poverty-stricken masses, low levels of education, an elongated, pyramid class structure, and the "premature" triumph of the democratic left, the prognosis for the perpetuation of political democracy in Asia and Africa is bleak.'[17]

In an equally influential historical study, Moore concluded that there are three routes to modern society: a bourgeois revolution that leads to capitalist democracy (England, France, US); a revolution from above that leads to capitalist fascism (Germany, Japan); and a peasant revolution that leads to communism (Russia, China).[18] Although capitalism plays a role in the first two paths of modernization, it only leads to democracy in one, and in historical examples, capitalism always precedes democracy. Rustow concurred, arguing that neither democracy nor communism was applicable for developing countries because a certain level of modernity was required for both.[19] Picking up Moore's thread on the role of capitalism, Friedman pointed out that, 'History suggests only that capitalism is a necessary condition for political freedom ... It is therefore clearly possible to have economic arrangements that are fundamentally capitalist and political arrangements that are not free [for example, Italy, Germany, Japan, Spain under Franco].'[20]

Huntington argued that 'rapid social change and the rapid mobilization of new groups into politics coupled with the slow development of political institutions' would lead to inevitable instability and an environment not conducive to democracy.[21] To Huntington, stability was more important than democracy because it facilitated political institutionalization. If an authoritarian regime could bring both economic development and stability, then it was preferable to unstable democracy. Finally, Rawls did not believe that liberty could be maximized at low-income levels, adding the caveat that, '[t]he denial of equal liberty can be accepted only if it is necessary to enhance the quality of civilization so that in due course the equal freedoms can be enjoyed by all'.[22]

The advent of SAPs in the 1980s brought economists to the forefront of this debate. They often argued that the economic liberalization taking place required a strong and autonomous state to implement policies that would most likely prove unpopular in the short term, a risk democracies could do without.[23] Scholars such as Rao[24] and Lal[25] argued that economic development would indeed have to precede democracy, especially in the context of the promotion of neoliberal policies, and suggested that, 'A courageous, ruthless and perhaps undemocratic government is required to ride roughshod over these newly-created special interest groups' who might undermine the process of liberalization.[26] This was fully accepted by the World Bank and other proponents of adjustment until the end of the Cold War.

In the early 1980s, a number of liberal scholars, mostly located in the US, took a fresh look at Kant's principle of perpetual peace,[27] arguing that democracies do not go to war against each other because of institutional constraints (elections/checks and balances) and shared democratic norms and culture. They do, however, go to war against non-democracies.[28] The Reagan administration jumped upon this new 'democratic peace theory'. According to Doyle, 'In a speech before the British parliament in June of 1982, President Reagan proclaimed that governments founded on a respect for individual liberty exercise "restraint" and "peaceful intentions" in their foreign policy. He then announced a "crusade for freedom" and a "campaign for democratic development".'[29] In his 1994 State of the Union address, President Clinton also asserted, 'Ultimately, the best strategy to ensure our security and to build a durable peace is to support the advance of democracy elsewhere. Democracies do not attack each other. They make better trading partners, and partners in diplomacy.'[30] The belief that liberal democracy is the ultimate achievement of mankind and ensures the best hope for peace was famously expounded by Fukuyama in his *End of History and the Last Man*.[31]

There are many critics of democratic peace theory, who question both the theoretical framework and the empirical work done to support it.[32] Zakaria asked: Does the American Civil War count? What has been the role of nuclear weapons? At what point in time did these democracies come into existence? With so few democracies throughout modern history, is it just a statistical luck of the draw?[33] Layne used four comparative historical case studies to show that it was realism that prevailed, and not liberalism. Indeed, 'It is only intellectual suppleness – the continual tinkering with definitions and categories – that allows democratic peace theorists to deny that democratic states have fought each other', using the examples of the War of 1812, the US Civil War and World War One.[34]

Layne points out that '[p]olicymakers who have embraced democratic peace theory see a crucial link between America's security and the spread of democracy, which is viewed as the antidote that will prevent future wars'.[35] Walt reflects, 'Because the idea of a democratic peace is so flattering to our own values, we may embrace it even when the evidence is ambiguous and its long-term validity uncertain.'[36] Even proponents of democratic peace theory, such as Doyle and Russett, question how policy-makers have interpreted their findings, justifying the use of force to 'encourage' democracy in the Third World. Nonetheless, many on the right argued for support for the spread of democracy through aid (or by force). This, of course, had a profound impact on how the right also saw the relationship between democracy and development.

This changing orthodoxy turned the discourse on its head. Using a series of complex (and not so complex) econometric calculations, economists have worked to prove that democracies are in fact better at generating economic growth.[37] Gillies announced, '[T]here is a growing appreciation that fostering democratic processes in government and society contributes to economic development by releasing creative energies, enhancing accountability and deepening participation. Development agencies, including the World Bank, must therefore go beyond poverty alleviation (often equated with social and economic rights) to embrace issues of empowerment and participation – the essence of civil and political rights.'[38]

Most of the literature on democracy and development appears both very ideological and full of assumptions.[39] In the section, 'Rethinking the State', the 1991 *World Development Report* reveals that, 'Political and civil liberties are not, contrary to a once-popular view, inconsistent with economic growth.'[40] There is little evidence provided, however, to support this view. Klitgaard attempts to provide it in a study in which he concludes that 'politically open societies' had annual per capita growth of 2.5 per cent compared to 1.4 per cent for 'politically closed societies' for the period 1973–80, findings he describes as 'striking'.[41] His methodology is remarkably simplistic and he does acknowledge its limitations, but 'many variables we would want to include are simply not available'.[42] Similar work has been done by Knack and Keefer, individually or in partnership, focusing on democratic notions of institutions and social capital and the relationship with growth.[43] In a recent study, a link is drawn between levels of prosperity and levels of liberty. Eighty-one 'unfree' economies have an average per capita income of $2,800, while seventy-four 'free' economies have an average per capita income of $21,200.[44] Hence, the authors conclude that more freedom equals more prosperity.[45] Although the focus here is economic freedom and not political freedom, the methodology is essentially the same and draws the same conclusion, disregarding all political and historical factors, and also the essential economic fact that average per capita income is not a measure of distribution or prosperity.

The non-political nature so characteristic of this kind of economic work is the key to understanding the Bank's anti-corruption programme. Regime type, all important in earlier discussions of democracy and development, became irrelevant. Autonomy of the decision-making processes is important, not the regime, and importantly, 'Authoritarianism is neither necessary nor sufficient for this insulation.'[46] The state here becomes an efficient manager for development: a naive vision of Weber's bureaucratic administrative state that excludes political considerations.[47] Donors only insist it must be capitalist but prefer it is democratic.

Sørensen summarized the four main arguments for democracy as a pre-condition of economic growth:

- Public expenditure on health and education increases human capital and is more likely to be supported by a democratic government.
- Democracy provides the stability to support investment.
- Civil and political liberties allow citizens to pursue economic growth.
- A strong state does not have to be an authoritarian one.[48]

The problem for the World Bank is not that these arguments are completely incorrect, but rather that for every example that proves it, there is another that disputes it. Cuba scores highly on health and education indicators. Democratic regimes in Sub-Saharan Africa often lack both stability and investment. High levels of economic growth in Southeast Asia have often allegedly depended upon the restriction of civil and political liberties. Finally, a strong state does not have to be an authoritarian one, but then it does not have to be democratic either. Much work has gone into proving that authoritarian governments are no better for development than democratic ones. The World Bank claimed that the evidence on regime type does not show that liberal democracy spurs growth but it does not hinder it either, and that authoritarian regimes do not, on average, spur growth. In addition, democracies tend to be associated with better health and education indicators.[49] This was backed up by Maravall, who criticized earlier writers, explaining that a move from emphasizing the accumulation of investment, an area where authoritarian regimes are thought to have a distinct advantage over democracies, to the productivity of investment, where the advantage is with democracies, disproves the 'pro-authoritarian' thesis.[50]

The majority of work in this area tends to follow these same lines. Definitions of both democracy and authoritarianism tend to either be narrow or broad in the extreme, rendering both worthless. For example, Przeworski et al. define democracy as 'a regime in which those who govern are selected through contested election,' and authoritarian regimes are simply 'not democracies'.[51] This over-simplified notion of democracy makes their conclusions problematic. They argue, 'democracies are more likely to be found in the more highly developed countries. Yet the reason is not that democracies are more likely to emerge when countries develop under authoritarianism, but that, however they do emerge, they are more likely to survive in countries that are already developed.'[52] If authoritarianism is simply anything that is not a democracy, would not all countries be authoritarian before democracy emerges? And if democracy is more likely to survive in economically developed countries, should not the conclusion be that authoritarianism is better for economic development? The authors can be criticized for concluding prematurely that the debate has been 'much ado about nothing' and that 'we did not find a shred of evidence that democracy need be sacrificed on the alter of development'.[53]

Their evidence as presented is rather tenuous as well. They dispute Marx's claim that 'private property and universal suffrage are incompatible',[54] instead claiming that although most dictators protect private property, so do most democracies.[55] This does not really prove that democracy is better, but that a fundamental part of capitalism is the protection of private property, regardless of regime. As far as economic growth is concerned, they show that although total income and consumption grew faster for authoritarian regimes, per capita income and consumption grew faster for democracies. The authors argue that significance of this is that well-being,[56] the ultimate goal of development for the authors, depends on the individual so per capita measurements are more indicative than the total. However, per capita figures do not explain issues of equality and distribution and have long been discarded by many scholars of development as an adequate measurement of well-being. Total income and consumption are similarly flawed measurements which do not take into account population size. It is rarely used in this fashion because of this.[57]

The authors' results are entirely dependent upon how they define regime types and how individual countries are classified during specific time periods. Although their classification system is well-presented, it is not without controversy. To illustrate, Botswana is considered a 'bureaucracy', a form of authoritarianism, throughout the period because elections may be contested but are very predictable. Unpredictability, for the authors, is key to ensuring fair elections. The assumption is that in a predictable election, voters do not vote for the opposition in order to avoid having a 'wasted' vote. Another example is India, a democracy throughout the period, despite its state of emergency in the mid-1970s, even though this sort of 'blip' is taken into account in other cases.

Przeworski et al. should not be singled out for criticism for their simplistic and flawed methodology. In an earlier work by Przeworski and Limongi, they questioned studies of the relationship between democracy and development between 1966 and 1992. Prior to 1988, eight of the eleven studies found in favour of authoritarianism. After 1988, none of the nine studies did. According to the authors, 'since this difference does not seem attributable to samples or periods, one can only wonder about the relation between statistics and ideology'.[58] As White points out, 'there has been a tendency to use empirical data like the proverbial drunk uses the lamp-post – for support rather than illumination'.[59] Earlier work, such as that by Dick, announced that the data does not show that 'authoritarian governments perform better than competitive governments do in the earliest stages of development',[60] relying on ahistorical, simplistic methodology. Even those scholars whose methodology is much more impressive, such as Dasgupta,[61] fail to conclusively prove that a democratic regime is indeed a more effective facilitator of economic growth, believed to be essential for development by the World Bank.[62] Instead there is merely the belief that democracy is a better, more moral system of government, and this belief seems to drive the research.[63]

One of the most important recent scholars in this field is Larry Diamond, editor of the *Journal of Democracy* and co-director of the National Endowment for Democracy's International Forum for Democratic Studies, a conservative US thinktank. Diamond does not dispute the work done by Lipset and others, but argues instead that the 'globalization of democracy' in recent years may have weakened the earlier causal relationship between economic development and democracy.[64] Indeed, it is no longer economic growth that is important but the resultant socio-economic changes that economic growth can bring about. Human Development Index (HDI) indicators, such as improved water, education, health and security, 'better predict the presence and degree of democracy than does the level of per capita national wealth'.[65] He further argues that economic development is not a *prerequisite* for democracy as long as the appropriate 'civic culture'[66] is established, that 'emphasize[s] tolerance, inclusion, participation, and accommodation'.[67] Because of this, his policy recommendations for donors include focusing on basic human needs, improving institutions and empowering civic society,[68] all of which have been taken up by the World Bank in recent years.

According to Leftwich:

> [T]his general view about the developmental efficacy of democracy appears to assume that there are no tensions between the many goals of development such as growth, democracy, stability, equality and autonomy. Furthermore, the new orthodoxy implies that democracy can be inserted and instituted at almost any stage in the developmental process of any society – whether Rwanda or Russia, Chile or China – irrespective of its social structure, economic condition, political traditions and external relations, and that it will enhance development.[69]

Saul accuses Diamond and friends of 'marketing almost pure ideology', with work that neglects the negative impact of capitalism in Africa and the role of the state in the NICs.[70] Looking at the new orthodoxy, Dickson states:

> It is astonishing that this assumption can be made for the Third World when there is practically no empirical basis for it. The states which have been the most successful in World Bank economic terms are those which have tightly managed the economy – South Korea, Singapore – without democracy. Those countries which have remained democratic throughout their post-colonial history – the ex-British Caribbean, India – are not models of economic development.[71]

As a matter of fact, these ideological proponents of democracy have little explanation for the success of the newly-industrialized countries (NICs) in East and Southeast Asia, which have achieved remarkable economic growth rates under largely authoritarian regimes.[72] Having said that, there is a strong sense of discomfort even among those who argue that autonomous, authoritarian governments are part of the reason these countries have been successful. Haggard writes:

> If a link does exist between authoritarianism and economic development, it should operate through the ability of authoritarian govern-

> ments to pursue growth-promoting policies that would not be possible under democratic auspices. Crucial policy reforms in the NICs have historically been associated with authoritarian rule; any assessment of the NICs must weigh this high cost of 'success'. Nonetheless, important caveats, qualifications, and objections must be addressed. There are no theoretical reasons to think that authoritarian regimes are *uniquely* capable of solving the collective-action problems associated with development. This absence provides hope that newly democratising countries will develop institutions conducive to both political liberty and economic growth.[73]

Sandbrook and Oelbaum ask, is democratization '"a gamble worth taking, not only for its intrinsic value as a defence against tyranny but for its instrumental value in institutional change and improved value? Or is democracy another false start in poor countries attempting costly economic reforms?"'[74] Referring both to Hitler and to the NICs, Wintrobe says, 'This threat – namely, that an authoritarian, cohesive, organized, and disciplined society is capable of levels of economic performance that are simply impossible in a democracy – is the spectre that haunts democracy.'[75]

This has created a significant dilemma for the left. Even those who do not subscribe to the changing orthodoxy have trouble prescribing authoritarianism for developing countries, given the potential implications for civil and political liberties. Instead, some critics on the left have argued that the evidence merely points to the existence of what has been called 'developmental states', a phrase coined by Chalmers Johnson in his seminal work on Japan, or a 'state-guided market system'.[76] The developmental state, as defined by Leftwich, is one 'whose internal politics and external relations have served to concentrate sufficient power, authority, autonomy, competence and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions of economic growth, or by organising it directly, or a varying combination of both'.[77] This state could be democratic or it could be authoritarian, but it has to be strong. He further indicates seven features of successful developmental state: (1) *de facto* or *de jure* one-party states; (2) relatively uncorrupt elites; (3) relatively autonomous elites; (4) a powerful and competent bureaucracy; (5) weak civil society; (6) the nature of the state established early on; and (7) unpleasant from a liberal or socialist point of view because of restrictions on civil and political liberties.[78] White believes that the

Table 3.1 Wintrobe's typology of dictatorships

Totalitarian	USSR, Nazi Germany, Mussolini
Tinpot	Patrimonial, personal rule, includes many Latin American and African examples
Tyranny	Mobutu, Amin, Duvalier
Timocracy	Ideal type with no real examples, but close ones include Pinochet, Lee Kwan Yew

Source: Wintrobe (1998), *The Political Economy of Dictatorship* (Cambridge: Cambridge University Press), pp. 7–15.

strength of the developmental state is its ability to deal with its internal issues (such as class); its politico-administrative capacity, helpful for spreading ideology and formulating and implementing policy; and the autonomy of its 'specific modes of involvement of state organizations in social and economic processes to further industrialization', such as regulation, institutions and infrastructure.[79] Referring to the NICs, Huntington spoke of 'the need ... to generalize from the East Asian experience and derive from that experience a development model of a society that is authoritarian, stable, economically dynamic, and equitable in its income distribution'.[80]

Moving from the notion of the 'developmental state', White argues instead for a 'democratic developmental state', which has 'sufficient political authority' and administrative capacity to manage conflicts and effective regulative, infrastructural and redistributive functions.[81] He focuses on the type of authoritarian regime, highlighting the major differences between, for example, South Korea and Zaire. Sørensen also insists on this distinction when arguing that authoritarian regimes make good 'developmental states'.[82] Wintrobe's typology of dictatorship (Table 3.1) expresses the differences between regimes. His 'timocracy', which exercises a 'capitalist authoritarianism' and 'combine[s] market economics with autocratic political systems,'[83] helps us to understand what is meant by non-democratic developmental states.

He also debunks previous theories on the importance of democracies for redistribution of growth to enhance well-being. Referring to NICs and timocracies such as Chile, '(1) These economies perform well, not because they don't redistribute but because they *do*. (2) The redistribution in the case of these regimes happens to be toward groups that especially profit from economic growth.'[84]

Leftwich maintains, 'Unattractive as many of these states may be from a liberal or socialist point of view, they have been highly effective in raising the material welfare of the majority of their citizens within a generation.'[85] White calls Leftwich a 'pessimist', despite acknowledging the contextual and historical reasons for his pessimism.[86] He cannot justify the existence of authoritarian regimes, but cedes, 'Perhaps the most we can grant the "rational authoritarian" argument is that, where a non-liberal democratic regime demonstrates a clear capacity to govern effectively and bring about real improvements in the lives of its citizens and is not engaged in gross violations of their civil rights and personal security, it should not be pushed willy-nilly into a wholesale and immediate adoption of a liberal-democratic polity.'[87] Once again we can see the preconceived notion that liberal democracy is inherently 'good' and authoritarian regimes should only be 'tolerated' if they can prove worth from a development point of view.

What remains are texts that come to no conclusion at all. Rueschemeyer et al. provide a salient example. Their study on *Capitalist Development and Democracy* combines quantitative cross-national comparisons and qualitative comparative historical studies to conclude that regime type does not matter as much as capitalism in facilitating economic development.[88] Healey and Robinson conclude that the evidence does not show that democracy is more effective for growth or income equality, but then neither does it show it for authoritarianism.[89] In addition, 'Third World experience so far does not give any assurance that political liberalization or more representative government will *per se* result in better economic management or more decisive or effective adjustment policies, faster economic growth or less inequality.'[90] Roemer produced a complex politico-economic equilibrium model to conclude 'that there are no simple explanations of the link between political democracy and economic development'.[91] Despite this lack of evidence or consensus, donors insist that democratization should be a condition of aid, and this type of ideologically biased research continues.

Criticisms of political conditionality

Economic conditionalities have not brought about successful change in policy reform, reduction of debt or significant economic growth in recipient countries. There is no indication that political conditionalities will prove more effective. The consensus of most observers outside the donor agencies themselves is just the opposite. Criticism of political conditionality comes from authoritarian leaders in the South worried about upholding the status quo, but also claiming that rapid liberalization, imposed from outside, could lead to ethnic unrest and civil troubles. Moi has claimed this in Kenya, as has Museveni in Uganda, among others. Criticisms also come from intellectuals worried about a 'hidden' donor agenda – the imposition of a Western-designed 'new world order' or an attempt to 're-colonize' the South.[92] More criticisms come from those concerned with more technical aspects of political conditionality, especially problems of evaluation.

This problem of evaluation comes up often in the academic literature. Economic conditionalities have proven difficult enough to monitor, both within the Bank itself and for outside observers. This does not bode well for political conditionalities. Whereas economic conditions often involve objectives such as exchange rates and tariff barriers, political conditionalities may require free and fair elections, a free media, transparent government and respect for human rights. Nelson contends that some political goals are easier to achieve than others. By way of illustration, a condition might state that there should be greater freedom of speech and association, which a recipient could comply with vis-à-vis lifting restrictions on the media and loosening laws on labour unions. However, a condition requiring a more responsible press is not within the government's power to control, and makes it harder for the donor to monitor results. [93]

Cassen asserts that in order to improve the efficacy of political conditionality, greater deliberation must be paid to donor strategy implementation. His keys to success are as follows: 'the availability of adequate resources to sustain adjustment programmes; the analytical and negotiating capacities of recipients; and the ability of donors to comprehend local circumstances and respond flexibly to changes in the assumptions or forecasts upon which programmes are based'.[94] These keys incorporate the belief that aid agendas must include 'government ownership' of reform projects. If a recipient is unable to properly negotiate their own position in the aid agenda, but they also *need* the aid, it is not unrealistic to believe that perhaps conditions will not be met in full, or they may even be fraudulently made to look like there is compliance, ultimately making a mockery of the entire process.[95]

Paul Collier, director of the Development Research Department at the World Bank Institute (WBI), has taken an explicit look at the use of conditionality[96] by the international financial institutions (IFIs) for the pursuit of policy change by recipients, and his conclusions are far from positive. His particular research focuses on the relationship between risk ratings and investment in Africa, and he concludes that 'the high-risk, low-investment environment in Africa that this conditionality as it has been practised for the past decade has failed to establish a credible policy environment: that is, to date, donor conditionality has not constituted an effective agency of restraint'.[97] In other words, as of the late 1990s, Bank conditionality has not brought in private investment to Africa. The main problem for investors, as Collier sees it, is one of credibility – they simply do not believe that governments in Africa have a true commitment to reform. This is partly because there is a general lack of investor knowledge about Africa in comparison to other regions, but mostly because of the high donor profile in Africa, compared to other regions and, in countries like China, for example. '[H]owever opaque the political process in China, investors cannot seriously imagine that policy reform has been purchased by the World Bank.'[98] It is the conditionality itself that plays a role in putting off investors.

According to Collier, there are three types of governments which accept aid with conditions attached:

(1) Governments who know that the required reforms will be beneficial in the long-term, and then use the aid to offset any short-term costs.
(2) Governments who were going to implement the required reforms anyway, so are then able to use the aid as a 'windfall'.
(3) Finally, governments with no intention of implementing the reforms in the long-term, and who reverse any required reforms when the aid stops.[99]

The problem of differentiation breeds further investor concern over credibility, and also raises the question of how donors can differentiate between these three types of governments as well.

What many of these critics keep coming back to is the concept of ownership of both economic and political conditionalities on the part of recipients and commitment to reform. A final criticism of political conditionality is that it presents a difficult paradox, one quite similar to the paradox blamed for the failure of adjustment, in that the minimalist state required by structural adjustment is often unable to implement sweeping economic reforms, let alone tackle new political ones.[100] Contrary to the principles of neoliberalism put forward by the Bank in the 1980s, Nelson suggests evidence shows economic reform has taken place most effectively in states with an authoritative political system and small, centralized government.[101] Baylies identifies an important paradox here, in that adjustment 'rests on an assumption that state capacity and legitimacy are crucial for the enactment of economic reforms and represents a response to a paradox inherent in previous orthodoxy, whereby structural adjustment programmes both relied on the state to institute reforms and undermined its capacity to do so'.[102]

This paradox highlights a conflict within the Bank in existence since its inception, that is, what is the role of the state? In the postwar period, the emphasis was placed on the state as a 'facilitator' of economic growth, a position largely unchallenged until the debt crisis in the late 1970s. Following this, the Bank instead insisted that the state hindered economic growth, and that a minimalist, 'rolled back' state would instead foster economic growth.[103] This claim has quickly been proven as simplistic and unfounded, both in the West and in the LDCs. In the 1990s, after a period of vast political change, the Bank has insisted that the state does indeed have a role – as a facilitator of administrative capacity. According to James Wolfensohn, the Bank's current president, '[D]evelopment requires an effective state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private businesses and individuals. Certainly, state-dominated development has failed. But so has stateless development … Without an effective state, sustainable development, both economic and social, is impossible.'[104] This new position on the role of the state has led to a rethinking of the use of conditionality by the Bank, introducing a new explicitly political dimension to its lending in the form of good governance and anti-corruption work.

Looking at the introduction of governance into the agenda, Cassen opines, 'It was as if the donors were going up the ladder of causation, from projects to policies to the way in which countries were governed.'[105] The earlier orthodoxy of authoritarian regimes as enablers of economic growth and reform changed, and it instead became accepted by donors that authoritarian regimes in the South, with bloated and often corrupt governments, in fact hindered economic growth. Burnell explains:

> In what is little more than a reworking of the old jibe that some governments lack 'political commitment to development', the root of the problem is presently laid at the door of non-accountable, corrupt, and incompetent regimes – regimes who extract resources from society and misappropriate the economic surplus for dubious expenditures and their own selfish purposes. According to this view, the state has ceased to be part of the solution to underdevelopment, and instead is an embodiment of the very problem.[106]

In this sense, donors are excused from the failures of adjustment. After all, it is not the design or even concept of adjustment that is to blame for poor African performance in the 1980s: it is the implementation of these theoretically sound policies by the Africans themselves. Using this logic, Collier warns, 'the only policies African governments are clearly identified as owning are those that are bad'.[107]

There are other critics who argue that the new focus on governance 'greatly increased the complexity of the [Bank's] operations. Their erstwhile mission, to facilitate economic growth via projects with a high rate of economic return, was difficult enough to achieve. But now "development" is seen to encompass multi-dimensional objectives, embracing social, cultural and even political domains.'[108] Others believe that this new complex nature of the Bank's operations could have the effect of undermining its credibility on Wall Street, and Ardito-Barletta claims that the reason that the Bank did not focus on governance before was in order to 'protect its portfolio'.[109] Finally, in a paper that harshly criticizes the Bank's good governance agenda, Mahbub ul Haq, formerly McNamara's 'right-hand man', declares, '…the IMF and the World Bank are no longer institutions of global management; they are now primarily institutions to police the developing world'.[110] This criticism from within the Bank's elite highlights not only the significant shift in policy from McNamara's presidency but also the dramatic impact this new agenda has had on the Bank's role in the developing world and on its overall international position.

Good governance, anti-corruption work and the World Bank

The new approach to the role of the state and the introduction of more explicitly political conditions into Bank lending took place within a unique historical context. The great political upheaval of the early 1990s changed the way all donors approached foreign aid, and ushered in a focus on good governance. Along with the end of the Cold War and the collapse of command economies, came what has been referred to as a 'Third Wave' of democratization in the developing world.[111] Combined with the rise of neoliberalism, ever-shrinking aid budgets and increased media attention on dictatorial Third World regimes squandering foreign aid,[112] bilateral donors have offered support for the spread of democracy in the Third World, in the form of election assistance, and also judicial reform, training of the media and support for civil society.

Development, democracy and corruption

Concurrent with assistance for democratization efforts has been a growing concern with the effects of corruption on development, and an increasing emphasis within the donor community on assistance for anti-corruption strategies. Few people now believe that corruption, in any form, is beneficial for economic growth or development. However, in the 1960s and 1970s, a group of scholars saw a direct link between the modernization process and corruption and argued that 'corruption seems to exist and thrive in countries at similar stages of development regardless of cultural differences'.[113] These 'functionalists' believed that corruption helped aid social and political integration during times of great social change and filled needs not met by official means.[114] Leys and Leff both argued that bribes can in fact overcome the obstacles arising from inefficient bureaucracy,[115] while Nye discussed three ways corruption can help political development by helping economic development. Firstly, it aids capital formation when tax systems are weak and private capital scarce.[116] Secondly, as Leys also indicated, corruption can help cut unnecessary and debilitating red tape. Although not ideal, in cases '[w]here bureaucracy is both elaborate and inefficient', bribery can help speed up processes.[117] Bribery even may 'enable economically energetic ethnic minorities to protect themselves',[118] a point recently restated by Khan.[119] Finally, corruption can encourage entrepreneurship by creating competition. This can be especially important if the entrepreneurial class is an ethnic, racial or religious minority lacking legitimate access to the political system.[120] However, Nye did put a disclaimer on his theory. Problems can arise from corruption if actors waste resources, vis-à-vis capital flight, improper investment, waste of skills and the loss of foreign aid.[121] It can delegitimize the government in the eyes of the people, possibly leading to social revolution, military coups and ethnic unrest. It also can reduce governmental administrative capacity.[122]

Scott suggested that 'corruption can often more profitably be seen as one of many processes of political influence than as simply the misuse of office in violation of community norms'.[123] In LDCs with low literacy rates and where wealth and power are controlled by a small elite, the majority are able to influence politicians more at the 'enforcement stage', that is after laws have been passed, than in the pre-legislation stage, when pressure groups, such as business groups or trade unions, are more effective.[124] Huntington argued that higher levels of corruption coincided with rapid social and economic modernization and helped to offset some of the destabilising factors brought about by these rapid changes. Even though corruption tends to weaken political development, it can also strengthen it by strengthening opposition parties and other institutions that otherwise lack access to the state.[125]

This idea of corruption serving several functional roles in development was criticized by a new generation of scholars, again mostly economists, in the late 1970s and beyond,[126] and it is this school of thought that has influenced the World Bank's anti-corruption programme. Earlier in the 1970s, economists such as Myrdal[127] and Krueger[128] developed the idea of 'rent-seeking', defined as 'situations where people use resources both for productive purposes and to gain an advantage in dividing up the benefits of economic activity'.[129] Rent-seeking forms of corruption, which include bribery, 'speed money', smuggling and the black market, do not cut down on bureaucracy or open the state to the excluded, but rather add 'additional welfare costs' to transactions with the state.[130] Instead of speeding up transactions, rent-seeking actually causes civil servants to slow transactions down in order to collect more bribes.[131] Myrdal claimed, 'Where corruption is widespread, inertia and inefficiency, as well as irrationality, impede the process of decision-making and plan fulfilment.'[132] Waterbury, a political scientist, agreed with Myrdal and Krueger and disagreed with the likes of Leff and Nye that corruption can be beneficial. Using Morocco as a case study, he concluded that bribery did not create more efficiency, eliminate red tape or include minority interests in the political process. Instead, those paying bribes were rarely the most efficient but instead were usually speculators or elites with money and access to the state. Red tape was often created in order to collect a 'fee'. It helped to keep resources within the elite and served to maintain the current regime.[133]

This approach to the impact of corruption on development was given real voice by two economists in particular, Rose-Ackerman[134] and Klitgaard.[135] Both have worked as consultants to the World Bank on corruption issues and continue to greatly influence the direction its work has taken.[136] Both worked within the framework of a principal-agent model, where an agent acts on behalf of a principal vis-à-vis a client, where all may act corruptly if the 'likely net benefits from doing so outweigh the likely net costs'.[137] Both argue that some corruption is normal in any political system and that 'the optimum level of corruption is not zero.'[138] Both argue that a free market is essential for combating high levels of corruption and that 'corrupt incentives are the nearly inevitable consequence of *all* government attempts to control market forces'.[139] Both see corruption primarily in terms of bribery. Both offer solutions that can be taken up by the World Bank and other development agencies. Klitgaard's involves, (1) distinguishing between 'ostensible' and 'strategic' issues in fighting corruption;[140] (2) cultivating political support; (3) getting the public involved; (4) breaking the culture of corruption; (5) moving positively as well as negatively; (6) linking anti-corruption measures to the development agency's main mission; and finally, finding 'Mr Clean' and supporting him.[141] Rose-Ackerman's direct recommendations to the Bank on corruption, published in a 1997 article entitled 'The Role of the World Bank in Controlling Corruption', include, (1) tackling corruption in its own projects and being ready to cancel projects if corruption is detected; (2) supporting international efforts to reduce bribery and establish universal financial management standards; and (3) creating grant and loan projects that create

> an environment favourable to shared growth and the alleviation of poverty. The Bank could select a few countries with supportive governments and work with them to design programs that could serve as examples for others. Country officials, working with Bank staff, should design programs that reduce underlying corrupt incentives, facilitate civil service reform, open government to outside scrutiny, and strengthen formal institutions of oversight and control (such as the courts). This sounds like a large order, but piecemeal efforts are unlikely to do much good.[142]

As Chapter 4 shows, this is exactly the direction in which the Bank's anti-corruption programme has evolved.

Once again, this assumes a positive relationship between democracy and development and also one between democracy and corruption. Indeed, the 2002 *Human Development Report* discusses corruption as part of good governance, which it describes 'from the human development perspective … [as] democratic governance'.[143] The report claims that 'there are good reasons to believe democracy and growth are compatible',[144] but an adjacent box reviewing the literature allows no such claim to be drawn, but merely, as I have shown here, that the evidence is mixed. Nowhere in the report is the relationship between democracy and corruption adequately addressed.

Johnston summarizes the position that has been taken up by the World Bank in its work on corruption. He explains that democracy combats corruption through political competition, with the electorate holding politicians accountable through the ballot box.[145] He does admit that there must be 'ideal' competition or else corruption is likely to increase;[146] however, '[t]he key is to match economic and political liberalisation with a strong institutional framework'.[147] Indeed, an entire chapter in the latest *World Development Report*, the barometer of the changing direction of Bank strategy, is dedicated to a discussion of political institutions, and in particular, democratic institutions.[148] One section looks at the relationship between electoral rules and corruption, arguing that elections can act as an effective deterrent against corruption. 'Citizens who are fed up with cronyism and corrupt politicians can express their dissatisfaction at the ballot box.'[149] This is providing, of course, that elections are free and fair and that electoral rules are in place to punish the corrupt and to allow political parties, new and old, to act as effective opposition.[150]

Although this may be true in theory, recent empirical evidence from developed countries shows that the electorate, faced with cronyism and corrupt politicians, is more likely to withdraw from the political process, most often by refusing to vote.[151] There is little reason to believe that this would be different in the developing country context. This makes elections an improbable check on corruption, in practice if not in theory. There is another concern, voiced by Richard Holbrooke, US Ambassador to the UN, referring to the 1996 elections in Bosnia but relevant to this discussion as well. 'Suppose the election was declared free and fair', and those who were elected are 'racists, fascists, separatists, who are publicly opposed to [peace and reintegration]. That is the dilemma.'[152] Democratically elected politicians can be just as bad as non-democratically elected ones. There is no guarantee, especially in new or transitional democracies, but even in established ones, that elected leaders will act with integrity.

Corruption, development and democracy were inextricably linked in earlier work by Huntington, who wrote that '[corruption's] extent correlates reasonably well with rapid social and economic modernization … [with] the development of new sources of wealth and power, and the appearance of new classes making new demands on government'.[153] This is due to changing norms and values, a new distinction between the public role and private interests and the expansion of government's role and activities.[154] Because increased corruption, at least in the short term, is for Huntington a natural part of the development process, combating it will often prove counterproductive. '[I]n a society where corruption is widespread the passage of strict laws against corruption serves only to multiply the opportunities for corruption.'[155]

Veloso Abreva agreed that corruption early on in the development process was not only to be expected, but in the case of a democracy, should even encouraged.

> In the early stages of politico-administrative development, particularly where a democratic political system is consciously desired, nepotism, spoils and graft may actually promote national unification and stability, nation-wide participation in public affairs, the formation of a viable party system, and bureaucratic accountability to political institutions. At a critical period in the political history of the emerging nations, supercilious criticism of the practices in question merely harass the progressive leaders and intelligentsia and exacerbate cynicism toward the democratic system sought to be established.[156]

In other words, corruption may be an important part of the development process, providing access to wealth and power to those groups who may not have access otherwise, and in helping to build political institutions dependent upon patronage, such as political parties. Indeed, work by Khan shows that corruption in Malaysia helped Chinese capitalists living in the country by creating an unofficial 'tax' on their enterprises that was transferred to the Malay majority. In doing so, Malaysia avoided many of the ethic tensions that plague others in the region, provided a 'credible level of security' for Chinese entrepreneurs, and encouraged development.[157]

Perkins indicates that in weak states with a poor economy and weak civil society, 'machine building'[158] can produce strong institutions that 'may assist in stabilizing democracy',[159] even if this is not the intention of the actors. However, he adds an important caveat that this is only the case when actors need to form strong organizations to achieve their goals; if not, then corruption will have no good effects. We also have to be certain to make a distinction between vote buying, a one-off short-term transaction with no institutional benefits in the long term, and machine building.[160]

Others examine the ways that democratization can actually open up new opportunities for corruption. Warren looks at the way civil society, seen by the Bank and others as vital for both democracy and fighting corruption, can actually increase corruption in certain circumstances. He explains how civil society can produce negative externalities, such as corruption, as also shown by Portes.[161] This is through '(a) exclusion of outsiders, (b) excess claims on group members,

(c) restrictions on individual freedom, and (d) support for downward levelling norms'.[162] He further argues that 'corruption often increases as democratic institutions develop. This is less paradoxical than it may seem. Corruption in a democracy is often an indication that those with resources can no longer use cruder means to get their way.'[163]

Moran looks explicitly at the way in which the transition to democracy can create new forms of corruption. Firstly, democratization increases political competition. This leads to the need to fund political parties and to find political support and the desire to win elections. He shows how in East Asia, this is called 'money politics', and how in the Caribbean and Sub-Saharan Africa, existing patronage and neopaternalistic networks have shifted to political parties.[164] Secondly, democratic weak states offer new opportunities for corruption. For example, in Russia, new political groupings based on old power groupings (military, communists, criminals, bureaucrats, etc.) split the state among different interest groups. Also, the new private sector, without experience or an inherited ethical framework, has been actively involved in bribery and tax evasion.[165] Thirdly, democratic liberties can lead to increased crime. With the loss of the coercive nature of the state, a relaxation in border controls, bills of rights and so on, there has been a high increase in crime in countries like South Africa, Bulgaria, Russia, Jamaica and so on, as well as a huge growth in organized criminal activity globally.[166] Finally, international factors can also lead to new forms of corruption. Democratization has been rewarded with more aid, especially for civil society, and unscrupulous types have taken advantage of this. The same can be said for increased investment. Trans-border crime has also increased with the opening of borders (e.g. Bulgaria, the Central Asian republics, the Caribbean and so on).[167]

Moran reminds us that:

> The context, process and variables involved in democratisation are complex to say the least, and the relationship between democratisation and corruption rests on a series of variables which cannot themselves be reduced to the institution of formal democracy … Democratisation leads to the construction or expansion of political machines by elites seeking to control the transition or other groups seeking power. The rapid nature of democratic transitions can lead to 'money politics' and corruption as groups seek to amass resources quickly. This seems to be the case following democratic transitions whatever the previous regime.[168]

According to Harriss-White and White, '[f]ar from improving things in the short and medium term, democratization may actually increase the sources and scale of corruption without strengthening countervailing political or institutional capacity'.[169] It is only with the eventual spread of substantive democracy and the expansion of real political access to excluded groups that democracy can act as a limit on corruption in the way in which the Bank and others describe.

Whitehead demonstrates how the two mechanisms in a liberal democracy that are supposed to check the abuses of power that lead to corruption – the rule of law and the electorate – are in conflict with the market economy. The rule of law, he argues, will always be under threat because 'it is in the nature of inter-party competition, and in the nature of the market economy, that those with money and power are always under pressure to gain as much advantage as they can'.[170] He dismisses the idea that citizens can effectively hold public officials to account, calling this a 'very imprecise form of control', and competition is not sufficient because there is no way to guarantee that the least corrupt will be elected.[171]

My intention here is not to prove conclusively, one way or the other, the relationship between democracy, corruption and development. Rather, I have shown the lack of scholarly consensus regarding this relationship. The significance here lies in the Bank's use of one side of the debate to justify its own work on corruption. Ignoring one-half of this important debate leaves the Bank theoretically stranded and without a clear mandate to push ahead with the more political aspects of its work.

Ball reminds us of early work by economists, such as Schumpeter[172] and Downs,[173] who produced the 'economic theory of democracy', which 'recasts democracy in the idiom of economics, or more specifically of neo-classical economic theory and the more recent "rational choice" research programme predicated on it'.[174] Political scientists should not be surprised by the results of this work, as 'economics is in no small part persuasive speech. That discipline's increasingly technical and formal character tends to discourage or disable critics who are not economists, even as it lends an aura of scientific legitimacy to those who speak its idiom'.[175] The 'economic theory of corruption' put forward by the Bank is inevitably flawed by its insistence that corruption can be simply an economic issue. Even its definition of corruption lacks the nuance and depth of earlier definitions, being simply: '*the abuse of public office for private gain*'.[176] This means everything and nothing at the same time, and it allows the Bank great scope for work on corruption because it presents few limitations.

Donors and good governance

For most donors, good governance equals democratic government, and anti-corruption work tends to be placed within an overall strategy of assistance for democratization efforts, which also includes related themes such as enhanced participation, strengthening the rule of law, multi-party elections, institution building and making governments more accountable to their electorates. Donor strategies have developed in this way despite the criticism from some that there is no evidence to suggest that democracy is a necessary *precondition* of development. This is not to suggest that all donors share the same priorities or that approaches towards good governance within the donor community are identical, but there are similarities. These include helping to promote competition among political parties, high levels of participation and sufficient levels of civil and political liberties.[177]

The important exception is the World Bank. The Bank is primarily an economic institution, and its non-political approach to anti-corruption reflects both this and its Articles of Agreement. The Bank also sees corruption as a symptom of weak institutions, accountability, rule of law, low levels of participation and so on; but, unlike other donors, there is no insistence that democratization is the answer. Using this logic, anti-corruption strategies can work as well in authoritarian states as in democratic ones,[178] and the Bank's lending in this area reflects this. Therefore the Bank's anti-corruption programme as it now manifests itself claims to exclude political considerations from an issue generally seen as primarily a political phenomenon.

The different approach taken by the Bank can be shown by comparing its definition of good governance to those of other donor agencies (Box 3.1).

The World Bank, with its non-political mandate, focuses on economic management. UNDP, a multilateral agency that assists countries without conditions (and not a donor agency), highlights issues of efficiency, accountability and transparency. Both USAID and DfID make democracy a key element in their definitions of good governance, while the EU focuses primarily on human rights. Finally, DANIDA, as representative of the Scandinavian donors, stresses the need for accountability and participation by all. These variations reflect differences in overall agency missions and approaches to development aid. The World Bank and the UN, as multilateral agencies, exist to serve the needs of member countries and must not be seen to be acting on behalf of any one country or region.

Box 3.1 Different donor definitions of good governance

World Bank: 'governance is defined as the manner in which power is exercized in the management of a country's economic and social resources for development. Good governance, for the World Bank, is synonymous with sound development management.'[179]

UNDP: 'the exercise of political, economic and administrative authority to manage a nation's affairs … Sound governance, taken a step further, is a subset of governance wherein public resources and problems are managed efficiently and in response to the critical needs of society. Effective democratic forms of governance rely on public participation, accountability and transparency.'[180]

USAID: linked to democratization efforts; includes focus on human rights, informed participation, public sector accountability, rule of law, 'democratic institutions, free and open markets, an informed and educated populace, a vibrant civic society, and a relationship between state and society that encourages pluralism, inclusion, and peaceful conflict resolution'.[181]

DfID: good government means the promotion of 'sound economic and social policies … the competence of governments and other institutions … and respect for human rights and the rule of law';[182] work is undertaken by the Governance Department, whose 'approach … cover[s] a number of strands – democratic accountability, fundamental freedoms, corruption, service delivery for all, due process rights and security – which, when brought together should lead to governance which is representative of, and accountable to all its people and effective in realising their rights'.[183]

EU: good governance has often been 'closely linked with the respect for and enjoyment of fundamental human rights'.[184]

DANIDA: 'includes the creation of transparency, openness, and responsibility in political and administrative decision-making processes. The population must be guaranteed access to information on the decisions made by a country's authorities to ensure inter alia that resources are applied according to the needs of the population'.[185]

It is also important to remember the difference between bilateral and multilateral aid. Bilaterals have much more flexibility than multilaterals because they are under no obligation to lend to any particular country. Bilateral donors give aid for many reasons – humanitarian,

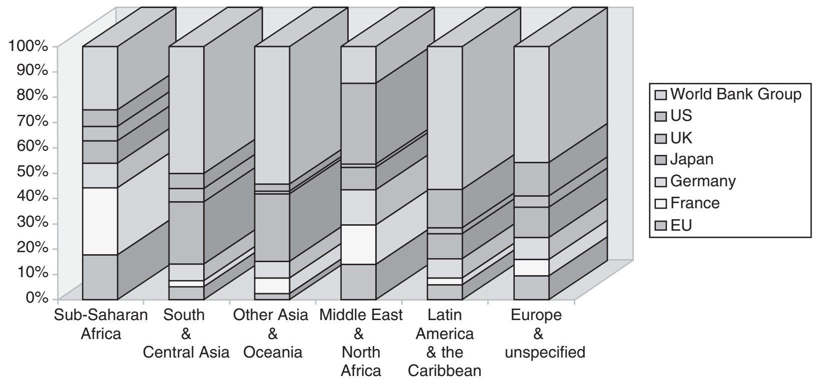

Figure 3.1 Regional distribution of ODA by donor[188]
Sources: World Bank (1999), 'World Bank Lending Rises in Fiscal 1998', News Release No. 99/1884/S; OECD (1999) 'Aid at a Glance'. Available at http://www.oecd.org/dac/htm.

security, commercial and so on – but these factors can and do change rapidly, as do favoured recipients. However, multilateral institutions, such as the Bank, do not share the same reasons for lending and are intended to provide financing to either the most needy or the most creditworthy. If one compares regional disbursement of aid by donor, some interesting comparisons can be drawn. Figure 3.1 illustrates the political nature of bilateral aid. As evidenced, the majority of donor aid is not necessarily given to the most needy or most deserving recipients, but rather to those whose poverty may pose a strategic threat or which have colonial ties to the donor. For example, the majority of French aid goes to its former colonies in Sub-Saharan Africa, the US to the Middle East and Japan to Asia. Here, there is no way to disguise the political nature of bilateral aid, and the World Bank stands out. Nearly all of the regions that received the highest levels of aid from the Bank are only largely eligible for IBRD loans, not IDA credits, and have some of the largest economies in the developing world. For an institution like the Bank interested in maintaining its AAA bond rating, higher incomes equal lower risk and therefore more aid can be justified.[186] This could explain why the Bank consistently lends more than any other donor to all regions *except* Sub-Saharan Africa, where incomes are the lowest; therefore, countries in this region only generally qualify for IDA credits, the soft loan arm of the Bank, with less money to lend.[187]

The first major Bank publication to focus on good governance was the 1989 Bank publication, *Sub-Saharan Africa: From Crisis to Sustainable*

Development, often referred to as the Long-Term Perspective Study (LTPS). Although the 1989 study was considered groundbreaking by both academics and aid practitioners, it built upon work within the Bank throughout the 1980s. Papers written by Bank staff with a governance dimension, or directly relating to governance, continued to appear in the early 1990s, offering definitions and much analysis, culminating in the 1992 discussion paper *Governance and Development*. Although not part of a concrete policy on governance, these publications provide evidence of a growing concern with the issue as opposed to a completely *ad hoc* reaction to the changing political climate of the early 1990s. However, governance issues during this time were kept as small segments within regular publications, such as annual reports and *World Development Reports* (WDRs) and generally related to public sector reform, often using African examples (despite the majority of lending for the public sector going to Latin America).

As we have seen, the Berg Report (1981) introduced the concept of policy reform and raised concern over inefficient and bloated public sectors.[189] The 1983 *WDR* looked at public sector reform, and extended it to discussions on state-owned enterprises (SOEs), decentralization, the private sector, government watchdogs, accountability, transparency and corruption, providing the first explicit reference to corruption by the Bank.[190] Political issues are also addressed in the context of governance and the public sector. 'When political leaders are recog-

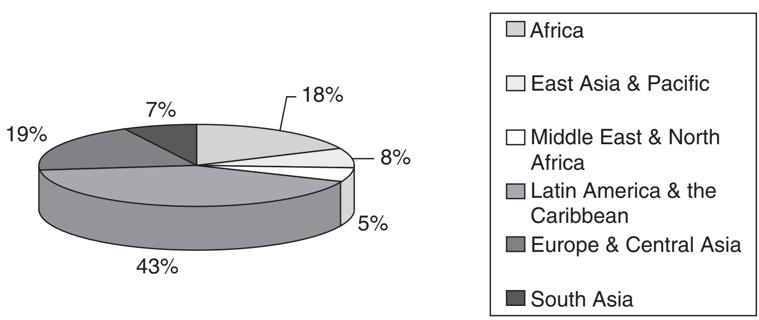

Figure 3.2 Cumulative World Bank lending for public sector management by region, 30 June 1998
Source: World Bank (1998), *The World Bank Annual Report 1998* (Washington DC: World Bank), pp. 164–5.

nized for their integrity, vision and concern for the public welfare, these qualities can be reflected in the ethos and performance of the public service and will have a profound effect on all sections of society. But if corruption is rife, public bureaucracy is likely to become demoralized and self-serving.'[191] Here the report draws a direct link between the quality of political leadership and efficiency in the public sector.

The 1983 *WDR* contains several references to corruption. It emphasizes the need for popular participation in Bank project and programme design to increase the accountability of Bank field staff to local people.[192] It points to the need for long-term solutions through public sector reform and increased accountability. 'Corruption is usually better fought by a combination of fewer, better-paid officials controlling only what really needs to be (and can effectively be) controlled in the full light of public scrutiny, than by occasional anti-corruption "campaigns".'[193] The role of institutions and political organizations as tools to combat 'overstaffed bureaucracies and cumbersome procedures' and patronage are briefly touched upon as well.[194] Finally, a specific case is highlighted in which an irrigation scheme funded by the Bank exposed customary staff kickbacks and overcharging. The Bank argues, 'Safeguards against corruption are needed at every level. Politically, the accountability of officials to ministers, and ministers to the general public, is a well-tried way to minimize abuse. For programmes, pressure on corrupt managers can also be increased by making clients (especially the poor) more aware of their rights.'[195]

This forthright acknowledgement of corruption by the Bank did not resurface in its literature for four years. The 1987 *WDR* discusses rent seeking, 'directly unproductive profit-seeking activities (DUPs)' and corruption, claiming that DUPs have been estimated to account for 24 per cent of Kenyan GDP in 1982.[196] The Bank's 1990 and 1991 annual reports also touch on public sector reform and restructuring.[197] The 1991 report, in particular, highlights complex governance-related topics usually considered outside the Bank's mandate, including political and civil liberties, claiming that '[p]olitical and civil liberties are not, contrary to a once-popular view, inconsistent with economic growth'.[198] The report looks at the link between democracy and growth and concludes that there is no hard evidence to suggest that democracy actually fosters growth, but neither does it hinder it. However, other evidence suggests that there is a correlation between political and civil liberties and high health and education levels.[199]

The first draft of the 1989 LTPS report approached political issues tentatively, but found encouragement within Africa to delve more deeply in its final draft. According to a study by Miller-Adams, 'In retrospect, staff members feel that the Bank's initial error was one of excess caution in not recognizing the extent to which Africans themselves were prepared to discuss governance and their eagerness to have the Bank do so as well.'[200] The LTPS then is an attempt to address Africa's development concerns within a framework that allows political analysis. The Bank's findings, such as, 'Underlying the litany of Africa's development problems is a crisis of governance',[201] are supported by quotes from some African leaders, including the now famous quote from President Abdou Diouf of Senegal: 'Africa needs not just less government but better government.'[202] As well as generating interest in the topic, the report also resulted in the formation of the African Capacity Building Initiative.[203]

Importantly, the report also provides an early Bank definition of governance: 'the exercise of political power to manage a nation's affairs'.[204] Ibrahim Shihata, the Bank's General Counsel at the time and responsible for interpreting the Articles of Agreement, felt that it had to tread carefully. Shihata admits the difficulty of the Bank actively involving itself in governance issues while maintaining its non-political stance. He remarks:

> The Bank's efforts in this respect are likely to concentrate on the effectiveness of its assistance, the strengthening of relevant government institutions and the streamlining of their rules and procedures to ensure discipline, accountability and predictability, rather than on the broader political considerations which the Bank is prohibited under its Articles from taking into account. This task seems, however, to take the Bank beyond the traditional role of ensuring that the funds it provides or administers on behalf of other donors are put to good use. It increasingly involves the Bank in assisting governments in their more difficult efforts of ensuring that the economy as a whole will be managed according to appropriate policies and rules which are applied by effective institutions.[205]

In 1990, he laid out five aspects of governance prohibited by the Bank's mandate: the Bank cannot be influenced by the political character of a member; it cannot interfere in the domestic or foreign partisan politics of a member; it cannot act on behalf of donor countries to influence a recipient member's political orientation or behaviour; it cannot allow political factors to influence its decisions unless there is an 'obvious' economic effect;[206] and its staff must not build their assessment on the possible reactions of a particular Bank member or members.[207] This obviously excludes any discussion of democracy and possibly human rights from the Bank's agenda. It does, however, leave some room open for anti-corruption activities, but within a well-defined framework. Areas with potential impact on corruption that fall into the Bank's mandate include civil service reform, legal reform, accountability for public funds, budget discipline and popular participation 'in the design and implementation of a specific development project or program' (as opposed to popular participation in general).[208]

Another early work by Landell-Mills and Serageldin provided a very political definition of governance: 'how people are ruled, and how the affairs of a state are administered and regulated. It refers to a nation's system of politics and how this functions in relation to public administration and law.'[209] These definitions proved too political for the Bank, and its Board eventually required a more 'formal interpretation' of governance to set perimeters for Bank action, resulting in the 1992 discussion paper, *Governance and Development*.[210]

A new definition emerged in the 1992 paper: 'governance is defined as the manner in which power is exercised in the management of a country's economic and social resources for development'.[211] Therefore, according to the Bank, good governance equals 'sound development management'.[212] The report goes on to identify four areas 'consistent with the Bank's mandate: public sector management, accountability, the legal framework for development, and information and transparency'.[213] Two of these areas – public sector management and legal reform – are areas where the Bank has considerable experience, but the other two offered new challenges to its staff.

In 1994, the Bank published *Governance: the World Bank's Experience*, a progress report on governance activities. The main focus of this report is the Bank's public sector management activities, for a number of reasons. First, it is where the most experience lay, and therefore the greatest number of projects as well. Also, it was easy to account for due to existing accounting controls on projects. The report admitted that it was hard to measure governance activities because of the way the accounting system worked. Despite this, it was able to provide some measurement of governance work by looking at 455 projects in three regions during the fiscal period 1991–3, highlighting the following characteristics linked to governance: legal framework, participation, state-owned enterprises reform, economic management, capacity building and decentralization.[214]

According to the 1992 report, public sector reform had undergone a major transformation since lending began in the early 1980s. Public sector reform was about 'improving the management of project-related agencies'. However, with the switch from project to policy lending, it had become much more complex, 'addressing such systematic constraints on sound management as weaknesses in the civil service, in wage structures, and in the central economic agencies that are responsible for policy formation'.[215] Because 'the World Bank's interest in governance arises from its concern for the effectiveness of the development efforts it supports',[216] its efforts focus on areas perceived to impact development efforts. These are often linked to the public sector, including, 'weak institutions, lack of an adequate legal framework, weak financial accounting and auditing systems, damaging discretionary interventions, uncertain and variable policy frameworks, and closed decision-making, which increases risks of corruption and waste'.[217]

Referring to the rule of law, Sabine Schlemmer-Schulte, the Bank's Senior Counsel, explains:

> From the outside, the World Bank's approach ... may seem fragmented. From the Bank's perspective, however, it is a consistent and coherent concept, albeit complex in its operation, that has evolved from the Bank's perspective of its economic and social development mandate and its experience in realising the goals assigned to it in its mandate. The Bank's concept may, in a nutshell, be referred to as including formal (or content/value-neutral) aspects ... and material (or substantive or content/value-loaded) aspects.[218]

The same could be said about the Bank's approach to good governance and its approach to corruption.

The Bank's governance work is selective because of the potentially sensitive nature of many of these areas, and yet highly integrated with the Bank's overall activities. Almost any project can have a governance component in it, which is why there is no separate vice-presidency in charge of governance. All divisions are supposed to take governance issues into account when designing projects and strategies. This rather *ad hoc* approach towards governance has been evident since its inception and has had a tremendous impact on the evolution of the Bank's current anti-corruption programme.

Criticisms of good governance

The Bank's current definition of governance is 'the manner in which power is exercised in the management of a country's economic and social resources for development. Good governance, for the World Bank, is synonymous with sound development management.'[219] In a conference on good governance in Africa, Adamolekun, a researcher for the Bank, explained that 'the term governance is used here in preference to politics to cover the totality of institutions which are related to the governing of a modern state'.[220] However, the Bank has since developed an understanding that politics cannot be divorced from economics, especially in work on governance, and also in anti-corruption work. Indeed, in a recent report the Bank stresses, 'Increasingly, it is recognized that a critical component of anti-corruption programming has been lacking in the Bank's involvement: the political dimension. In addition to working with parliamentarians … [the Bank's] work is now focusing on such issues as press freedom, access to information, and media accountability.'[221] Nevertheless, its definition of governance remains unchanged.

Putting aside the question of the Bank's non-political mandate, we can find in the literature two interrelated criticisms of this new approach to politics. Firstly, there is the quite sudden recognition by the Bank in the early 1990s of political factors. Referring to a Bank report on adjustment, which claims that weakness of political institutions has 'proved *unexpectedly* serious as constraints to better performance', Callaghy emphasizes the change in perception and understanding at the Bank, and the growing realization that politics impacts economics.[222] In the context of structural adjustment, Abrahamsen argues, 'democracy or good governance is not valued in its own right but is seen first and foremost as a means to the end of economic growth. Governance issues were grafted on to neoliberal economic policies, giving them a more democratic and humanitarian facade and thereby constructing a new legitimacy for the severely criticized structural adjustment programmes.'[223] Indeed, Martin claims that the Bank's approach to governance is simply reworking the state to suit globalization.[224] George and Sabelli also attribute the Bank's interest in good governance to the failure of its structural adjustment programmes. 'Governance provides a new tool-kit, an instrument of control, an additional conditionality for the time when the traditional blame-the-victim defence again becomes necessary.'[225]

Secondly, we find criticisms of the Bank's assumptions regarding the nature of politics. Manor says, 'we see analysts in powerful development agencies – including the World Bank … setting out a sanitised notion of politics which implies naive expectations about how politicians actually behave when reforms are being implemented'.[226] Parekh argues, 'The principles of good government can be genuinely universal (in their scope and content) *and* binding only if they are freely negotiated by all involved and grounded in a broad global consensus. It would be wholly naive to imagine that all governments and all men and women everywhere will ever agree on them.'[227] Leftwich also refers to the naive assumptions of good governance, which 'seemed to assume that there were no inherent tensions, conflicts or difficult trade-offs over time between the various goals of development–such as growth, democracy, stability, equity and autonomy.'[228]

Anti-corruption at the World Bank

Anti-corruption, as now exists, did not develop concurrent with governance, as one would expect. Instead, it was still seen at the time as too politically sensitive by the Bank's General Counsel, senior management and the majority of Bank staff.[229] According to Bottelier, 'The subject of corruption was regarded as too difficult and controversial to deal with outside the context of Bank funded projects, or as not important enough to warrant the Bank's explicit attention.'[230] However, it would be a mistake to believe the Bank was not interested in corruption until it developed a concrete policy in 1997. Although corruption itself was rarely mentioned in earlier documents, there is at least one early report primarily concerned with it. This is a 1983 paper by Gould and Amaro-Reyes, entitled 'The Effects of Corruption on Administrative Reform: Illustrations from Developing Countries'.[231] This paper provides a brief survey of empirical literature with examples from Asia (the Philippines, Malaysia, Thailand, India, Indonesia), Africa (Ghana, Nigeria, Zaire, Uganda), Latin America (Mexico) and the Middle East (Lebanon). It also reflects the contemporary discourse on limiting the role of the state, highlighting evidence that suggests that government interference in the economy opens up opportunities for corruption and breeds investor uncertainty.[232] Gould and Amaro-Reyes declare the timely importance of their paper because, 'Governments and international donors have increasingly turned their attention to the importance of management in development. Moreover, corruption has become critical as governments struggle with alternative development strategies, administrative arrangements, and implementation problems.'[233] Here the authors draw a definite link between structural adjustment and a concern with corruption. It is thus surprising that this is the only example of work published by the Bank directly focused on corruption until the 1990s, when the efficacy of adjustment was already widely questioned.

As with the governance agenda, the Bank's General Counsel played an important role in dictating what the Bank could and could not do with anti-corruption.[234] There is no real indication why corruption work was still considered to be 'taboo', while other areas covered as 'governance' were open for attention. Despite objections, however, work on corruption did go on within the Bank under a number of guises. Some staff members did feel that it was a question of development effectiveness, and should therefore be on the Bank's agenda, despite the lack of a forum for discussions.

It is very difficult to find consensus within the Bank regarding which department originally initiated work on anti-corruption. There is no documentary evidence, so instead I have turned to interviews with Bank staff for clarification. I received several contradictory responses. According to one senior staff member, procurement specialists primarily concerned with the use of Bank resources originally raised the issue. However, a different senior staff member disagrees. He says that procurement specialists were 'naive' and did not understand the scope of fraud occurring under Bank contracts. He also points out that it was not until Wolfensohn came on board that they really considered making changes to policy to deter fraud and corruption in the procurement process.

I had always believed that the African (AFR) region was first because of EDI involvement (see below), but this is not necessarily the case. The Europe and Central Asian (ECA) region was the first to do operational work on corruption but only after Wolfensohn had committed the Bank to working on it. AFR was therefore first conceptually while the ECA was first operationally. In late 1996, a senior staff member was working in the field in an Eastern European country and was approached by the Prime Minister, who wanted to do work on corruption with the Bank. He insisted that this work remain confidential until such a time as he felt confident making it public. This took eighteen months, by which time the Bank had released its 1997 report enabling it to conduct such work in the open.

Clearly, these individuals and the departments they work in contributed to the early strategy on corruption within the Bank; however, there is not enough corroborative evidence to work with at this point, but there is documentary evidence to highlight three important individuals who publicly led anti-corruption at the Bank: Petter Langseth, Peter Eigen and James Wolfensohn, the current president.

Early work by EDI

As early as 1990, the Bank's Economic Development Institute (EDI)[235] expressed an interest in corruption in the context of civil service improvement. During a one-week workshop in December 1989 organized by EDI, attendees highlighted areas of concern in the civil service. The most often cited problems included low morale, pressures on resources, brain drain, lack of responsiveness to the public, excessive politicization and, finally, corruption.[236] However, the word 'corruption' was not repeated throughout the rest of the workshop review document, which instead discussed 'service delivery', morale, pay, 'ghost' workers, 'accountability' and 'clear ethical standards'. Nevertheless, the document remains significant as evidence that some staff within the Bank were concerned with the impact of corruption on its programmes long before an official strategy developed, and may have been testing the water at this time.

In the early 1990s, Petter Langseth (EDI) established service delivery surveys (SDSs)[237] of ordinary people in Africa. Because Bank funding was unavailable at the time for work of this kind, he instead approached Scandinavian donors for the money. The surveys led to workshops designed to start debates that would lead to the development of action plans for anti-corruption. These activities were still seen as outside the Bank's mandate; however, Langseth had high-level local support, including Judge Wairoba (of Wairoba Report fame) in Tanzania and the Inspector General of Uganda, which may have helped rally Bank support, or at least tolerance, for his work. According to Langseth, 'EDI only becomes involved *on invitation* by the government ... This is in accordance with the policy articulated by the Bank's President and serves to protect the institution from any suggestion that it is interfering with the internal politics of the client country.'[238] It has been said that, 'Langseth was able to demonstrate to sceptics in the Bank that it was possible to become engaged in anti-corruption work without courting controversy, provided the work was implemented with a partner NGO.'[239]

Work on corruption remained active and quite high-profile in EDI thanks to Langseth's untiring support for the topic. During the seven-year period, 1990–7, at least twenty-nine documents produced by EDI directly addressed corruption within a wide range of topics. EDI's specialization in providing training for its borrowing clients is reflected within the literature, with the majority used to arrange workshops on a range of governance issues, to train journalists and parliamentarians, and the rest looking at the use of surveys in individual country context. There was little empirical research produced by EDI at this time, no suggestion of relating its work to Bank policy and, importantly, almost all of its work on corruption was based in Sub-Saharan Africa, where Langseth worked as Chief Technical Advisor to the Civil Service Reform Program in Uganda.[240]

Ties with Transparency International (TI)[241]

Another early supporter of anti-corruption at the Bank was former staff member Peter Eigen, the founder of TI. In 1990, Bank staff in Africa met in Swaziland to discuss the recently published LTPS. At this meeting, Eigen, then regional director for East Africa in Nairobi, brought corruption on to the table for discussion. 'The response was enthusiastic, and it was agreed that the time had come to develop an anti-corruption agenda within the World Bank.'[242] They were disappointed at the reaction from Washington, especially the Legal Department, who voiced concerns because of the non-political mandate. Galtung and Pope tell us that:

> This viewpoint seemed to dominate senior and middle-management circles. In spite of encouragement from the field (very likely generated from what staff there were experiencing), from within the Bank itself, and from some (but by no means all) political leaders in the Africa region, it was felt at the time that to tackle corruption would so clearly interfere with the Bank's charter's claimed 'requirement' to abstain from 'political' considerations in lending decisions as to completely rule out explicit action on its part.[243]

Here the authors refer to the time when Shihata, the General Counsel, largely dictated the Bank's policies regarding governance issues.

Discouraged, Eigen decided to take early retirement. He travelled around the world, meeting with interested people to find support for an NGO with one focus – to combat corruption, and was fortunate enough to have financial support from the German technical assistance agency (GTZ) in order to do this. By 1992, he had drummed up enough support to form a board of directors and an advisory council, and TI was established. Its original aim was to curb corruption in the South and eliminate bribe paying in the North. Importantly, it was not established to expose individual acts of corruption, but instead to work with partners within countries in order to foster long-term efforts for reform.

Several donor agencies were represented at the TI launch in May 1993, including the Bank, as well as representatives from national governments in the South and multinational corporations (MNCs). Staff had received an invitation from TI, who invited several donor agencies and international organizations. Despite not having an official mandate to be there, interested staff persuaded their managers that it was 'important that someone from the Bank was there to show interest and to understand where TI might be heading'.[244] After this meeting, these Bank staff tried to get a small grant of about $250 000 for TI's work from Lewis Preston, then Bank president, through the Institutional Development Fund (IDF). After they put together the grant application, a committee reviewed it, but the General Counsel would not agree to allow it. The applicants then got five VPs, including the VP for Africa, to sign a special letter to Preston, asking him to overrule Shihata. Their application was unsuccessful.[245]

Leadership commitment to fighting corruption

One reason for this hesitant approach was therefore a lack of leadership commitment. As one senior Bank staff member interested early on in corruption was told by his boss, 'don't say anything. Wait for a signal from senior management.' This signal came with the arrival of Wolfensohn in 1995. At that time, most Bank staff still believed that corruption was too political and too difficult in terms of translating into practice on the ground. Despite this, Wolfensohn 'was determined to mainstream the issue within the core of Bank activities'.[246]

Wolfensohn has often been credited with bringing corruption into the Bank's agenda. Celarier places great importance on his decision to begin spot audits of projects in 1996, starting with Poland, Kenya and Pakistan. According to the Bank's chief procurement officer at the time, '"We want to put the fear of God in them".'[247] These are strong words presaging a strong stance. In the *Guardian*, Frank Vogl, vice chairman of TI-USA and a former director of external affairs at the Bank, was quoted as saying, '"It is to Wolfensohn's great credit that he embraced the corruption question".'[248] The author of the article himself asserts that 'Wolfensohn has made it [the Bank] overtly more political' by conducting a 'public crusade against corruption worldwide', despite earlier fears of 'being seen as overtly political and interfering in the internal affairs of client nations'.[249] Shihata also gives credit to Wolfensohn, maintaining that 'the Bank's explicit concern with corruption as a general development issue came with the assumption of James D. Wolfensohn of its Presidency in mid-1995. Soon thereafter, he highlighted the issue in his first speech before the Annual Meeting of the Board of Governors (in September 1995). He then asked this writer, as the Bank's General Counsel, to review all proposals and consider initiatives for possible actions by the Bank.'[250]

Wolfensohn sees Shihata's contribution in a different light. Speaking to the World Congress of Accountants in Paris in 1997, he said, 'Take corruption. Eighteen months ago I couldn't talk about corruption. Eighteen months ago I was told that corruption was a political not an economic issue. Since that time we have come a long, long way.'[251] It would then appear that Wolfensohn's often quoted 1996 speech where he declared, 'we need to deal *with the cancer of corruption*',[252] was a way of 'throwing down the gauntlet' to Shihata and making very public his policy intentions.

During his first year in office he invited a TI group to Washington DC to conduct a half-day seminar on corruption for him and his senior staff; thereafter, TI was engaged as a consultant to assist the World Bank in developing its own strategy against corruption.[253] Here, Galtung and Pope refer to the creation of the Corruption Action Plan Working Group in mid-1996, of which TI was a member.[254] The group eventually drafted the landmark 1997 publication, *Helping Countries Combat Corruption: The Role of the World Bank*. This document sets out the Bank's strategy regarding anti-corruption and continues to guide its evolution.[255]

One very interesting trend during Wolfensohn's tenure as president has been the transition in emphasis from governance work to fighting corruption. In 1996, the Bank explained that it had 'taken many steps to address corruption, internally and externally'.[256] These steps included: [257]

Economic policy reform	*Institutional reform*
Economic reform	Financial management reform
Tax reform	Civil service reform
Regulatory reform	Procurement
Privatization	Governance
Sector policies	Fiduciary control
	Guarding against corruption in Bank projects

Governance, as an overall objective for the Bank, has here been relegated to a subset of objectives under the auspices of fighting corruption. Wolfensohn has successfully taken a policy agenda suggested by predecessors and put his own personality on it by changing its focus to a subject about which he clearly feels strongly. He has been said to have 'staked his reputation on efforts aimed at stamping out corruption'.[258] Indeed, former US Deputy Secretary of the Treasure, Stuart Eizenstat, has warned, 'The future credibility of our multilateral development institutions may very well depend on their sensitivity in dealing with [corruption].'[259] This has had a tremendous impact on the manner in which the policy has developed since the 1997 document.

Conclusion: the 1997 strategy document

In his foreword to the 1997 strategy document, Wolfensohn declares: 'The time for action is now.'[260] This document sets out the Bank's strategy while allowing for its evolution. It provides the framework but not the details. Significantly, it sets out a four-pronged strategy for the Bank's work on corruption:

- Preventing fraud and corruption within Bank-financed projects.[261]
- Helping countries that request Bank support in their efforts to reduce corruption.
- Taking corruption more explicitly into account in CAS, country lending considerations, the policy dialogue, analytical work and the choice and design of projects.
- Adding voice and support to international efforts to reduce corruption.[262]

As the next chapter shows, this remains the framework for the Bank's anti-corruption programme.

The 1997 strategy document highlights particular areas of concern for the Bank. Firstly, anti-corruption work is explicitly linked with structural adjustment. It argues that it is important to continue to pay close attention to economic reforms. Answering critics of adjustment, the Bank argues, 'The answer is not to forgo reform, but to consider and help strengthen institutional capacity in tandem with policy design.'[263] Secondly, because of this tie to adjustment programmes and the Bank's legal requirement to lend directly to governments, anti-corruption work is concerned only with public and not private sector corruption. However, it believes that its public sector work can help eliminate corruption in the private sector 'by helping countries strengthen the legal framework to support a market economy and by encouraging the growth of professional bodies that set standards in areas like accounting and auditing'.[264] Thirdly, civil society and the media are seen as 'the two most important factors in eliminating systemic corruption in public institutions'.[265] Referring to existing work, it points out that 'EDI normally seeks both a government and a civil society partner.'[266] Lastly, considerations for lending decisions must look at the following:

- Whether Bank projects are likely to be affected by corruption during design or implementation, or thereafter.
- The extent to which the achievements of development objectives are compromised by corruption.
- The willingness of the government to act to control corruption if it threatens the effectiveness of Bank projects and/or economic and social development.[267]

If problems are found, the Bank will reassess the particular project, sector or the entire country if need be, but always within the scope of its Articles of Agreement.[268]

In other words, the keys to the Bank's anti-corruption strategy are as follows:

- economic reform through structural adjustment
- strengthening institutional capacity
- focusing on the public sector
- helping the private sector through legal and other reforms
- assisting civil society and the media
- taking corruption into account when making lending decisions
- finding the necessary political will
- ensuring that all must take place within the framework provided by the Articles of Agreement.

The next chapter looks at the evolution of the Bank's anti-corruption programme and addresses each of these issues in turn.

4
The World Bank's Anti-Corruption Programme

Previous chapters have built a theoretical and historical context for the Bank's anti-corruption programme. The complexity of the Bank's approach also means that one has to have a full understanding of how the Bank works in order to evaluate its anti-corruption programme: its lending programmes and products, its evaluation processes, interactions between regions and sectors and its external relations. However, the size of the project undertaken means I must restrict myself to the Bank's key four-pronged strategy. As Operations Evaluation Department (OED) points out, 'the menu of potential actions to curtail corruption is very large so a framework is needed that provides guidance on ordering potential actions'.[1] I have used the Bank's own strategy to guide my evaluation and recommendations, following the logic of Bade Onimode, editor of the 1989 text *IMF, the World Bank and the African Debt*, who stated, 'To evaluate the World Bank's programmes, we should … use their own figures, their own language, to see whether what they set out to do has been done.'[2]

Where possible, I have tried to provide illustrative examples of work on the ground, moving beyond strategy into implementation. However, I do not provide an extensive list of ongoing projects or evaluations of included examples. It is important to remember that even though the Bank has been putting together its strategy since 1997, it is still in the early stages of implementation. The purpose of this chapter is not to provide an evaluation of the uses and consequences of this work. Instead, its importance lies in examining the direction in which the work is evolving and suggesting challenges that the Bank is likely to face.[3]

The programme's main components

Internal accountability and borrower accountability

It is difficult to split the Bank's strategy up into clearly delineated areas, but I have attempted to do just that here, in order to distinguish between measures that address the Bank's internal accountability measures and the work it does to help strengthen its borrowers' accountability, both within the borrowing country itself and to the Bank. However, it should be noted that throughout there are areas of overlap.

International partnerships

One area of considerable overlap is the extensive work done by the Bank to build up international partnerships[4] and interest in corruption. The Bank has been very successful in bringing international attention to the issue. It is the only donor with the kind of resources and scale to deliver this kind of impact. It agrees that its comparative advantage here lies with high-level policy dialogue. DfID also points to the Bank's advantage here, arguing that the Bank, in particular, has 'the clout they can bring at the highest levels'.[5] Pressure from the World Bank has significantly contributed to the efforts to combat the 'supply-side' of corruption, resulting in, for example, the OECD anti-bribery convention (see below), the TI Bribe Payers Survey, a higher profile for work on money laundering, attempts to standardize accounting practices worldwide, and a number of conferences and forums, all of which contribute to the growing international consensus on the developed world's role in corruption, an important step forward in the donor discourse.

'Grand corruption'[6] often has several international dimensions that donor agencies and borrowers need to take into account when designing anti-corruption strategies. Procurement often involves several businesses, both local and foreign. Money-laundering turns seemingly domestic forms of corruption into international ones (for example, money skimmed off a local construction contract sent to a numbered bank account in Switzerland). Because of this international dimension, the Bank must be involved in anti-corruption work at the international level for its own programmes to work at the country level.[7] As it points out:

> International efforts play an important role in combating these dimensions of corruption. Numerous international organizations

and alliances are collaborating to promote global co-operation in criminalizing international bribery, both in capital-exporting as well as in developing countries; to promote international co-operation in detecting and prosecuting transnational offences such as international money laundering; and to gather lessons of experience from across countries, providing knowledge and training to governments that have less experience in combating corruption.[8]

All international organizations are limited in some way by their mandate and level of resources, creating a need to focus on comparative advantage.[9] Even an organization as large and well-funded as the Bank cannot combat all aspects of international corruption single-handedly, even without the limitations put upon it by its Articles of Agreement. Therefore, the Bank has developed partnerships with certain international organizations and initiatives to create a better environment for its own anti-corruption programmes. The Bank describes its approach for supporting international efforts as

- helping co-ordinate both cross-border and in-country anti-corruption efforts
- forming strategic collaboration arrangements with other organizations, and
- deepening its knowledge about corruption and disseminating it internationally.[10]

The Bank's partners fall into the following categories: other multilateral development banks (MDBs), international organizations, donor agencies, NGOs and the business community. It is able to share 'lessons learned' among all the groups it works with and is also able to conduct co-ordinated activities with one or more partners. This section will not touch upon the work done by other donor agencies, as this will form the basis of the next chapter.

The MDBs, including the Bank, have formed a working group on governance, corruption and capacity building that looks at borrower performance criteria, improving the governance environment (for example, new lending products, governance assessments, public expenditure management reform), improving project management, and examining specific anti-corruption activities and procedures.[11] In addition, the African Development Bank (AfDB) and the Asian Development Bank (ADB) have developed their own policies on corruption that closely mirror that of the Bank.[12] The MDBs focus on accountability, transparency, combating corruption, participation, public sector reform, privatization and legal and judicial reforms. However, the EBRD as an organization is quite unlike any of the other MDBs. The EBRD was founded on the principle of supporting democracy within its member countries. Unlike the other MDBs, including the World Bank, it has a legal mandate to address political issues in its work, specifically limiting its activities to countries that are liberal democracies or are moving in that direction.[13] However, it does not have a specific anti-corruption policy and does not at this time conduct any discrete anti-corruption work.[14]

The Bank has been an observer of the OECD Working Group on Bribery since 1998, which seeks to 'outlaw the bribery of foreign public officials and end the tax deductibility of foreign bribes'.[15] This group produced the 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions' in November 1997,[16] which went into effect on 15 February 1999. The Convention was originally signed by all twenty-nine member countries and five non-member countries,[17] while twenty-six of these countries have 'commit[ted] themselves to ensuring that their national parliaments approve the Convention and pass legislation necessary for its ratification and implementation into national law'.[18] Implementation is monitored by OECD with its findings publicly available.[19] The Bank has also been an observer at meetings of the Financial Action Task Force on Money Laundering (FATF) since 1997. FATF is 'an inter-governmental body which develops and promotes policies, both nationally and internationally, to combat money laundering. As a "policy making body" therefore, its primary goal is to generate the political will necessary for bringing about national legislature and regulatory reforms in the area.'[20] Although physically based in the OECD, it is an independent body. Its membership is similar to that of the OECD Convention, and has several groups that attend its meetings as observers, including other similar regional-based bodies and international organizations.[21] The Bank worked closely with the Organization of American States (OAS) on the Inter-American Convention Against Corruption. The Bank is also a member of the International Chamber of Commerce Standing Committee on Extortion and Bribery, the DAC Experts Group on Monitoring Performance in Good Governance, the Council of Europe's Multidisciplinary Group on Corruption, the UN Office of Drug Control, and the Interpol International Groups of Experts on Corruption.

The Bank has recently included a new anti-corruption NGO in its list of partners, although it is not yet clear what the nature of this connection will be. The Partnership Fund for Transparency was launched at the 9th IACC in Durban by UNDP, and is a joint initiative between UNDP, who put up the $100 000 seed money for the project with a further $1 million from the UN Foundation, and TI.[22] The Fund is located in Washington DC and is run by Pierre Landell-Mills, who was partly responsible for introducing anti-corruption work into EDI in the early 1990s. According to a UNDP press release, 'The two main objectives of the Fund are to assist civil society organizations with expertise related to combating corruption; and to provide training to build their capacity, management and advocacy skills.'[23] Projects approved thus far include the funding of a panel of independent experts to monitor a public auction in Bulgaria and funding the establishment of an interactive website on procurement in Brazil.[24]

The Global Coalition for Africa (GCA) is an intergovernmental forum of African policy-makers and international partners working to build consensus on development issues.[25] GCA's work on corruption has been closely linked to the World Bank since GCA's inception, partly because Robert McNamara is its Co-Chairperson Emeritus and has served on its Board. Although the GCA has been concerned with governance issues since its inception in 1991, its 1997 Policy Forum meeting in Maputo, Mozambique was the first such meeting to be primarily concerned with corruption.[26]

The Bank's leading partner in civil society continues to be TI, the world's only NGO devoted solely to combating corruption and one which grew out of the Bank. The relationship between the two organizations has always been close.[27] According to Galtung and Pope:

> TI was … interested in convincing the World Bank and the International Monetary Fund … to adopt a more assertive posture against corruption. Brown-bag lunches at the World Bank in Washington DC, from 1993 onward consistently drew crowds that often extended down the corridors outside. In the field, a partnership was being created between TI and the World Bank's Economic Development Institute … in the form of Petter Langseth … Within EDI, Langseth was able to demonstrate to sceptics in the Bank that it was possible to become engaged in anticorruption work without courting controversy provided the work was implemented with a partner NGO … Several TI national chapters now work actively with the World Bank in the Bank's member countries, and there is a rela-

tively free flow of information between the international financial institutions and TI.[28]

When Wolfensohn committed the Bank to fighting corruption in 1996, TI quickly offered its support for increased partnership. TI is mentioned repeatedly in Bank documents and in interviews with staff as an example of the Bank's work with civil society on combating corruption, and is often the only example provided. TI works mostly with WBI in the design and delivery of workshops, and joint research and publications, while National Chapters work closely with Bank country staff. For example, TI-Latvia indicates that the World Bank is one of its primary partners, along with the Latvian Ministry of Justice, the OECD and the Council of Europe, among others.[29] TI-South Africa worked with the World Bank to support the 9th IACC in Durban. TI-Bangladesh and WBI, in partnership with the Parliamentary Centre of Canada, organized a seminar between parliamentarians and civil society groups throughout South Asia, resulting in a draft code of conduct for MPs.[30]

Areas of concern

Strategy vs. policy

I deliberately refer in this chapter to 'strategy' rather than 'policy'. There is no official operational policy on anti-corruption activities for the Bank. According to the Bank's Operational Manual, operational policies (OPs) 'are short, focused statements that follow from the Bank's Articles of Agreement, the general conditions, and policies approved by the Board. OPs establish the parameters for the conduct of operations; they also describe the circumstances under which exceptions to policy are admissible and spell out who authorizes exceptions.'[31] There are OPs on the environment, gender, dams and tobacco, among others. Instead of an OP on corruption, there are instead policies that 'govern the use of Bank funds'.[32] This includes policies on procurement, the disbursement of funds and audit procedures. However, these only fit into the first prong of the Bank's strategy: preventing fraud and corruption within Bank-financed projects. The Bank instead has a 'strategy' on corruption that encompasses the others, with no officially delineated parameters. The Bank explains that OPs exist to 'help ensure its operations are economically, financially, socially, and environmentally sound'.[33] It would seem that something described by the Bank president as the most important challenge facing it, that is supposed to be mainstreamed into all facets of the

Bank's work, and has already raised so many questions in terms of the Bank's mandate, deserves an operational policy to ensure its soundness and that all of the components 'fit'.[34]

This lack of policy may be partly due to the complexity of the strategy as it is being implemented. But it is interesting that there is a policy on gender but not on corruption, as gender can be as all-encompassing as the Bank claims its work on corruption is, and is often as controversial.[35] One explanation for this is that there already exists a significant body of scholarly literature on the impact of gender on development. A general consensus exists between donors, academics and NGOs that women's needs must be taken into account when both designing and implementing development projects, with evidence taken over several years to support this. Although most agree that corruption has a negative overall impact on economic development, a similar consensus does not exist on the relationship between good governance and development. Until more is known about this relationship, the Bank seems reluctant to rigidify this work in the conventional way by creating an operational policy.

The 'Knowledge Bank' and corruption research

Since 1996, the Bank has asserted itself as a Knowledge Bank, with the Bank 'creating, sharing and applying knowledge'.[36] In order to retain interest within the Bank itself and to help build internal capacity and support for the mainstreaming process, the Bank conducts research on corruption and distributes this both internally and externally. Since the early 1990s, a great deal of work on this relationship has been published by the Bank or by academics who regularly work as Bank consultants. Bank documents often refer to its own work when making claims about this relationship, and the same papers are cited repeatedly. The main strategy document, published in 2000, refers to the 'now well-documented contribution of good governance to growth',[37] pointing to a list of sources in its Annex. Out of the fifty documents identified, forty-two have been written by Bank staff or consultants. Another interesting example comes from a draft paper from the Operations Evaluations Department (OED) preparing a framework for an evaluation of the anti-corruption programme. This paper reiterates that, 'A wide consensus has also recently emerged that corruption is a symptom of failed governance [referring to the strategy document].'[38] A total of forty-five texts are cited in the bibliography, and thirty-three of these have been written by World Bank or IMF staff or consultants. So the evaluation is being designed using the work that the Bank itself produces to justify the direction that the programme is taking. This seems a narrow basis for a 'wide consensus'.[39] Furthermore, of the seventy-nine papers listed on WBI's website, all published between 1997 and 2000, Daniel Kaufmann is author or co-author on forty-eight of them. This is in addition to his non-research-based work as manager of WBI's governance division, which one can only assume is a very busy position in its own right. Clearly, as manager, one could argue that Kaufmann would naturally be the driving force behind WBI's work in corruption. However, as this research drives the direction the Bank's programme is taking, it does raise the question of the usefulness of a great deal of WBI's published research. Even Peter Eigen of TI has expressed concern on this point, saying:

> The World Bank … plays a significant, often leading, role in research and the development of new concepts. The same organization that is responsible for the arduous task of putting such concepts into practice, simultaneously assesses the performance of the development system critically and recommends which future practice ought to be implemented – immediately. The conflicting roles of giving conceptual guidance and being the world's largest player in development assistance lead the World Bank and its management into frequent crises of credibility. There is a need to separate out roles of design and implementation from that of evaluation – as any good auditor will tell you.[40]

Eigen's criticism has been echoed by others who see an inherent conflict between the Bank's role as provider of development knowledge and implementer of development programmes. Jakobeit writes, 'Due to its financial clout alone, the Bank as a globally leading (if controversial) think tank and a globally committed donor has a special position in international development policy. Because it has in many cases the power of definition and interpretation, its publications must be taken very seriously.'[41] Samoff and Stromquist argue that:

> this approach to information … reinforces global power relations. In the contemporary era, the World Bank has assumed major responsibility for overseeing and managing the integration of the world economy and especially the incorporation of poor countries into it on terms they do not set. Control over relevant information, or even the claim that the World Bank is the major repository for and distributor of knowledge about development, entrenches and

> enhances the World Bank in that global role. As it asserts its role as a development advisory service and knowledge manager, the World Bank becomes even more powerful and dominating, in both affluent and poor countries.[42]

They go on to say, 'Entrenching one organization, or the external funding and technical assistance agencies more generally, as the accepted arbiters of relevant development information enables them to exercise vast control that is not only unchallenged but largely unchallengeable.'[43] It is thus with corruption. As the Bank develops its research portfolio, its work on corruption evolves. There is little outside input or evaluation into this process, and borrowers have little choice but to accept the 'expert advice' and design anti-corruption programmes accordingly. This is not to say that the Bank's research is 'bad' but that it is unlikely to fund indigenous programmes based on knowledge that contradicts its own.

Even if its research is well-respected and of high quality, this conflict remains. According to Goldman, 'The problem is not that "bad" science has become dominant, but that the Bank's data and reports, policies and discursive strategies become dominant the world over and yet detached from the production process.'[44] Mehta questions the often narrow agenda of the Bank's research. 'The Bank's knowledge agenda often tends to be centralized and absolutist and draws on economistic and technocratic models. These trends contribute to the emergence of a narrow knowledge agenda that both neglects sociocultural issues and those concerning a wider political economy. Thus, the plural nature of knowledge is denied and the Bank's own problematic role in knowledge generation is not reflected upon.'[45] She uses the cases of irrigation and dams to illustrate that the Bank's knowledge can be flawed, with disastrous consequences, highlighting gaps in areas of Bank 'expertise'.

Specifically looking at the Bank's anti-corruption work, Khan argues strongly that their research is based on a view of the state not backed by evidence, ignoring the experience of the Asian developmental states in particular (see Chapter 3 above). Thus, he contends that the Bank does not understand the relationship between corruption and development. He shows how the Bank links poverty to corruption when in fact history shows that the link is between capitalism and corruption.[46]

> Without excusing corruption, international agencies have to face up to the fact that the construction of capitalism, although it may be

> necessary for the long-term prosperity of poor countries, is itself an ugly and conflictual process. Attempts to attain a corruption-free, representative and accountable system of governance at this stage may not only not be achievable, but may divert attention from what actually needs to be done to improve the quality of state intervention to accelerate the transition and make it more socially acceptable.[47]

Instead he argues that the Bank should look at the actual relationship between corruption and development, rather than an idealized one, in order to see what reforms took place that allowed corruption and economic growth to take place concurrently.

Over the past few years, the Bank's anti-corruption programme has continued to gain momentum, developing as its research develops. On the one hand, the Bank's work, by necessity, must develop in incremental stages, as it is conducting work that has never before been attempted on this scale or by an international agency such as itself. This makes developing policy very difficult. The work is 'evolving',[48] and an operational policy with defined parameters would not allow the rather *ad hoc* implementation that results from not knowing where the programme will go next. However, it could also be argued that this only provides an excuse for work that is done haphazardly, organized by a small group of people using largely their own work to both design the programme and justify positions already decided upon. Instead of having a policy in which the components 'fit', the Bank has instead a set of spare parts for an engine that has not yet been designed, let alone built.

Comprehensive Development Framework (CDF)

In the follow-up report to the 1997 strategy document, the Bank's approach to anti-corruption is described as follows:

> The Bank views corruption as a symptom of underlying institutional dysfunction, and thus employs a proactive and holistic approach that attempts to help clients strengthen governance and public sector management, to improve economic policies and legal/judicial systems, and to develop and implement specific anticorruption measures. The Bank has made strengthening borrower capacity a priority through increased lending, enhanced country-level advisory service, and the inclusion of 'good and clean governance' as one of the central pillars of the Comprehensive Development Framework [CDF].[49]

The CDF, which is the cornerstone of Bank strategy under Wolfensohn, is described as:

> a holistic approach to development. It seeks a better balance in policymaking by highlighting the interdependence of all elements of development – social, structural, human, governance, environmental, economic, and financial. It emphasises partnerships among governments, donors, civil society, the private sector, and other development actors. Perhaps most important, the country is in the lead, both 'owning' and directing the development agenda, with the Bank and other partners each defining their support in their respective plans.[50]

The Bank's anti-corruption assistance programmes reflect both the 'holistic approach' to development prescribed by the CDF and the Bank's overall commitment to long-term capacity building. As a matter of fact, Wolfensohn explains that the key to the CDF is good government and combating corruption.[51] Structural issues form the first 'pillar' of the CDF matrix. These include good and clean government, the justice system, financial systems and social safety nets and social programmes. Partners in this process include the government, multilateral and bilateral institutions, civil society and the private sector.[52] All sectors within the Bank are encouraged to adopt this CDF approach and 'mainstream' governance activities into their own work, be it health, education, water, transport and so on. In the Bolivian CDF, for example, specific anti-corruption initiatives are represented by the implementation of a National Integrity System,[53] working in partnership with TI. Other areas with an anti-corruption component include improving regulations, privatization, participatory projects, decentralization and institutional and judicial reform.[54]

This comprehensive approach to anti-corruption is reflected in all four prongs of its strategy, and especially in the second – 'helping countries that request Bank support in their efforts to reduce corruption'. According to the editor of the IMF magazine *Finance & Development*, 'Like the mythological hydra, corruption is a many-headed foe that insinuates into every part of the social fabric, weakens the body politic, and jeopardises prospects for economic growth.'[55] This rather dramatic analogy is illustrative of how the Bank is approaching anti-corruption work – tackling its impact in every sector of the Bank's work, from public sector management to health to forestry and so on. In order to 'kill the beast', the Bank is trying to attack it at its institutional core rather than deal with one 'head' at a time.

This CDF-based approach to anti-corruption does not lack controversy and appears to split opinion within the Bank. One senior staff member told me that the Bank's capacity-building work with civil society and community empowerment, leading to 'bottom-up' demand for anti-corruption work, is the most exciting work being conducted in this area by the Bank. However, another is not convinced. S/he believes that capacity building suggests a lack of skill or ability, as if the people concerned are not intelligent enough to know how to do things properly and just require 'technical assistance'. This view is very patronizing, in this staff member's opinion. S/he asserts that if the demand were there, people would know the steps that need to be taken. However, the current situation benefits those in power, and until that changes, no amount of 'capacity building' is going to change that.[56] Another senior staff member is concerned that the anti-corruption emphasis can get too big and be seen as an end in itself. S/he thinks they should go back into a broader public sector reform agenda, with the ultimate goal to help LDCs develop more effective government. Despite these internal concerns, the Bank does not show any signs of returning to such an approach.

Internal accountability measures

The Bank has an obligation under its Articles of Agreement to ensure that the funds it disburses are used for the purpose intended.[57] In addition, the Bank identifies the 'development effectiveness' of its projects as a reason for its interest in preventing corruption in its own projects.[58] It is also important that the Bank be seen to be doing its part to ensure its own operations are as corruption-free as possible, when it is demanding the same from its borrowers. Therefore, considerable effort has gone into both defining the issue and implementing a highly visible and relatively transparent programme designed to provide oversight into the design and implementation of all Bank projects.

On 31 March 1997, the Board endorsed the Bank's Strategic Compact,[59] which has given $250 million over a thirty-month period for improvements to Bank procedures, including those for procurement and financial management. For example, $30 million was spent over a three-year period to pay for new procurement[60] and financial management staff, to increase the number of Country Procurement Assessment Reviews (CPARs)[61] done, to finance post reviews of procurement contracts and to support a financial management reform programme. A further $6 million was spent in 1999 to investigate allegations of corruption, with an additional $6.9 million budgeted for 2000.[62]

In a recently produced guide for its staff, the Bank identifies four important areas where corruption and fraud may occur within Bank projects: (1) the project design stage, (2) the procurement stage, (3) the implementation stage, and (4) the financial management stage.[63] With the above definitions in mind, the Bank outlines the opportunities for both corrupt and fraudulent practices within each of the four crucial stages (see Table 4.1).

This list is intended to provide staff with a fairly comprehensive inventory of different ways fraud and corruption may occur during different stages in the project. The document provides training and guidance to staff in the field with varying degrees of experience in project management in order to improve capacity and limit the opportunities for fraud. For example, an increased awareness among staff might prevent fraudulent activities, such as roads being built that serve only the business interests of a few government officials, advertising for bids in specific publications that are read by only a select few, or billing for materials that do not exist and the private use of project vehicles.

The Bank's internal mechanisms have been designed to prevent the above occurrences within each individual stage. For example, the Bank has produced Standard Bidding Documents (SBDs) and Standard Contracts that help to simplify both the bidding procedure and Bank oversight of the process. These documents reiterate the Bank's procurement policy on corrupt and fraudulent behaviour according to its Guidelines within the General Conditions of the Contract and the Information for Bidders. Similar standard documents also exist for the employment of consultants, including standard and sample contracts for complex time-based and small assignments.[64]

The Bank also ensures that each project Task Team includes both a procurement specialist and a financial management specialist. The procurement specialist will help ensure that the Task Team realistically analyses the borrower's capacity for public procurement, preferably utilizing a CPAR if available, ultimately 'taking into account the borrowing country's capability and experience in supplying the goods and services and constructing the works included in the project'.[65] This could help avoid problems such as drafting unrealistic goals and including local firms when they are in fact unable to provide the goods and services to the specifications required. Likewise, the financial man-

Table 4.1 How and when fraud and corruption may occur in Bank projects

Stage	**Corrupt & fraudulent practices**	
Project design (borrower and supplier)	(a) overstate requirements to increase earnings (b) manipulate design to benefit certain parties (c) allow government officials 'unfettered' discretion to allocate resources (d) allow management discretion to divert funds for unauthorized purposes (e) create weak oversight mechanisms (f) alter timing to suit 'vested interests'	
Procurement	Borrower (a) insufficient or inadequate advertising (b) excessively short advertising (c) bidding time allowed is apparent, not real (d) misuse of legal and administrative requirements (e) inappropriate bidding procedures (f) procedures that violate the secrecy of bidding	Supplier (a) unjustified complaints (b) collusion schemes (c) misleading bids (d) malicious 'front-loading'
Implementation (borrower or supplier)	(a) corrupt contract amendments (b) unjustified complaints (c) overbilling/overpayment (d) lower than specified quality (e) flagrant theft (f) manipulation of Alternative Dispute Resolution (ADR) procedures	
Financial Management (borrower)	(a) duplication of payments (b) alteration of and tampering with invoices and other supporting documents (c) adulteration or duplication of accounting records (d) lack of supporting records (e) ineligible payments (f) misuse of funds (g) unauthorized advance payments without guarantee (h) unauthorized use of project property (i) excessively high operational expenditures (j) unreported discounts	

Source: Aguilar et al. (2000), *Preventing Fraud and Corruption in World Bank Projects*, pp. 3–9.

agement specialist will help the Task Team analyse the most recent Country Financial Accountability Assessment (CFAA)[66] to ensure the borrowing country's capacity to handle the financial, accounting and auditing components of the project.[67]

During the actual project implementation stage, Bank staff are expected to ensure borrower compliance with the terms of the project; analyse any waivers and exceptions to Bank rules or procedures, especially when these may have been introduced to give personal benefit to an interested party; inspect project sites to ensure progress is as reported; and ensure that proper auditing procedures have been implemented and are being followed. When a project commences, procurement staff assess borrower capacity. During project implementation, they assess transactions, either by prior review (for large transactions) or by reserving the right to conduct *ex post* reviews (for smaller transactions). Regardless of the size of the transaction, they can choose to do either or both (or neither, for that matter).

Another important measure to enhance Bank accountability has been the establishment of a telephone hotline in October 1998,[68] which is completely confidential and anonymous if requested and used to report any corruption by Bank staff or involving Bank projects. As of 14 March 2000, the hotline has received 156 calls, although the number of these that have led to investigation has not been made public.[69]

In May 1998, the Bank established the Oversight Committee on Fraud and Corruption Involving World Bank Group Staff. The Committee meets weekly, reports directly to the president and has the power to conduct periodic audits. It is chaired by a Managing Director of the Bank, and also includes the Deputy General Counsel (Administration, Finance & Institutional Affairs), the Auditor General (Internal Audit Department (IAD)), the Manager of the Office of Professional Ethics (OPE), a representative from the Operational Core Services Network, the Chief of Security, and senior managers from the IFC or MIGA, if those agencies are involved. Figure 4.1 provides a complete organizational chart.

The Committee's mandate is to oversee the investigation of all allegations of corruption within the Bank group itself and within Bank-financed projects. It must ensure that all investigations are 'thorough, prompt, and responsibly carried out'.[70] In addition, it has the power to create internal policies to combat corruption. The Committee is supported by a Secretariat located in the Legal Department, which reports directly to the Vice-Chairperson. It is the 'executing arm' of the

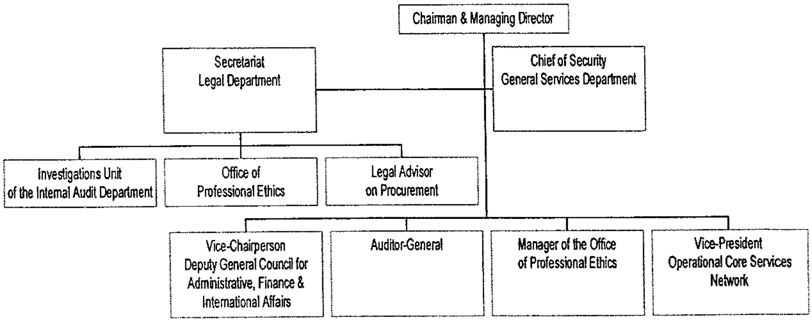

Figure 4.1 Oversight Committee on Fraud and Corruption Involving World Bank Staff

Committee, responsible for receiving all allegations and determining that they meet the criteria before passing them on to the Committee. It has control over any cases forwarded on and must 'ensure that investigations are carried out promptly, efficiently, and rigorously'.[71] The Secretariat reports on cases to the Oversight Committee, which then presents recommendations on any cases worthy of civil or criminal action to the Bank president.

The Bank takes these investigations very seriously, and will disbar any firm or individual found to have defrauded a Bank project, in accordance with Art. 1.15(d) of the Procurement Guidelines: '[the Bank] will declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that the firm has engaged in corrupt or fraudulent practices in competing for, or in executing, a Bank-financed contract'.[72] This is handled by the Sanctions Committee, appointed by the president.[73] When the Sanctions Committee reviews an investigation report given to it by the Oversight Committee, it will send a Notice of Disablement Proceedings to the firm or individual in question, in order to allow response in writing or in person. If there is sufficient evidence, the Sanctions Committee passes the case to the president, who then makes a decision on it based on the Committee's recommendations.

Importantly, the Bank has also re-emphasized the ethics standards of its own staff. According to Wolfensohn:

> [W]e need to ensure that we have the proper mechanisms in place to minimize fraud and corruption within our own organization – and to respond swiftly and effectively when it does occur. I want to

> emphasize that I have full confidence in the integrity of the staff of our institution. Those instances where staff have not conducted themselves in accordance with the World Bank Group's ethical standards are very rare. I do not believe we have a widespread problem in this regard. We cannot be too complacent, however. As I have said before, even one case of fraud or corruption is one too many.[74]

The Bank's Code of Professional Ethics, issued in 1994, 'stresses that the highest level of professional ethics is expected from staff members'.[75] Staff Rule 8.01 was amended to 'provide for mandatory termination for Staff who defraud the Bank … where Staff have engaged in the misuse of Bank Group funds or other public funds for private gain in connection with their Bank activities or employment, or the abuse of their position in the Bank for financial gain'.[76] The Office of Professional Ethics was strengthened in 1998 with support from the Strategic Contract. Activities that it has undertaken since then include the 1999 publication of *Living Our Values*,[77] staff ethics training through Integrity Awareness Seminars, establishing an Ethics Helpline for staff along with an Ethics web page,[78] and the introduction of policies and procedures for the termination of staff for fraud and corruption (November 1996) and also for protection of whistle-blowers (March 2000).[79]

External reviews of the Bank's internal accountability measures

US General Accounting Office (GAO)

In April 2000, the US General Accounting Office (GAO) published a study of the Bank's anti-corruption efforts. The report is generally positive about the internal controls the Bank has put in place or strengthened, but with several caveats. Lack of borrower capacity will obviously weaken any internal Bank measures, and the Bank needs to see this as a long-term problem. It does not sufficiently take risk into account when lending for anti-corruption work. Looking at twelve projects approved since November 1998, GAO found five with little borrower capacity, according to Bank staff and records; six which did not meet the minimum financial management requirements; three with weak procurement capacity, according to the Bank; and four lacked the key implementing agencies and staff required by the Bank. In response:

> Bank officials told [GAO] that it is common practice for borrowers to delay fully establishing project-implementing organizations until after projects are approved by the Board. These officials indicated

> that most management deficiencies would be corrected, as a legal condition of the loan, before any Bank funds are actually disbursed. However, even with required corrective actions, the ability of these agencies to exercise proper financial management and procurement functions is unproven, given the agencies' lack of experience.[80]

Furthermore, Bank monitoring and supervision procedures are not seen as adequate, and problems do not often make it far enough up the chain of command. Finally, although much more information is now available to the public, the Bank has not done enough to publicize its new initiatives, such as the hotline and Oversight Committee, to the development community and especially to NGOs.[81] Although the Bank argued during the writing of the GAO report that the measures taken were sufficient to assure that funds were being spent as intended, GAO believes 'the Bank is not in a position at the time to gauge the extent to which this is the case due to the weaknesses in its current systems of controls'.[82] In his response to the report, Wolfensohn agrees with the findings and points out efforts that are being made to address those issues (Thornburgh's evaluation of the Oversight Committee [see below], increased funding for capacity building, staff training, increased emphasis on risk in the country assistance strategy [CAS][83] document and greater publicity of the hotline).[84] In its own progress report, the Bank highlights the GAO report and states that it is an important independent review that provides guidance for the future of the programme.[85]

The Thornburgh Report

A review of the hotline's effectiveness was conducted for the Bank by Richard Thornburgh of Kirkpatrick & Lockhart LLP, a former US Attorney General and Deputy Under-Secretary to the UN, and completed in January 2000. The report goes beyond the original remit of the audit and makes three principal recommendations regarding the Bank's internal practices:

- The Oversight Committee should be policy-making and the 'principal vehicle for establishing responses to fraud and corruption' and for 'the conceptualization and delivery of national assistance programs'. It should also be renamed the Oversight Committee on Fraud and Corruption Policy.
- Investigative functions should be handled by a new independent department that reports to the President and has the authority to

conduct its own investigations. This should be named the Department of Institutional Integrity.
- The Sanctions Committee should publish guidelines for sanctions and should not be subject to review by the president.[86]

Resulting changes

Out of fifty-four projects audited by independent firms hired by the Bank so far, misprocurement was found on forty contracts totalling almost $40 million. This is out of approximately 45 000 contracts totalling $45–50 billion. The Bank's own investigations led to the termination of two staff members for misuse of $110 000 of trust funds, with their termination benefits withheld. Some of this money has already been recovered as part of an ongoing investigation. Furthermore, another civil lawsuit was filed against a former staff member and a contractor. The case, originating in October 1997, was won by the Bank in February 1999.

There has been considerable effort to publicize fraudulent cases. One incident involved consultant trust fund activities administered by the Bank for the Swedish, Danish, Norwegian, Dutch, Spanish and Swiss governments. Three staff members have been dismissed for fraudulent activities totalling $900 000.[87] Another case involves allegations of fraud totalling $80 million at the Nigerian Industrial Development Bank (NIDB), largely funded by the World Bank. NIDB has denied the allegations, and the case is still being investigated.[88] The Bank also reported a fraudulent scheme by individuals in West Africa claiming to be Bank auditors in order to collect 'processing fees'.[89] In 2001, a two-month investigation into allegations of fraud in East Timor has resulted in the cancellation of a contract totalling 'thousands of dollars'.[90] The Bank has also cancelled a $100 million water project loan to Ghana because of allegations of a $5 million bribe paid to senior officials by Azurix, the US company which had been awarded the contract. Furthermore, Ghana is to pay the Bank $800 000 in costs for the project's preparation.[91] Recently, the Bank has launched a criminal investigation into allegations of corruption against its former task manager for the Kenya Transport Infrastructure Project, as well as blacklisting several related consultants and consulting firms.[92]

In April 2001, the Bank appointed Maarten de Jong as Director of its Department of Institutional Integrity.[93] Mr de Jong is in charge of advising senior management in fraud investigation cases, developing investigative strategies and procedures and contributing to policy and programmes on corruption.[94] Also in April 2001, the Oversight

Committee was renamed the Corporate Committee on Fraud and Corruption Policy. 'This new group, composed of senior staff from the Bank, IFC and MIGA, works to ensure that the World Bank Group develops poverty-reducing, co-ordinated and effective anti-corruption policies and implementation strategies.'[95]

The Department for Institutional Integrity consolidates the Investigations Unit with the Ethics Department. Because investigations of fraud in projects could also involve misbehaviour on the part of Bank staff (part of the Ethics Department's remit), it made sense to bring the two together.[96] In addition to investigations, the new department also works towards promoting a culture of integrity through existing staff and participating in the training of new staff. An example of work being done is to update the staff rules to include outside interests, trying to take into account the many cultures found within the Bank and not just producing a legalistic approach. The Corporate Committee on Fraud & Corruption Policy, is now an internal policy-making body, following the Thornburgh Report's recommendation.

The Thornburgh evaluation also flags as an area for concern the fact that 'there is no central authority below the President that, as a practical matter, is in a position to assure that the Bank's efforts are consistent in policy direction, focused, comprehensive, co-ordinated, and interbalanced in a cost-effective manner'.[97] It stops short of recommending a separate VP for Anti-Corruption. There is currently a VP for Gender and a VP for Environment, for example, but there has been no move to centralize the anti-corruption initiatives under one VP, as one would expect, perhaps for the same reason there is also no one central operational policy.

Despite these criticisms, this work is quite rightly placed at the top of the Bank's strategy. All donors have the responsibility to their taxpayers and to their recipients (especially when funding is in the form of loans) to ensure that the funds disbursed are spent as planned. Indeed, the Bank's Articles of Agreement demand this. The Bank's work on minimizing corruption in its own projects is an important step forward. The Bank publicly accepts that its own work is not immune from corruption and that it has an obligation to its stakeholders to ensure that opportunities for corruption are minimized. This put the onus on other donors to show the same commitment within their own work. In doing so, the Bank has acknowledged the role that donors have played in helping to foster corruption in developing countries.

For borrowers to accept any of its other anti-corruption work, the Bank must be seen to be doing all that it can to minimize the fraud found within its own activities. The integrity of the entire programme demands that contracts where fraud has been found must be cancelled, and any staff involved must be dismissed. In addition to this, in today's climate, few investors would regard any business that did not take internal fraud seriously as a sound investment. The Bank's work to enhance its procedures and programmes to limit the opportunities for fraud is, for the most part, both impressive and necessary.

There are critics who argue that because of the symbiotic relationship between aid and corruption, donors are not well-placed to combat it. Cooksey claims that because aid is caught up in corruption, it 'is not a problem that aid agencies can solve … with more aid' of the same kind.[98] Indeed, because aid so often is implicated in corruption scandals, more aid is exactly what the problem does not need. He argues that the status quo is unlikely to change, regardless of the Bank's efforts, for several reasons: because the Bank itself has 'a lot to hide, including corruption'; really tackling corruption would require a reduction in overall aid, the Bank's *raison d'être*; and it requires admitting to failure at a time when many criticize the Bank's credibility, from conservative politicians in the US seeking to cut the Bank's funding to left-wing anti-capitalist groups protesting at the Bank's annual meetings.[99]

In addition to the charge that aid funds themselves can be targets for corruption, donors have been criticized for fostering adjustment policies that are open to widespread corrupt practices.[100] Two areas singled out as 'high risk' are decentralization and privatization. Decentralization is intended to bring political power and decision-making closer to the people, but it can also create an entirely new level of bureaucrats who may demand bribes or mismanage funds. Privatization of state-owned enterprises has been open to all kinds of corruption, from the undervaluing of capital goods and shares to non-transparent bidding procedures. The Bank has accepted that these programmes have proven problematic, but blames failures on a lack of capacity within the countries themselves, rather than flawed adjustment programmes. In a report on corruption in transition countries, the Bank blames the high levels of 'state capture' on 'partial political and economic reforms'.[101] It is, once again, the inadequacy of the state in implementing these programmes, rather than the programmes themselves, that is to blame for the increased levels of corruption. Ultimately, according to the report, 'progress' in reform will have a 'powerful impact in reducing state capture',[102] but it does not address the social and political costs in the interim.

Despite these criticisms, it is unlikely that the Bank's work will ever be completely free from corruption, and the Bank itself acknowledges this. The sums involved are too large to put off all unscrupulous types. However, it can do what it can to strengthen its own systems of oversight and is doing so, focusing primarily on procurement and auditing, as well as strengthening its investigation and reporting procedures. It is vital that this work continues, and looks to be strengthened through the new Department of Institutional Integrity.

Borrower accountability measures

According to the 2000 follow up report:

> The Bank views corruption as a symptom of underlying institutional dysfunction, and thus employs a proactive and holistic approach that attempts to help clients strengthen governance and public sector management, to improve economic policies and legal/judicial systems, and to develop and implement specific anticorruption measures. The Bank has made strengthening borrower capacity a priority through increased lending, enhanced country-level advisory services, and the inclusion of 'good and clean governance' as one of the central pillars of the Comprehensive Development Framework.[103]

Capacity building forms the basis of the CDF and is seen by the Bank as key to its anti-corruption assistance for borrowers. Often used interchangeably with the terms 'institutional reform' or 'institution building', capacity building has been defined by the Bank in both narrow and broad terms. Narrowly, it is 'the provision of training and materials to build skills within organizations', while broadly, it refers to 'reforms of incentives and institutions as well as strengthening skills and resources'.[104] By helping build capacity, the Bank believes that borrowers' accountability to their internal stakeholders and also to the Bank will increase. Indeed, many of the Bank's own internal accountability measures are dependent upon increased borrower capacity.

The main actors in the Bank's anti-corruption programme: PREM and WBI

The two main actors within the Bank's anti-corruption programme are the Public Sector Group within the Poverty Reduction and Economic Management Network (PREM) and the World Bank Institute (WBI).

PREM can be described as a small group of staff drawn from different areas with decision-making based on both functional and geographical lines. Figure 4.3 is a series of organizational charts to show how functions have been split. As we can see, the Council is split into regions and also into thematic groups. Within the thematic groups, there is a split into regions and also into further thematic groups. This is intended to allow the greatest interaction between different areas of expertise within an informal network.

WBI's emphasis is on research and education, and PREM's mandate also focuses on dissemination of information with the intent to both educate the public and influence those who make important policy decisions. However, PREM is also responsible for internal policy and is the 'central clearing house' for anti-corruption work in the regions.[105] Operational areas of focus include incorporating anti-corruption language into the Country Assistance Strategies (CASs) and evaluative country reports on Economic and Sector Work (ESW). There is also a strong focus on staff training and research related to corruption. PREM is all about 'action' – lobbying donors and international organizations to increase attention paid to corruption within their own activities, investigating claims of corruption within Bank projects, and designing loan products which take corruption into account.

The Bank's strategy involves building borrower capacity in five main areas of concern (economic policy reform, administrative and civil service reform, legal and judicial reforms, financial management and public oversight), and work is handled by both WBI and PREM.[106] WBI conducts training workshops for staff and clients, while PREM has responsibility for the anti-corruption aspect of investment and adjustment loans and also for Institutional Development Grants (IDGs) for anti-corruption work. Both departments devise and utilize diagnostic tools and assist clients in building anti-corruption programmes.

As we saw in Chapter 3, WBI[107] used to concern itself with anti-corruption action plan preparation and support, diagnostic surveys, training workshops, anti-corruption courses, policy advice and technical assistance, but not coherently or with a Bank-sanctioned mandate. However, following Wolfensohn's speech in 1996, the Bank has sought to 'mainstream' anti-corruption work, and 'WBI has been amongst those at the forefront of this process, which has entailed an expansion and evolution of WBI's program.' There is now a dedicated division within WBI for anti-corruption and other governance issues called the Governance, Finance and Regulatory Reform Group

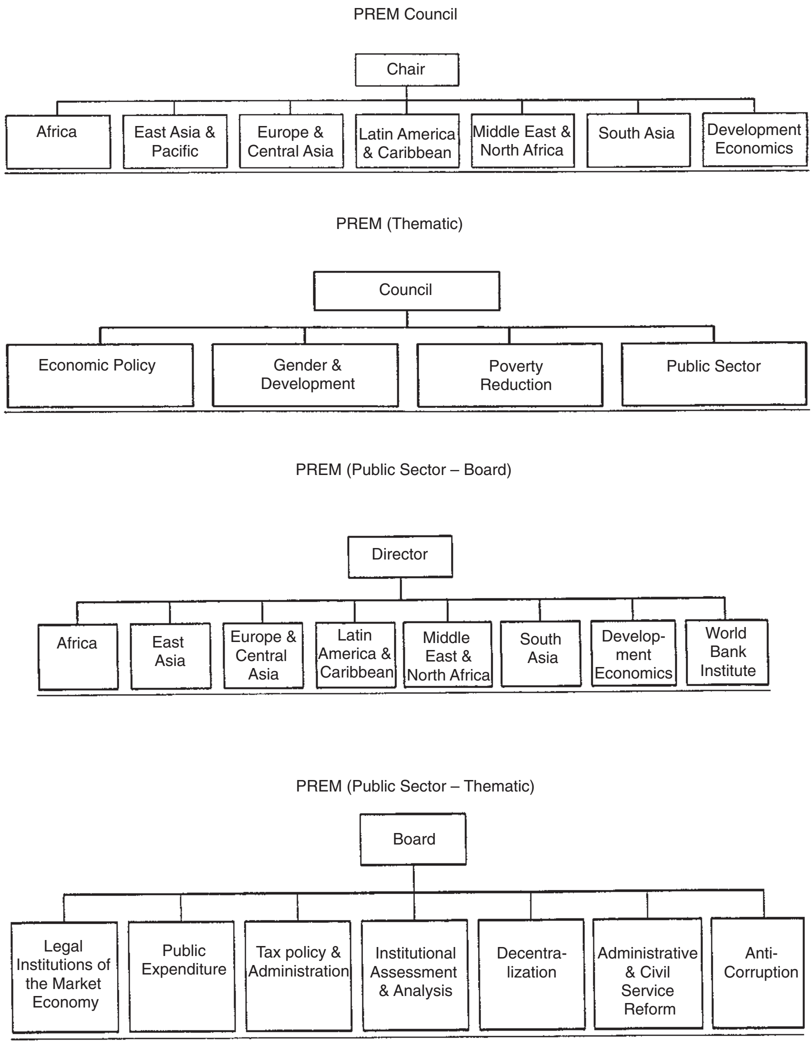

Figure 4.2 PREM organizational charts

(WBIGF). This is a loosely based organization, without a highly tiered hierarchy. As a WBI staff member explained, 'We have a team of different people who are implementing these [anti-corruption programmes] in different countries ... and we keep some kind of informal communication.' This informal structure reflects both the highly varied nature of the work WBI is doing and also its emphasis on partnership and team-building,

WBI focuses on research and education and the improvement of institutional capability in its borrowing members. Accordingly, 'The goal of the Governance Programme, in collaboration with the rest of the World Bank Group and outside partners, is to help countries in developing effective programmes to improve governance of their public institutions, capacity-building and efficiency in public sector performance and service delivery.' It recently issued a formal strategy statement, which 'takes an integrated approach to capacity building, governance, and anticorruption',[108] and emphasizes:

- Going beyond public sector dysfunction (the 'symptom') to assist countries in integrating institutional, regulatory and economic reforms (the 'fundamentals');
- Implementing rigorous empirical diagnostics and analysis;
- Bringing about collective action, through participation and broad-based bottom-up coalitions;
- Building partnerships within countries, the World Bank Group, and other international or regional institutions;
- Moving beyond conventional training to knowledge dissemination, policy advice based on the latest research and operational findings, and participatory and consensus-building activities;
- Scaling up the impact of our activities, utilizing new tools for knowledge dissemination, innovating and taking managed risks.[109]

Diagnostic tools

In order to help countries build effective anti-corruption programmes, the Bank has developed a series of diagnostic tools 'to help the Bank and client countries deepen the knowledge of governance settings and the constraints and opportunities these settings provide for development in general and Bank work in particular'.[110] In addition, the Bank has devised anti-corruption surveys 'to measure the economic and social costs of corruption, the quality of public service delivery and of the business environment, and to identify public sector vulnerabilities'.[111] The surveys, conducted by WBI with local partners and often funded by bilateral donors, are targeted at citizens, private firms and policy-makers and consist of (a) public officials surveys, (b) enterprise surveys, (c) household surveys and (d) specialized surveys (for example, customs, forestry, media). These surveys are designed to focus on institutions and their clients, rather than the behaviour of individuals and to provide quantitative rather than qualitative data.[112]

These diagnostic surveys 'constitute a key component' of the programme and exist to provide new data that will help countries prioritise areas of concern when designing anti-corruption programmes.[113] It should be noted that the Operations Evaluations Department has expressed concern over the usefulness of these surveys which tend to only highlight 'high visibility corruption' or corruption 'likely to be identified by surveys', such as corporate bribes to government ministers that may not be very costly overall in comparison to less exposed forms of corruption with a high overall cost, such as persistent tax evasion by corporations and the wealthy elite.[114]

The Anti-Corruption Core Course

Training is represented in the main by the Anti-Corruption Core Course, piloted in seven African countries: Benin, Ethiopia, Ghana, Kenya, Malawi, Tanzania and Uganda. The course is intended for Bank staff and clients, and the pilot was held in four phases between June and November 1999. Participants included senior policy-makers, public officials, legislators, the private sector and civil society linked to anti-corruption. Findings of the course were presented in a workshop at the 9th IACC in Durban in October 1999 and have been published under the title *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*.[115] WBI intends to continue the pilot in the other regions, starting in Latin America and followed in South Asia and Eastern Europe.

Its aims are, (1) 'providing the participants with concrete tools to prepare and implement action programmes to fight corruption and improve governance', and (2) 'creating an environment in which participants from different segments of society can work together to review results of successful (and unsuccessful) practices and reforms'. Put another way, according to Wolfensohn: 'The purpose of this course is how it is you can develop programmes which we can support. Enthusiasm for the process differs, but it is a process. You are teaching staff from the Bank here too. It is a strong interactive process.'[116] With even more emphasis on the Bank's humble role, Kaufmann describes the Bank as a 'facilitator', despite this not necessarily being the Bank's 'second nature'.[117] There are six key features of the approach taken by the course: (1) it is participatory; (2) it is driven by the country team; (3) it is intended to create public pressure; (4) the analysis translates into programme design; (5) the emphasis is placed on institutional reform; and finally, (6) 'the integration among the above components, internationalization with the country leadership, and initiation of concrete anti-corruption reforms'.[118]

The Bank provides a blank matrix as well as support and training, but it is up to the country representatives themselves to identify key areas of need and also to suggest solutions. Once again, the importance of ownership by the borrowing country and the need to mobilize the public behind the anti-corruption campaign is evident. Following on from WBI's research in this area, there is an emphasis on empirical studies, institution-building and the need for co-ordination, between the Bank and the country and also with other countries. The matrices were completed by the end of this phase. Table 4.2 shows a summary of matrix results.

Most of the seven participant countries prioritize different areas; however, some patterns do emerge. Four areas in particular are highlighted by at least two of the countries: the importance of political will; improving legal and judiciary systems and law enforcement; reform of public sector institutions; and education of the public and civil society.

WBI says that the Core Course showed that a participatory approach 'can successfully help countries develop strategies to fight corruption'.[119] However, the final phase of the course is where the success or failure of the approach should be judged. Here, WBI uses the results of the Core Course to help participant countries develop comprehensive anti-corruption programmes. This strategy involves two parallel activities. First, WBI creates a counsel or steering committee to start developing an anti-corruption plan, a process already completed in Ghana (see Box 4.1). At the same time, WBI hires a local firm to implement its diagnostic surveys of households, public officials and enterprises.[120] According to a WBI staff member, 'The idea is to feed these diagnostics into the counsel [or steering committee] and help … support institutional reform … we use this [survey] data to generate more debate and to support different institutional reforms we think are important … [while] making this whole process as participatory as possible.' In order to keep the momentum going after the surveys have been conducted and the results have been made public during a WBI-organized workshop within the country, WBI tries to get the support of the media and civil society, the involvement of the regional or country unit of the Bank and permission from the government to implement any

Table 4.2 Country matrix – anti-corruption core course 1999

Benin	**Ethiopia**	**Ghana**	**Kenya**
(1) strengthening the political will (2) enforcement of laws (3) judiciary and legal system review (4) public sector institutions reform (5) addressing education and communication	(1) codes of conduct for elected officials, political appointees, the judiciary and civil servants (2) to develop specific evidence and procedural laws for corruption (3) strengthen the capacity of police, prosecutor and judiciary to investigate and prosecute corruption cases (4) corruption surveys (5) establish ethics central body to 'lead and co-ordinate the fight against corruption'	indicates problems instead of priorities: (1) weak political will (2) 'mixed signals' from the Executive (3) weak institutions and rule of law (4) entrenched patronage (5) weak private sector (6) weak civil society (7) pervasive cynicism	(1) rule of law (2) financial management (3) public procurement (4) public sector reform (5) customs

Table 4.2 Country matrix – anti-corruption core course 1999 (*continued*)

Malawi	**Tanzania**	**Uganda**
(1) rule of law (2) financial management (3) public procurement (4) public sector reform (5) customs	(1) restore confidence in the judiciary and law enforcement (2) reduce 'leakage' and increase revenue collection (3) adherence to transparent tendering procedures (4) create public awareness (5) increase civil servant remuneration while holding them accountable for their actions (6) support the media	(1) rule of law (2) financial management (3) public procurement (4) public sector reform (5) customs

Source: World Bank (1999), *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*.

Box 4.1 The Ghana Anti-Corruption Coalition

The Ghana Anti-Corruption Coalition was formed in January 2000 following the Core Course, and its members include the Commission for Human Rights and Administrative Justice, the Serious Fraud Office, the National Institutional Reform Programme, the Institute of Economic Affairs, the Centre for Democracy and Development (CDD), the Ghana Journalists Association, the Private Enterprise Foundation, and the Ghana Integrity Initiative – the local chapter of TI.[121] The Coalition is designed to create 'a forum for interaction between the three arms of government; public and private sector institutions; and civil society groups working in the area of anti-corruption'.[122] The work done by the Coalition includes:

- Fostering co-operation between international organizations and donor agencies in their anti-corruption efforts;
- Encouraging the exchange of information and joint ownership of programmes to best utilize existing resources;
- Helping create transparency in government, public and private enterprise and civil society;
- Helping organize seminars, surveys, and so on;
- Helping strengthen its members and any other anti-corruption bodies.[123]

reforms. This kind of work has already been done in Albania, Georgia, Latvia, Ecuador and Paraguay, and is currently being done in Thailand, Cambodia, Nigeria, Ghana, Ethiopia, Burkina Faso, Bosnia and Romania.

WBI repeatedly refers to the Core Course as an example of true country ownership. According to a WBI staff member:

> The idea was to work with them to develop a strategy for their own country, so you have different matrices and introduction to the matrices, which the country themselves came out with. The main problem areas and what different groups, civil society and government, could do to solve this problem. And this was particularly interesting because in the country teams, you've got people from government and people from civil society working together, for in many countries the first time. The countries were teaching themselves, telling each other what they were doing. So the idea was, you know, they were comparing on strategies and you've got a little bit

> of competition ... and they can learn from one another, instead of just coming from the Bank and saying 'This is what you've got to do.'

Despite this, true 'ownership' of this process by the countries themselves is questionable. Firstly, those attending the Course may or may not include high-level government ministers, and heads of state may have nothing to do with it at all. This means that team members must go back to their countries, matrix in hand, and encourage the necessary political will needed to tackle many of the highlighted problems. Secondly, the Bank has designed the Course, and it is obvious from the matrix results that countries do not deviate from a Bank-selected agenda. Areas highlighted include political will, rule of law, the judiciary, the public sector, mass education, corruption surveys, ethics training, procurement, civil society, financial management, customs, taxation and the media. These areas all fit into the Bank's strategy. Using Bank matrices, Bank research, Bank training, Bank facilities, Bank diagnostics and Bank funding, it seems unlikely that countries would develop programmes that did not correspond exactly with the Bank's own programme. Achieving 'true' country ownership may be a little more difficult than the Bank imagines and highlights the conflict between the Bank's role as knowledge provider and lender.

The Country Assistance Strategy (CAS)

The 'key thrust' of the Bank's mainstreaming activities is the inclusion of governance and corruption issues in the Country Assistance Strategy (CAS).[124] The CAS '(a) describes the Bank Group's strategy based on an assessment of priorities in the country, and (b) indicates the level and composition of assistance to be provided based on the strategy and the country's portfolio performance'.[125] It is discussed with the recipient government but not negotiated. The Bank's Anti-Corruption Action Plan for FY99 required that all CASs took governance and corruption explicitly into account,[126] while the FY00 Action Plan places continuing emphasis on this ongoing project.[127] A study of thirty-seven CASs completed from January 1998 to June 1999 show that 78 per cent mention governance and corruption while two-thirds attempt to mainstream the issue.[128] The Bank insists there is still plenty of room for improvement. '[T]he CAS should outline the country's agenda for improving governance and combating corruption and should include a monitorable programme to assess progress.'[129] As part of the Bank's new information disclosure policy,[130] the Executive Directors approved a new policy in June 1998 requiring CASs to become available to the public, as long as the government concerned gives permission. It is unlikely that a government will deny such permission as it sends out a strong signal that it is trying to hide something. Thus far, no country has refused permission to publish its CAS.

The role of the regions

The regions have an active role to play beyond the CAS process, and all regional VPs have incorporated the Bank's four-pronged plan into their own regional plans. For example, the East Asia and Pacific (EAP) region has established an Anti-corruption Advisory Group, consisting of two former heads of government from East Asia and figures from TI, the private sector and academia. The Group advises the Bank on practical matters and provides a forum for debate with the Country Directors and other Bank staff in the region.[136] The most recent meeting in February 2000 in Bangkok focused primarily on the private sector's role in combating corruption.[137] In the South Asia region (SAR), a January 2000 country report entitled 'India: Policies to Reduce Poverty and Accelerate Sustainable Development' includes an entire chapter on good governance, focusing on the rule of law, public sector reform, financial management, decentralization, accountability and anti-corruption work.[138] The ECA region focuses on similar issues, within the context of transition, in a sector brief entitled 'Poverty Reduction and Economic Management in Europe and Central Asia'.[139] The MNA region provides a sector brief specifically on public sector management.[140] The LAC region has by far the most advanced work within the Bank on public sector reform, with anti-corruption work firmly under the auspices of the Public Sector Group.[141] This Group has produced several influential documents, including *Beyond the Washington Consensus: Institutions Matter*.[142]

The AFR region's website provides a brief regional overview that mentions the anti-corruption work being done by WBI in the region;[143] however, unlike the other regions, there is nothing else on the website to suggest that anti-corruption has been 'mainstreamed' by the region or that it considers governance work a priority. This is particularly interesting when one considers that governance and anti-corruption work in the Bank originated in the AFR region and that a lot of attention has been paid to the region by WBI and PREM. A senior staff member in the AFR region explained that this

Box 4.2 Ghana's CAS

Ghana's CAS was completed in June 2000 and is available to the public. Concerns over corruption and governance are candidly discussed, and the Bank provides several recommendations for dealing with it. According to the CAS, 'It is encouraging to note the importance that the Government attaches to governance issues, especially anti-corruption and decentralization. Yet the pace of decentralization has been slow, and the Government is perhaps over-cautious in the speed at which it wishes to move. This will continue to be a primary dialogue issue, but also calls for a major effort in capacity building. It is weak capacity, especially in financial management, that is the Government's greatest fear in decentralization.'[131] The report also questions the government's commitment to 'speedy and transparent' privatization and points out that the public sector is still bloated and inefficient with previous reforms unsustained.[132] Finally, problems in procurement are highlighted. 'There is a need for simple and transparent systems, including in public procurement. Excessive bureaucracy creates opportunities for corruption and identified corrupt officials are often not sanctioned … there is mistrust between Government and civil society. The flow of information is inadequate and there are few established mechanisms to promote a partnership between Government and civil society.'[133] The report concludes that the government lacks the necessary political will at the top to disengage from the public sector where appropriate, leaving it over-extended and unable to best provide the public services for which it should be responsible. However, the Bank points to the quality of leadership within Parliament, believing that Parliament will play its necessary role in encouraging the executive to stand by reform.[134] Upcoming projects to help address these problems and support anti-corruption efforts include helping build procurement capacity, carrying out a survey on corruption (WBI), identifying areas for improvement in financial management through a new CFAA, and, of course, taking 'a strong stand if corruption is identified in our projects'.[135]

stems from the belief that corruption is merely an outcome of systemic failures in institutions. Hence, you need to go beneath corruption to 'find a new layer'. Focusing on corruption is not seen as useful because it ignores the deeper issues at work. In the AFR region, therefore, the emphasis is on 'capacity building', with two major thrusts: (1) institutional work on accountability, to ensure that money is spent on what it should be, and (2) getting money closer to citizens, through increased participation and community empowerment.[144] This fits perfectly with the CDF approach but does deviate from the way the other regions present their anti-corruption work.

Country assistance programmes

Prior to 1997, the Bank had never attempted to design anti-corruption programmes and had rarely addressed the issue even in an indirect manner within its economic and sector work. As the Bank itself has admitted, 'While the Bank has helped countries reform economic policies and strengthen public institutions for many years, its involvement in explicit anticorruption strategies is novel.'[145] This is the most controversial of all the Bank's anti-corruption work, both because of its experimental nature and with regard to its non-political mandate. It is with that in mind that the Bank insists it only works with those countries which have asked the Bank for its advice and assistance with national anti-corruption efforts.[146] It describes its work as 'demand driven', and points out a number of caveats for its response to client requests for assistance:

- We emphasize a demand-driven approach to ensure there is a strong commitment from the top leaders in the country to a transparent, open, and participatory reform process.
- We request the formation of a 'steering committee' including the top leadership as well as representatives from civil society and the private sector. This top-level committee is charged with designing a strategy and an action programme, as well as monitoring their implementation through 'task forces' or 'technical committees'.
- To ensure there is a good understanding of the fundamental governance and anti-corruption problems, we generally propose conducting empirical diagnostic work as an entry point. Our triangulated survey of households, public officials and business enterprises, and a rigorous analysis of the data gathered, helps us to suggest programs that will begin to address the governance problems in the country.
- We discourage 'one-off' activities, emphasizing a long-term commitment to an integrated programme that addresses not only anti-corruption, but an overall governance programme as well.[147]

This approach is designed to protect the Bank from criticism that it is interfering in recipient countries' political affairs, and attempts to simplify the process of measuring political commitment.

Early anti-corruption assistance was focused on the Europe and Central Asia (ECA) region (Albania, Georgia, Latvia) and Africa (AFR) region (Benin, Ethiopia, Malawi, Mali, Tanzania, Uganda). Now the Bank is doing work of some kind in all regions. As of the 2000 follow-up report, the countries in which the Bank was doing anti-corruption work can be seen in Table 4.3.

However, the Bank makes it clear that:

> It is important to note that this is not a list of countries that the Bank has singled out in which to investigate corruption, and that the occurrence of a country on the list is in no way indicative of the presence or absence of corruption in that country. Rather, this is a list of countries in which the Bank is working with governments and/or civil society, at their invitation, to help understand and systematically address problems of public sector performance and corruption. This work is conducted sometimes under the more general umbrella of public sector institutional reform. Our work with client countries is continually expanding, and this list is thus not meant to be exhaustive.[148]

According to the 1997 report: 'The main thrust of the Bank's support for countries' anti-corruption efforts will be in helping to design and implement government programs.'[149] Lending for public sector gover-

Table 4.3 Countries working with the Bank on anti-corruption issues

Albania	Ecuador	Mozambique
Argentina	Ethiopia	Nicaragua
Armenia	Georgia	Nigeria
Azerbaijan	Ghana	Paraguay
Balkans Stability Pact	Guatemala	Philippines
Bangladesh	Guinea	Poland
Benin	India (some states)	Romania
Bolivia	Indonesia	Russia
Bosnia	Kazakhstan	Slovakia
Bulgaria	Kenya	Sri Lanka
Burkina Faso	Korea	Tanzania
Cambodia	Latvia	Thailand
Cameroon	Malawi	Uganda
Chad	Mali	Vietnam
China	Moldova	Yemen
Colombia	Morocco	Zambia

Source: World Bank (2000), *Helping Countries Combat Corruption*, p. 29.

nance and institutional reform, for both adjustment and investment lending, rose from $4 billion to $7.5 billion from 1997–9. Lending for Technical Assistance (TA) during this time averaged $2 billion to $2.5 billion per year.[150]

Part of this funding is for traditional tools to combat corruption, such as anti-corruption agencies. However, these bodies are seen just one part of the overall strategy. 'Anticorruption bodies appear to be a promising option if they can be made truly independent of the executive and if there is a strong and independent judiciary. However, we need to better understand the experiences of these bodies – where they have been effective and where they have failed – before recommending them to governments.'[151] It does not believe that special anti-corruption bodies are generally appropriate in developing countries, despite success in Hong Kong and Australia, for example. Instead, the Bank's work focuses on institution and capacity building. A small sample of Bank funded projects are found in Box 4.3.

As we can see, this is a diverse set of projects, encompassing many different anti-corruption strategies. This fits into the CDF approach put forward by Wolfensohn. As more details emerge, there will be a great deal of scope for future evaluation for researchers, but at this point, I would like to offer suggestions for potential areas of concern for the Bank.

The elusive nature of political will

Throughout its literature on corruption, the Bank refers to the need for political will. 'External actors like the World Bank can help [tackle corruption], but aid conditionality cannot substitute if political will is missing.'[153] According to Brinkerhoff and Kulibaba, 'Political will refers to the intent of societal actors to attack the manifestations and causes of corruption in an effort to reduce or eliminate them. It is defined as: the commitment of actors to undertake actions to achieve a set of objectives – in this case, anti-corruption policies and programs – and to sustain the costs of those actions over time.'[154] The Bank suggests that will is measureable by, first, 'identifying key decision-makers, their constituencies, and the potential political and financial costs to them of reducing corruption', and second, focusing 'on events – such as statements of opposition to corruption or the removal of corrupt ministers – that might signal a commitment to fighting corruption'.[155]

However, PREM may be moving away from emphasizing the significance of political commitment because it is finding it impossible to measure. Speeches from politicians committing support do not nec-

Box 4.3 Examples of projects funded or assisted by the World Bank[152]

- Support in Guatemala to build institutional capacity in its judiciary
- Integrated Financial Management Project to improve transparency and accountability in financial flows, Guatemala
- Civil Service Reform Project for retrenchment and increasing public participation, Tanzania
- Development of a legal framework for competitive bidding in public infrastructure projects, Indonesia
- Helping Thailand build performance-based government institutions
- Decentralization in Guinea to strengthen voice and participation
- Development of the Ombudsman's office in Peru
- Reinforcement of Anti-corruption Bureau, Malawi
- Support for anti-corruption legislation, Mauritius
- Support for draft legislation for an Independent Commission Against Corruption, Papua New Guinea
- Establishment of the Korean Financial Accounting Standards Board
- Technical assistance for regulatory reform, Latvia
- Assisting the Oficina Nacional de Etica Publica to organize an anti-corruption conference, Argentina
- Technical Assistance for the preparation of the Anti-corruption Action Plan, Ecuador

essarily translate into concrete action, so instead PREM is turning to supporting reform from the bottom up by encouraging civil society and the media,[156] in particular, to demand that leadership commits to fighting corruption. Because it is prevented from lending directly to civil society organizations by its Articles, it will lend instead to localities and local governments, but it can put pressure on governments to strengthen civil society, and can provide small grants directly to civil society groups.[157] This may suggest a differing approach to political will taken by PREM and WBI, with WBI insisting that political will at the top is essential to its strategy.[158]

In 1997, McNamara and Jeremy Pope of TI travelled to Africa to meet with the presidents or prime ministers of Malawi, Benin, Tanzania, Uganda, Ethiopia and Mali, who had requested the Global Coalition for Africa's (GCA) assistance with anti-corruption work. Before leaving, McNamara discussed the matter with Wolfensohn, who offered his full support to the initiative.[159] These countries, along with Ghana, became the first countries to request support from the Bank for their anti-corruption programmes.

However, it is debatable the degree to which the first countries 'volunteered'. According to a number of news reports,[160] it would appear that McNamara convinced the leaders in these countries to send letters to Wolfensohn requesting anti-corruption assistance. According to GCA, McNamara 'visited a number of African countries to encourage them to strengthen their anti-corruption efforts' and 'suggested that they seek the assistance of the World Bank to help them address corruption'.[161] However, speaking in press conferences in Tanzania, he warned that the World Bank 'may not release funds' if corruption was not tackled.[162] Because of the importance the Bank places on its anti-corruption work being 'demand-driven', it is vital that countries are not seen to have been coerced to sign up to the programme.[163] It also highlights the ongoing dilemma of trying to secure political will for corruption reform.

Civil society: a problematic partnership?

Civil society is itself a highly contested concept, and this is not the place to discuss in detail the burgeoning discourse. However, it is important to identify some key concerns regarding the World Bank's work in this area. The Bank has used the term extensively in its literature on good governance since the 1989 LTPS report, but has only recently offered a definition: 'Civil society consists of the groups and organizations, both formal and informal, which act independently of the state and market to promote diverse interests in society.'[164] Civil society, for the Bank, is seen as a tool which can be used to empower ordinary people to take control of their own development, to hold the state accountable to its citizens and to provide for those services that the state is unable or unwilling to provide.

According to Nagle and Mahr in their study on post-communist Europe, 'The term [civil society] is often used loosely by Western political pundits to describe the new democracies, with little critical analysis regarding whether civil society has been achieved and which elements might be lacking.'[165] Kasfir concurs, arguing that, 'This concept of civil society has been shaped to serve the goal of better governance, particularly democratic reform, rather than a deeper understanding of the relationship between social formations, the associations that represent them and the state.'[166] He further contends that donors and like-minded academics often systematically exclude from their arguments those segments of civil society that damage their hypotheses – those based on ethnicity or criminal gangs, for example, or those elements that might fight against democratization efforts.

Abrahamsen discusses the placement of civil society within the discourse of good governance, focusing predominantly on the World Bank's contribution. As she explains, 'In the good governance discourse, civil society emerges as the key link between economic liberalisation and democratisation … [it] is regarded as a "countervailing power" to the state, a way of curbing authoritarian practices and corruption, hence the concern for strengthening or nurturing civil society.'[167] She argues that the Bank's notion of civil society is a 'romanticised' one, in which 'there are no classes, no races, no genders, ethnic groups or oppressors', and is not only unlikely to bring about the Bank's desired changes but could exacerbate existing political and economic problems. [168]

Abrahamsen sees the Bank's view of civil society as 'romanticised', as opposed to merely simplistic or naive, because it uses particular language – 'empowerment', 'self-help', 'participation', 'partnership', 'community', 'voice' – to create a powerful image of the poor taking control of their own destiny and development away from a neglectful, perhaps even abusive, and often over-burdened state. Recalling '[e]choes of Gandhi at his spinning wheel', Francis calls this 'the manufacture of a collective dream of participation and community, behind the screen of which the levers of business remain quite intact'.[169] Indeed, Abrahamsen argues, this discourse is merely a smokescreen for the Bank's introduction of 'cost recovery' schemes into adjustment programmes, where the poor are encouraged to 'help themselves' by paying for basic health care, education and other public services.[170] It does not enter into the Bank's argument that the poor, once 'empowered', may demand an increase in state-provided services. Indeed, just the opposite is true: 'Within the good governance discourse, then, empowerment is deprived of its radical, political implications, and becomes instead a highly instrumental term; the objective is to "capitalize on the energies and resources of the local people", who should pull their weight and thereby make development projects more cost-efficient.'[171]

While some scholars elaborate upon the problems with the Bank's definition and understanding of civil society and others of the ideology behind its inclusion in the Bank's discourse, others critically examine the way it is being funded. Ottaway and Carothers speak of the problems in funding civil society, done predominantly through the many NGOs that have cropped up in the past decade. Firstly, some of the NGOs seem to have been created to correspond with donor funding priorities, and secondly, NGOs have become 'attractive employment opportunities … for members of educated elites displaced by political change as well as by economic crisis and restructuring'.[172] NGOs can also be state creations or dependencies, reflecting the flexibility of recipients in adapting donor trends to their own needs. As a result, these organizations may not be the vehicle for political change or the buttress against corruption that the donors desire.[173] The scope for corruption may actually be increased simply by the willingness of donors to fund anti-corruption projects, with new opportunities for consultants, civil servants, training agencies, NGOs and others to claim a unique role in the fight against corruption.[174] Cooksey speaks of the problematic nature of TI's anti-corruption work, because 'TI chapters rely on donors for their core funding and other activities, and are therefore unlikely to want to bite the hand that feeds them.'[175] This calls into question TI's ability to pursue avenues that might offend the donor community or contradict other donor priorities, such as work with trade unions.

The main concern here for this book is not to argue that civil society does not have an important role in checking the power of the state. Instead, my intention is to highlight some of the fundamental methodological weaknesses with the Bank's approach to fighting corruption through civil society. Not only is this work extremely complex, it is also politically controversial. Funding NGOs and other civil society groups to 'empower' citizens to hold the government to account raises questions of sovereignty and the Bank's non-political mandate.[176] TI is the most often-cited civil society group with which the Bank works on corruption, but other groups that the Bank now supports would have been considered off-limits for Bank funding in the recent past, being specifically linked to democratization initiatives.[177]

The Bank has also faced criticism regarding its own rather poor relationship with civil society. It is encouraging its borrowers to include the participation of civil society despite its own lack of mechanisms to capture voice. In some instances where civil society has protested against Bank activities, it has been unresponsive. One famous example is the Chad–Cameroon pipeline, approved despite strong opposition from civil society groups, who expressed concerns that the project would have high environmental costs and that it would increase corruption.[178] Indeed, according to a recent report, 'Embarrassed World Bank officials have already admitted that the notoriously corrupt Chad government has spent the first £10m of grant money it received from the consortium on arms for its security forces rather than on the educational and development projects for which the money was intended.'[179] The Bank could have practised what it preached here, using civil society to help in the fight against corruption, but chose not to in order to push through an unpopular project.

In addition, the Bank has yet to explain what it will do if civil society is strengthened and then turns against the Bank itself. The many thousands of people from around the world who have protested outside the World Bank/IMF annual meetings *are* civil society and they are unhappy. This raises the question of whether or not the Bank will commit itself to supporting civil society in the long term if it ends up undermining its own work.

Conclusion

There is an ongoing study on the effectiveness of WBI's anti-corruption work, being conducted by Carolien Klein Haarhuis, a PhD candidate at the University of Utrecht. She has published some preliminary findings with her supervisor, Professor Frans Leeuw. Reactions to these are mixed at best. The researchers find that the underlying 'policy theory' of WBI's work is strong, especially in the role of civil society and social capital as tools to fight corruption (although the evaluators do believe that it is perhaps overly dependent upon empirical studies). However, they do find three main flaws that lead them to question the programme's potential to achieve its goals:

- Participation in the Core Course or workshop does not mean that those involved will implement this when they return to their home countries. This returns us to … questions regarding political will.
- The evaluators question how the diagnostic tools, such as workshops and surveys, can be effectively disseminated to the public, in order to raise awareness of corruption, in developing countries with inadequate communication infrastructure.
- Finally, there is no reason to believe that knowledge equals action, that the information gathered by the diagnostic tools will necessarily lead to action.[180]

This study has been funded by the World Bank, and it will be interesting to see how it responds to these criticisms.

The Bank's anti-corruption strategy is so ambitious and complex that it is impossible to describe in one or two words. It is both highly technical and highly theoretical. It is involved at both the macro- and the microlevels. It attempts to engage high-level government support while potentially undermining these same governments with its work at the grassroots level. It works extensively with international partners but is incredibly insular in its research base. It involves management, the regions and sectors, basically the entire Bank structure, but has no central authority to ensure there is co-ordination or continuity. It decries politics while conducting work that is overtly political. The complexity of the Bank's programme, combined with its lack of true direction, raises questions of its sustainability over the long term which the Bank itself admits is needed to judge its success or failure.

Finch suggests that the Bank will become overstretched as it moves 'out of areas in which supervision is easiest into social policy areas with oversight needs that have overstrained their personnel'.[181] Recently reported dissent within Bank ranks brings many of these issues to the front of the discourse on the ongoing role of the Bank. A leaked memo from the Middle East and North Africa (MNA) region describes Wolfensohn as 'isolated from reality' and intolerant of dissent, and also blames low morale within the Bank on inadequate resources.[182] The memo is quoted as saying, 'The Bank today has no focus and is driven by an ever growing list of mandates imposed on it through a variety of means … President's favourite subjects [including the CDF with its good governance components] … Board sentiments as discerned from time to time, public pressures, ideas generated by internal constituencies, and even fads. These are all cumulative with nothing ever taken off.'[183] The *Observer* reports that, 'The cause of dissent within the bank seems to be that it is overstretching itself, delving deep into areas of what is known as social development.'[184]

As far back, in relative terms, as 1997, Caufield wrote:

> In recent years, the Bank has adopted – if only superficially – virtually every suggestion its supporters and critics have offered, with one exception. The exception is Ryrie's[185] advice that the Bank practice 'self-restraint'. It is now committed – at least on paper – to helping the private sector, women, and the poor; to working with non-governmental organizations and the people directly affected by its projects; to increasing its lending for education, health, nutrition, and micro-enterprises; to protecting or improving the environ-

> ment; to reducing military expenditures and corruption; to promoting openness in government, the rule of law, and equitable income distribution – and to doing it all 'sustainably'.[186]

OED's evaluation framework refers to the need for 'prioritization' with anti-corruption work, but never questions the overall strategy which has the Bank with many fingers in many pies.[187] According to TI, in order to improve its anti-corruption work, the Bank must '[a]ccept that other organizations, including civil society, have comparative advantages in advocacy work and in rebuilding corrupted institutions; actively share the anti-corruption work with these other organizations in line with their particular experience and expertise'.[188] One might argue that TI, as the only NGO working exclusively on corruption, has a great deal to benefit from the Bank spinning off its anti-corruption work; however, there is something to be said for the Bank shedding some of its workload in this field to ease pressure being placed on resources, staff and borrowers. The following chapter will look at the anti-corruption work already being done by other major donors and explore the opportunities for divestiture that the Bank has.

5
The Significance of Comparative Advantage in Donor Work on Corruption

Johannes Linn, the Bank's VP for the ECA region, recently posed four questions regarding the risk of overload for the Bank due to its work on governance:

- First, by trying to address the roots of poor governance, the Bank may overload the reform agenda and overstretch both its own limited capacities and those of its counterparts.
- Second, even the most committed reformers might shy away from undertaking a huge mass of comprehensive and simultaneous reforms, including fiscal relations, civil service, pensions, education and health, banking sector, regulatory institutions and so on.
- Third, overloading the reform agenda can undermine the credibility of genuinely reform-minded governments. Can they be blamed for the slow progress of institutional development that took decades to achieve in other countries?
- Fourth, can the Bank really transfer the highest standards of knowledge in so many areas, simultaneously in many countries?[1]

He recommends greater selectivity, more flexibility in defining conditionality and dividing work among bilateral partners based on comparative advantage. In addition to work being done in partnership with the World Bank, several donors are involved in anti-corruption work of their own. Given the scope and aim of this book, it is neither possible, nor necessary, to study other donors in the same depth as I have done for the World Bank. However, I will provide an overview of major donors' programmes, highlighting the area identified by that organization as its area of 'comparative advantage' and evaluate these claims. Taking this into account, the next section offers evaluation of the

Bank's claims of comparative advantage and offers suggestions for the future direction of its anti-corruption programme.

Comparative advantage

The notion of comparative advantage, derived from trade theory, is used in the discourse of many areas – the role of the private and public sectors, universities, NGOs and so on. It is of virtually limitless application. It is thus natural that the term has found its way comfortably into the discourse of aid. Donors have to justify their existence to sceptical publics by proving that their aid budget is being spent effectively. One way to do this would be for donors to co-ordinate resources based on geographical and/or sectoral lines (for example, USAID agrees to fund Uganda while DfID funds Ghana, or USAID funds healthcare while DfID funds primary education). However desireable, this is very unlikely. Recipients of aid do not want to rely on one donor, because of the power that could yield to the donor in terms of conditionality and leverage.[2] Also, decisions to fund certain countries or certain sectors may not make economic sense for the donor. The decision could be based on strategic interests, prestige of the donor, current fashion, domestic concerns and so on. Because of this desire to be involved in many areas, donors claim either multiple or very broad areas of comparative advantage, both as an agency and within individual sectors or countries. This gives the impression of concern with aid effectiveness without real commitment to change.

Despite the attention given to the notion of comparative advantage by donors, there has been little research done on it. There are many studies on aid effectiveness and the need for donor co-ordination, but only one study, published in 1996 by Michael Dewald and Rolf Weder, is devoted to the concept of comparative advantage. Their paper concludes that comparative advantage would help bilateral aid become more efficient. With scarce resources available for aid and the constant threat in donor countries of further public spending cuts, the authors argue that 'any proposal that either helps to increase the impact of existing foreign aid flows, or to reduce spending while not affecting the intended results for the recipients of aid, should be welcomed'.[3]

Dewald and Weder found that Switzerland spent a relatively higher percentage on agricultural support compared to other donors. Switzerland itself has a highly protected agricultural sector, which hardly prepares it to offer advice to developing countries on establishing an internationally competitive agricultural sector. This leads the authors to doubt the efficacy of Swiss spending on agricultural projects. Instead, they find that the Swiss are renowned for their banking industry.[4] Because a country's financial sector is vital to the health of its economy and necessary for economic development,[5] the authors argue that its real comparative advantage lies in assisting recipients' financial sectors, and leaving agricultural projects to other donors.[6]

Donors often develop what has been called 'flavour-of-the-month' syndrome[7] or 'aid fashion: a type of "herd behaviour" … as the swings of intellectual analysis bring one or another type of investment to the fore as desirable'.[8] For a number of reasons – the needs of the home market, media pressure, academic findings, political events and so on – donors often want to fund the same things, both at the country and the sectoral level, at the same time. Recent examples include small-scale credit, support for NGOs, and of course, democratization efforts and anti-corruption work. This can lead to the problem of 'over-funding', which can 'encourage corruption in part by providing more aid than governments can effectively absorb',[9] while also encouraging recipients to play donors off against each other to receive the maximum financing and evade or minimize conditionalities.

Dewald and Weder note that their research found that 'there were at least six and at most 12 donor countries engaged in each recipient country, in 1992. With respect to an individual sector, there were between two and six donor countries active in each of the nine listed aid sectors of an individual recipient country. Thus, both observations indicate that there exists a diversified relationship between recipient and donor countries with highly overlapping aid flows.'[10] Mosley refers to an often-cited example in Upper Volta (now Burkino Faso), where 350 separate aid missions arrived in 1983, each lasting an average of two to three weeks and often requiring the assistance of over thirty of the administration's top staff. This led to a significant breakdown in government functioning.[11] He calls this 'administrative overload' caused by multi-donor competition for projects in recipient countries.[12]

Cassen refers to '"project proliferation": aid projects are planted here and there in an almost haphazard way and in excessive numbers, with a variety of untoward consequences'.[13] Indeed, 'In several countries the donors not only fail to co-ordinate, but actually compete. They are all looking for projects of a reasonable size and manageability, and go sometimes to unseemly lengths to secure them for their own aid programme rather than let them go to another agency. The aid projects themselves then compete for scarce resources in the recipient country'.[14] Linn argues that 'it is important that each institution focus on its comparative strength. If each institution tries to tackle the same problems undermining good governance, the risks of overloading the agenda and overstretching capacities increases substantially.'[15]

NORAD recognizes the possibility of this occurring in anti-corruption work, arguing that donors could begin 'over-bidding each other in their eagerness to support the "good cause"'.[16] It recommends cost-sharing and appointing a 'lead donor' as possible measures to avoid this. The World Bank would make an obvious choice as a lead donor in anti-corruption work, but its non-political mandate proves problematic. For all donors except the Bank, anti-corruption work fits into an overall programme of democratization. As we have seen, the Bank admits the need for democratization work, in the form of support for elections and political parties, to effectively combat corruption, but it is not currently able to conduct this work itself. There is an obvious opening for work to be done by the other donors. Because of this, some donors claim to have a comparative advantage in the political side of anti-corruption work because of their ability to work unhindered in the political sphere.

This is not really an example of comparative advantage. If it was, then other donors would focus the bulk of their anti-corruption work around election monitoring, assisting political parties and other explicitly political work and would leave the rest for the World Bank. Instead, other donors do very similar work to that already being done by the Bank, but on a smaller scale. There is thus a great danger of 'over-funding' and unnecessary and unproductive duplication.

The need to 'spin-off' parts of the World Bank's anti-corruption programme

Because of the complexity of structural adjustment, and also because of its controversy, aid co-ordination has become an important priority for donors. In order to facilitate this co-ordination, donors formed a number of country Consultative Groups (CGs), used to try to co-ordinate foreign aid programmes within individual countries, with the World Bank taking a leading role through its position as chair. At CG meetings, issues arise that clearly violate the Bank's political mandate, but the Bank claims that it is merely advising the borrower of bilateral donor concerns.[17] Table 5.1 shows governance-related items discussed at forty-five CG meetings from October 1990 to January 1993.

Table 5.1 Governance content of consultative group meetings, 10/90–1/93

Topic	**Number of countries where this was discussed**
Military expenditure	12
Transparency	13
Human rights & democratization	18
Accountability	21
Legal framework for development	22
Public sector management	28

Source: World Bank (1994), *Governance: the World Bank's Experience* (Washington DC: World Bank), p. 43.

Critics claim that the CG meetings provide the Bank with a 'smoke-screen' for its own political agenda, because it can often hide behind the bilateral donors. Gibbon exclaims, 'In other words, although it can have nothing to do with political conditionality, or its co-ordination, the World Bank will nonetheless chair Consultative Group meetings where it is discussed, tell recipients what decisions about it have been reached and link the continuation of its own aid to donors' political concerns!'[18] A recent high-profile example of this is that of Kenya. After the CG meeting in 1991, the World Bank joined a group of aid donors in suspending aid to Kenya. While bilateral donors called out for Kenya to introduce multiparty elections, the World Bank explained that its suspension of funds was related only in that 'the Bank's assistance would not be able to fill the resulting financial gaps'.[19] Similar arguments were made when lending to Nigeria was suspended following the execution of activist Ken Saro-Wiwa,[20] and when the Bank cancelled loans following the overthrow of the emperor in Ethiopia.[21] The Bank also suspended lending to Benin in 1989, calling for popular consent for reform and suggesting the use of national conferences as a tool for ensuring this popular participation.[22]

However, one outcome of CGs has been a discernible subordination of the bilateral donors to the multilaterals, at both dialogue and policy level. According to Gibbon:

> Bilaterals were disadvantaged from forming independent judgements on the issues being discussed, since the great majority of them had no independent sources of economic information or means of interpreting them. Nor was there any international forum where proposals could be made for revising IMF or World Bank

> recommendations, even if the will existed to do so. The new regime thus involved a decisive (if willing) subordination of the bilaterals [to the multilaterals], especially evident in the so-called 'like-minded countries' – the Scandinavians, Canada and Holland.[23]

This control over resources and modes of output has impacted the bilaterals ability to direct the discourse on good governance and on corruption.

As Uvin points out, 'Interestingly, the bilateral donors at present often refer to the World Bank's statements on good governance, but this is probably more a case of hiding in the skirts of an international institution than a demonstration of the impact, or quality, of the Bank's ideas.'[24] It is the same with corruption. All donors use the Bank's limited and non-political definition of corruption – 'the abuse of public office for private gain'[25] – without expanding upon it or adapting it to their own needs. Bilaterals often refer to research conducted by the Bank on corruption, rarely adding to it themselves or referring to work produced by others. The political dimension of corruption, as the Bank calls it, is not incorporated into the definition by donors but is added on as an afterthought, despite this being the area where some see their niche as agencies.[26]

Baylies contends that, '[The World Bank's] stance in advocating good government, and indeed contributing to the theorising of a new orthodoxy, while officially distancing itself from some elements of practice, has contributed to an ambiguous (even if officially delineated) division of labour with respect to the new aid regime.'[27] Although the Bank and other donors pay lip service to the idea of comparative advantage, there is often little difference in the work being done on the ground. This has led to an overload in donor activity without any clear delineation of duties or expertise and an inaccurate blurring of the line between economic and political issues. If we look at Table 5.2, which shows the areas that the Bank has specified are its own areas of comparative advantage, we can find areas also specified by other donors (for example, financial management, institution building) as well as work being conducted by other donors in addition to the work being done by the Bank. All of this is being done in an *ad hoc* manner with little to no co-ordination.

Table 5.3 shows areas claimed by some bilateral donors as their comparative advantage, when interviewed. It is significant that none of the donors include the principle of comparative advantage in its literature or correspondence, despite the number of times the World Bank uses the term in relation to other donors.

Table 5.2 The World Bank's perceived areas of comparative advantage in combating corruption

Areas of comparative advantage	**Areas of expertise (sharing advantage with others)**	**Areas not expecting comparative advantage**
(a) public economics (economic analysis of the role and functioning of the public sector) (b) decentralization and inter-governmental fiscal relations (c) core system-wide administration and civil service reform (d) public expenditure analysis and management (including financial management and procurement) (e) sectoral institution-building, particularly in social sectors and infrastructure (including regulation of private sector delivery)	(a) revenue policy and administration (b) legal and judicial reform (c) other accountability institutions (such as ombudsmen and parliamentary oversight bodies)	(a) police reform (b) criminal justice systems (including prosecutorial and prison reform) (c) general parliamentary processes (d) political governance (including election processes or the structure and financing of political parties)

Source: World Bank (2000), *Reforming Public Institutions & Strengthening Governance: a World Bank Strategy* (Washington DC: World Bank), p. 62.

Donors even publicly debate the effectiveness of their own work in the fight against corruption. Although NORAD Director General Tove Strand exclaimed, 'we have to make the fight against corruption a central element in all our assistance',[29] Mette Masst, the head of anti-corruption work at the agency, observed, 'I have no illusions that our work has led to a significant decline in corruption.'[30] Even the World Bank insists, 'In the area of anti-corruption, for example, Bank interventions are unlikely ever to eliminate corruption, and even making a significant dent in the problem may be difficult in certain countries no matter how well the Bank performs.'[31] In neither case does this follow through to the next logical step in the debate: why are these agencies doing this work in the first place if it is unlikely to prove effective in bringing about the desired change? Although one can argue for the need to measure the impact of doing something rather than nothing,

Table 5.3 Other donors' perceived areas of comparative advantage in combating corruption

Donor	Area of Comparative Advantage
UNDP	The political side of anti-corruption work
USAID	Civil society
DfID	The political side of anti-corruption work
DIDC[28]	Example of best practice in the public sector
NORAD	Unique expertise and network of 'resource-persons'
SDC – Switzerland	No stated comparative advantage

there is also a need to accept that in some countries anti-corruption work might be ineffective at best and destabilizing at worst. Conducting such work with little chance for positive impact seems to be little more than social experimentation while adding to a recipient's external debt.

The World Bank's involvement in anti-corruption work does violate its important non-political mandate in part and also stretches its capacity as an organization. Therefore, although there is a place for certain aspects of the Bank's work, especially in preventing corruption within its own projects, other parts of its strategy are of dubious value and could be spun off to other donors if this sort of work is to be done. One solution would be to parcel off the sections in which another donor feels it has a comparative advantage. However, donors have a fundamentally flawed notion of their own advantages as agencies and these need to be questioned before recommendations can be made. Additionally, it is unclear, firstly, if any other donors have the capacity to pick up such complex work, even in part, and secondly, if some donors have any place in anti-corruption work at all. One assumption can be made from the start: we can assume that the donors studied do want a role in this work and would be loath to withdraw support, even if there is no evidence that their support will be effective. This work has become too high profile and everyone seems to want to be in on it.

Evaluation of donor claims of comparative advantage in fighting corruption

USAID

Anti-corruption at USAID is located within the Center for Democracy and Governance (CDG), established in 1994. The primary bureaux in

USAID are the four regional bureaux: the Europe and Eurasia Bureau, the Latin America and Caribbean Bureau, the Asia and Near East Bureau and the Africa Bureau. All bureaux have equal standing, which is very important to AID's decentralized strategy. Because of this, the CDG 'act[s] as a center for technical leadership on technical issues [pertaining to anti-corruption] that cut across regions. We cannot direct the regional bureaus, but we can act as a point for advice for both bureaus and for missions in the field.'[32]

An organizational chart for CDG is available in its 'User's Guide', and is replicated in Figure 5.1:

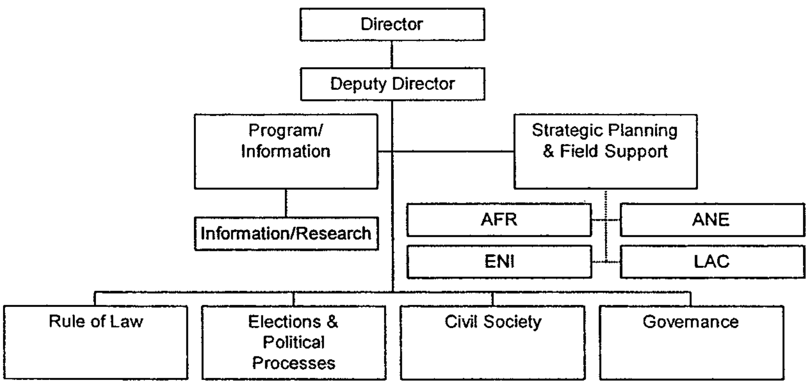

Figure 5.1 USAID–CDG organizational chart[33]

USAID operates in very decentralized way, with great autonomy given to the regional bureaux. With each bureau employing staff to deal with anti-corruption issues, it is very difficult to share lessons learned. In this area, the work done by CDG is vital for at least trying to have a consistent agency approach. However, because power is so decentralized, this is not how it works in reality. CDG act merely as consultants on projects, with varying degrees of success as to how often advice is taken into consideration when mission strategies are being designed. Although hardly ideal, it does at least seem in keeping with USAID's strong emphasis on regional autonomy. Projects are managed out of individual missions, so CDG's budget covers only its own research and costs.

The agency's mission statement asserts that, 'USAID has taken a leading role in promoting and consolidating democracy world-wide … A key determinant for successful democratic consolidation is the ability of democratically-elected governments to provide "good governance".'[34] Governance is one of four objectives in order to promote and consolidate democracy, including also the rule of law, elections and civil society. Anti-corruption work falls into the 'governance' objective. However, this approach is not meant to be 'reductive', reducing an inherently complex process into overly simplistic terms; for example, 'the Center's anti-corruption programming aims to improve governance in part by mobilising citizen action from civil society organisations'.[35] Anti-corruption work (sometimes referred to as 'governmental integrity' work) is done in conjunction with work on democratic decentralization, legislative strengthening, civil–military relations and effective policy implementation, in order to strengthen governance. Improved governance then strengthens democracy, the CDG's ultimate goal.

Fighting corruption is not CDG's top priority; instead, it believes that its existing work on democratization will reduce corruption. It does do some explicit anti-corruption work, but this represents only a small part of CDG's portfolio. USAID's first explicit anti-corruption programme came as early as 1989 with its Regional Financial Management Improvement (RFMI) Project in Latin America. Important initiatives under RFMI include computerization of public records to eliminate 'ghost' employees and a website to engage civil society in anti-corruption work. The project has been ongoing since, but was renamed 'The America's Accountability and Anti-Corruption Project' in 1992 to bring explicit attention to the anti-corruption side.[36]

USAID has no formal policy on corruption, but puts forward the Handbook as representative of its strategy instead. The Handbook is used by the Bureaux to develop their own anti-corruption programmes, if they believe it is important or possible. The Handbook is also used as a framework for analysis and overview by both internal auditors and outside contracted firms.

USAID'S strategy is a two-track approach: institutional reforms and civil society reforms, together or one at a time, depending on level of political will.[37] Put another way, 'USAID has developed a two-track response to the problem of corruption: (1) change the environment in which the public and private sectors interact and (2) mobilise public support for change'.[38] Part one of this strategy includes the following:

- Supporting legal and regulatory reform to reduce government's involvement in areas better handled by the private sector.
- Streamlining government procedures to reduce the opportunities for corruption.
- Improving accountability mechanisms.
- Introducing incentives that will encourage officials to act in the public interest.[39]

Part two includes working with advocacy organizations, public–private enterprises (including NGOs) and the media.[40] This approach seems to fit in well with US foreign policy, with its emphasis on encouraging the private sector, past USAID experience in accountability funding and its strong network of civil society organizations. This focus on civil society is very important to USAID. According to a USAID staff member, 'donors have a propensity to fund the sorts of things that they're comfortable with in their own domestic context, and we happen to have so many interest groups in the United States, with the way our government works … that that's what we're comfortable with doing in the field'.[41] It is this long-standing work on civil society that USAID claims is its comparative advantage in work on corruption.

Another specific anti-corruption initiative is a $2 million grant managed by TI to support anti-corruption work and lessons learned in workshops in nine countries: Bulgaria, Ukraine, Bangladesh, Philippines, Benin, Ghana, Mozambique, Colombia and the Dominican Republic.[43] More countries interested in actively pursuing anti-corruption activities include Paraguay, El Salvador, Russia, Albania and West Bank/Gaza.[44] CDG has also conducted several case studies in conjunction with the Center for Institutional Reform and the Informal Sector (IRIS) to gather some lessons learned: Nepal, Hungary, Bolivia and Argentina.[45]

The US government completed an audit of USAID's anti-corruption work in 1999, and as a result, CGD has developed draft anti-corruption performance indicators of a qualitative nature, but these have not been officially approved for use.[46] Referring to item #4, USAID have created an 'anti-corruption' code for the accounting system, but they are having problems getting field staff to actually use it. Field staff are used to coding things as 'public sector reform', for example, and continue to use codes with which they are comfortable.[47] Further efforts have been made to improve the system, such as making anti-corruption a 'primary' rather than a 'secondary' budget code, but it is still not

Box 5.1 Examples of projects funded or assisted by USAID[42]

- Ethics legislation in South Africa for standards of conduct and asset reporting by government employees
- Conflict of interest law in Georgia for government officials
- Improving the quality of judicial administration and training in Russia
- Comprehensive analysis of the Egyptian cotton industry to aid privatization efforts
- Development of fourteen energy regulation agencies through the Europe and Eurasia Bureau
- Technical assistance and training for the Palestinian Monetary Authority
- The reduction of red tape for starting businesses in Tanzania through the Investor Road Map project
- Technical and institutional support of Supreme Audit Institutions in Benin
- Assisting NGOs in Guinea Bissau to stage a televised debate on exchange rate policy
- Support of Coalition 2000 in Bulgaria, an NGO that has developed an anti-corruption plan
- The creation of the Latin American Journalism Centre.

helping in tracking projects, such as for decentralization, with a strong anti-corruption impact. Because of the complexity of this work, there is no real way to track it.[48]

There are several countries USAID works in where political will does not exist and civil society is compromised, yet they have not, and most likely will not, exit. USAID will do what it can to work with civil society. However, it may have to limit its involvement in some cases because of a limited budget. Although it may be a direction USAID will move in, there is no conditionality related to anti-corruption now. As a matter of fact, 'there are lots of cases where we undertake projects because the department would like us to, where there's a directive that we should do something. In some cases, it's not the sort of thing where if we were on our own as an agency that we would do. But that's the way things work.'[49] USAID is part of the State Department and its work may be directed from above for political or strategic reasons.

However, a recently enacted law could change the way USAID approaches anti-corruption work, making it an explicit objective in its own right, rather than as one of several objectives in democratization programmes. In 2000, Congress passed the 'Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000'. According to Sec. 202(b), 'The purpose of this title is to ensure that United States assistance programs promote good governance by assisting other countries to combat corruption throughout society and to improve transparency and accountability at all levels of government and throughout the private sector.'[50] Referring to the 1977 Foreign Corrupt Practices Act, a recent US Department of Commerce report explained that US firms have lost an estimated $26 billion in contracts because of bribes paid by competitors in the last five years alone.[51] The 'International Anti-Corruption and Good Governance Act of 2000' is just part of the continued pressure applied to US allies since 1977 in order 'to create a level playing field for American exporters'.[52]

The Act is an amendment to the 1961 Foreign Assistance Act, and it includes:

- making combating corruption a principal goal of US development assistance;
- requiring that international technical assistance provided by the Department of Treasury also emphasizes anti-corruption measures;
- mandating that the US Agency for International Development establish programmes to combat corruption in countries where there is a significant foreign aid programme or where the United States has a significant economic interest, and that have the most persistent problems with corruption;
- enabling the US to fund anti-corruption programmes in countries otherwise ineligible to receive US foreign assistance; and,
- requiring the president to submit an annual report to the Congress detailing US diplomatic efforts to combat corruption and foreign countries' progress towards achieving this goal.[53]

This bill was originally intended to help USAID, to put it at the forefront of US policy on fighting corruption overseas. However, a staff member gave me a mixed review of the bill. It is a 'blessing', in that USAID now has explicit authorization to do work that it has been doing all along without specific authorization. It also allows USAID the flexibility to do anti-corruption work in countries where it is not allowed to work ordinarily, or in countries where a mission is no longer necessary because of high levels of economic development (e.g. Poland and the Czech Republic). However, the bill contains what the staff member calls 'potentially onerous' reporting implications with no additional funding available for new staff.[54] There are also worries about the nature of the annual reporting requirement, to be done in conjunction with the State Department. The report has the potential to become as high profile as the US annual human rights report, which has offended countries in the past for their inclusion. It is possible that the State Department will not want to risk offending countries which have strategic importance, such as the Ukraine or Nigeria, by their inclusion in a corruption report, and will they instead exclude such countries so as not to offend? These could call into question the accuracy of the report. One option may be to make part of the report public but with 'confidential attachments' in sensitive cases, but CDG would rather see a fully public and transparent process.[55] So far an initial report has been issued by the State Department, as required by the Act, that sets out, briefly, US and global anti-corruption initiatives to date, but there is little that indicates a path going forward.[56]

USAID claims that its comparative advantage in fighting corruption lies in its work with civil society.[57] It is often argued that the US's advantage is rooted in its Tocquevillian grassroots tradition. 'For the United States at least, civil society assistance is explained as a natural extrapolation of domestic experience.'[58] This does not withstand closer scrutiny. The US was not committed to support for general grassroots movements during the Cold War in the fear that leftist movements would prevail. It was only in countries with leftist regimes that the US supported civil society in order to challenge communist rule. When the Berlin Wall fell, all donors saw how civil society has the potential to bring about democratic change. Civil society thus became a major part of all donors' democratization programmes. According to Ottaway and Carothers, 'The fact that many West European donors, who do not draw upon American-style Tocquevillian traditions, have gravitated to very much the same sort of civil society aid programs as the United States further casts doubts on the Tocqueville factor as a determining causal explanation.'[59]

Despite the fact that many donors themselves do not fit the 'weak state/strong society' model found in the US, it is the goal of their work in developing countries, especially with civil society and decentralization. The fact that European countries do this kind of work could be construed simply as evidence of the 'herd behaviour' Cassen describes is prevalent in donor work,[60] rather than providing an argument against the American claim to exceptionalism. Nonetheless, most donors have the same level of experience as the US with civil society work in the field, especially in the last decade, and USAID is unlikely to have any advantage over other donors.

There is one area where USAID can clearly argue that it has a comparative advantage. The US Foreign Corrupt Practices Act (FCPA) was passed in 1977, making certain payments illegal for American companies doing business overseas.[61] It was introduced in response to the Lockheed scandal, when it became clear that several US companies were involved in foreign bribery, as well as contributing large sums to foreign political parties in order to influence local governments. The FCPA was unique in that unlike other countries' laws regarding corruption, it made bribery by US citizens and employees of US-owned companies a criminal act, and made all questionable foreign payments subject to disclosure. It was established to protect American foreign interests overseas and its reputation, as well as to protect the natural workings of the free market. In 1994, the US sponsored the OECD Recommendation on Bribery in International Business Transactions to encourage member states to 'take concrete and meaningful steps' to eliminate bribery of foreign officials.[62] This became the 'OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions'.

One way USAID could work on corruption would be to strengthen its work with the private sector in its recipient countries, by encouraging companies to sign up to the OECD convention, helping draft anti-bribery legislation and supporting efforts to investigate and prosecute those companies and individuals who break anti-bribery laws. USAID has long supported private sector work, calling it 'the most efficient means of achieving broad-based economic development'.[63] The World Bank does not currently incorporate the private sector into its work on corruption, instead focusing on the public sector, presumably because it is required to lend only to governments. USAID could thus focus on the 'supply-side' of corruption (bribe-givers) while the Bank could focus on the 'demand-side' (bribe-takers).

UNDP

Anti-corruption work at UNDP is located within the Programme for Accountability and Transparency (PACT), which is located within the Institutional Development Group (IDG) which is in the Bureau for Development Policy (BDP). Since its establishment in 1995, funding for PACT has come originally from two main sources – the Danes and the Dutch. Originally called the Aid Accountability Initiative, PACT was located in the UN Department of Economic and Social Affairs. Its original mandate focused on aid accountability and co-ordination in Sub-Saharan Africa and the Baltic Region. In 1996, the programme moved to UNDP, and it was renamed PACT while the focus changed to financial accountability and transparency. Along with this mandate change came a change from a regional focus to a global focus, with the two original regional bureaus falling under the global bureau.

DANIDA published an evaluation of PACT in 1999. The evaluation is not very positive about PACT's activities, especially regarding anti-corruption activities. It acknowledges that a return to aid accountability is not really viable, and that 'PACT has built up a comparative advantage in addressing comprehensive public expenditure accountability issues.'[64] However, PACT has only two years' experience in anti-corruption activities. Despite generating considerable media attention, the evaluation feels that 'PACT's comparative advantage in this field is close to non-existent'.[65] Keeping in mind the limited financing available, it recommends that anti-corruption be spun off into a separate programme for anti-corruption work alone.

The Danes were not happy about this change from aid accountability and donor co-ordination to financial accountability and anti-corruption work, as well as the move from a regional to global focus. They were particularly unhappy about the work being done in Eastern Europe, which is not part of its own mandate. They stopped funding PACT in 2000, although the Dutch continue to provide some funding, including the secondment of a Dutch national, Fred Schenkelaars, as special advisor and some seed money for publications.

Under DANIDA, PACT's budget stood at $1 million per year, with approximately $100 000 spent on anti-corruption and the remaining bulk spent on financial accountability projects.[66] PACT activities and finances had been impacted by the Danes pulling out of financing commitments in the short term. However, it successfully negotiated a new funding contract with the German development agency, Bundesministerium fuer Wirtschaftliche Zusammensarbeit und Entwicklung (BMZ), signed on 27 June 2000.[67] BMZ set up a trust fund of $1.25 million for projects to be conducted in a one-year period, although PACT has requested a six-month extension on this deadline. This is primarily for capacity building in BMZ's priority countries – Bangladesh, East Timor, Mozambique and Nigeria, along with some Eastern European and CIS countries. It also provides funding for other non-country activities, such as seed money for the Partnership Fund for Transparency.

UNDP is the only multilateral donor with a clear policy statement on corruption. It is published under the title, *Fighting Corruption to Improve Governance*, and is summarized below:

> UNDP is unwaveringly committed to the war against corruption. Minimising corruption is critical if its mission to alleviate poverty and achieve social and people-centred development is to succeed. A multilateral development agency, UNDP support is not conditional. It does, however, have a mandate to create an enabling environment for sustainable human development. Since corruption clearly works against such an environment, UNDP does support projects that address the fundamental elements of the problem.
>
> UNDP sees corruption as a problem of poor governance. Good governance is participatory, transparent and accountable – its social, political and economic priorities are reached by consensus and the poorest and most vulnerable have their say in matters affecting their well being and in the allocation of development resources. Bad governance, rife with bribery, corruption and maladministration, has the opposite effect.[68]

Projects focus on institutional development and reform, public and private sector management, decentralization, transparency and accountability, the media and independent watchdogs and building partnerships.[69] The report highlights six proposed areas of intervention: 'partnership building and policy dialogue, capacity building, tailoring country interventions, dividing responsibilities among the relevant stakeholders within UNDP, creating a focal point within the UNDP through [PACT] and describing the internal mechanisms within the organisation to prevent and control corruption in UNDP's organisations'.[70] Specifically, PACT 'will take the lead in developing policies, tools and methodologies; researching issues of priority to UNDP; and documenting good practices based on country experiences'.[71]

One major project, originally initiated by PACT, has been the production of the Country Assessment in Accountability and Transparency (CONTACT) manual, which the DANIDA evaluation states 'is being recognised by outsiders as being a first in providing an instrument for comprehensive assessment of public expenditure accountability. Systematic use of this tool at country level and follow up in the form of technical assistance programming, planning and resource mobilisation holds the potential to achieve significant impact at country level in selected countries.'[73] A draft was completed in 1998, *Box 5.2* Examples of projects funded or assisted by PACT[72]

- Production of two major reports, 'Corruption and Good Governance Discussion Paper' and the joint UNDP/OECD report on 'Corruption and Integrity Improvement Initiatives in Developing Countries'
- A learning module on corruption issues in the Asia Pacific region
- UNDP (Europe)/CIS/UN Department of Economic and Social Affairs sponsored conference on 'Public Service in Transition: Enhancing its Role, Professionalism, Ethical Standards and Values', held in Thessaloniki, Greece
- UNDP (Romania)/UN Centre for International Crime Prevention (CICP) project, administered by the Ministry of Justice to deal with corruption and crime
- UNDP (Philippines)/Centre for Investigative Journalism project to strengthen the capacity of investigative journalism
- The Anti-Corruption Promotion Group in Georgia, a three-year temporary NGO
- Technical assistance for Mongolia's Capacity Building for Governing Institutions Project
- UNDP (Brazil)/Council of State Reform/Ministry of Federal Administration and State Reform/UN Department of Economic and Social Affairs sponsored colloquium on 'Promoting Ethics in the Public Service'
- Organising five regional workshops at the 9th IACC in Durban

although it has not yet been finalized. This is a joint project with the World Bank, which wrote a majority of the chapters, along with some input by USAID and the Canadian International Development Agency (CIDA), while PACT wrote the chapter on anti-corruption.

PACT has also been working on a joint project with OECD: country case studies with Benin, Morocco, Pakistan, Philippines and Bolivia. PACT is trying to analyse success from anti-corruption initiatives in those countries, although it is not clear what criteria it is using for evaluation. These case studies have been put on hold, however, presumably due to lack of resources. Another initiative is the Partnership Fund for Transparency, set up 'to assist civil society needs by providing short-term technical assistance to develop programmes to fight corruption'.[74] PACT is also working closely with WBI as collaborators on the follow up to the Anti-Corruption Core Course in Africa. However, according to PACT, 'only Tanzania and Ghana seemed to have progressed further since both already had projects in place focusing on anti-corruption. It was harder to get collaboration going when we had to start from scratch.'[75]

PACT also hosted events to try to co-ordinate action with other donors: the Maastricht Working Group Conference in April 2000; Global Forum II, also held in the Netherlands in May 2001; and the 10th Crime Congress in Vienna, in April 2000. When the German money arrived, PACT planned on turning its attention to the role the UN can play in the international repatriation of funds by corrupt dictators and leaders. However, the lead on money laundering within the UN has been taken by the UN Center for International Crime Prevention (UNCICP) which PACT claims has more resources and a clearer mandate to work on this issue.[76]

UNDP see anti-corruption work not as an afterthought, as the DANIDA evaluation seems to imply, but rather as 'a part of the evolution of our mandate'.[77] It feels that its comparative advantage lies not in financial accountability work, as the evaluation states, but rather with anti-corruption work and all its political components. 'The political decision came from higher levels where they said if you have to make a choice to drop one [financial accountability or anti-corruption] because of financial constraints, it would be financial accountability, regardless of the results of the evaluation, because of that long institutional expertise in the political sphere.'[78] Budget figures may belie this strong commitment to anti-corruption; however, this may reflect the interests of bilateral donors, like Germany, who are funding the programme, rather than those of UNDP.

As we saw previously, DANIDA felt that UNDP did not have any comparative advantage in anti-corruption work, but rather that it 'has built up a comparative advantage in addressing comprehensive public expenditure accountability issues'.[79] This incorporates assistance with systems of accounting, auditing and evaluation. According to a 1997 PACT project document, this includes:

- Improvements to budget systems through better planning, expenditure management, training, information systems and audit functions.
- Improvements to accounting systems through better trained accountants, modernized procedures and upgrading professional bodies of accountants.[80]

These will enhance the quality of audits, in order to ensure that public funds are spent as authorized. This work would fit in well with the Bank's existing work on financial management, which lacks the depth of its work on procurement. The Bank could continue to produce its diagnosis of a country's private and public financial management systems, but UNDP could step in to follow-up with improvements. However, with a current overall budget of $1.25 million, this work would need major new resources to become viable. Without it, it is difficult to see a distinctive role for UNDP in anti-corruption work.

Indeed, the DANIDA evaluation referred to a database or inventory of UN projects on anti-corruption. Unfortunately, this was stored on a laptop, which was stolen, and no backup copies had been made. PACT is currently working on rebuilding this database, with forty entered and approximately sixty to go. The target for completion was March 2000, but resource restrictions (especially personnel) have meant that it remains a work in progress.[81] This situation serves to illustrate the lack of capacity at PACT, both in terms of knowledge and resources. It is unclear how any agency funded to compile a database would not know or not think about saving it onto a floppy disk and why this work is still unfinished over one and a half years after the original target date. This rather embarrassing story serves to highlight PACT's inadequate capacity, and it could be argued that it would be more appropriate for UNDP to step aside and let better-resourced agencies conduct this work.

DfID

In 1999, Secretary of State for International Development, Clare Short announced, 'My Department – the Department for International Development – is … giving increased priority to action against corruption and to working with governments which are committed to tackling corruption and reducing poverty'.[82] Despite this public commitment to anti-corruption, literature on DfID's anti-corruption programme is virtually non-existent, at least in the public sphere. I have therefore relied heavily on correspondence to build a profile of its work in this area.

Anti-corruption work is done by the Governance Department, and is overseen by the Anti-Corruption Co-ordinator (ACC). S/he has three roles:

- To co-ordinate anti-corruption activities within DfID divisions;
- To engage at the international strategic level (OECD, FATF, World Bank, UN, Commonwealth) and regionally;

- To engage in policy making issues in Whitehall:
  Home Office (mutual legal assistant, UK corruption law)
  Department of Trade & Industry (DTI) (OECD Convention/UK business)
  FCO/Treasury (money laundering).[83]

In addition, Governance Advisors working in-country are responsible for delivering DfID's governance agenda on the ground. 'The task of the ACC is to encourage/ensure that the anti-corruption perspective is embraced by all Governance advisors in the forms appropriate for their particular countries and in the light of the DfID Country Strategy for that country. Only at the multilateral level and in the domestic Whitehall domain, can the ACC be regarded as playing something akin to the lead role.'[84]

Work currently under way focuses on three areas: work within Whitehall itself, joint work with other donors and support for international initiatives.[85] In Whitehall, this includes ensuring the latest White Paper includes a commitment to tackling corruption.[86] In addition, the ACC is working with the Home Office to co-ordinate its Mutual Legal Assistance (MLA), for developing and transition countries seeking to recover illegal funds deposited in UK banks. There are joint initiatives with DTI to increase awareness among UK businesses of the OECD anti-bribery convention. The ACC also supports the Export Credits Guarantee Department (ECGD) in its efforts to deter corruption through the use of sanctions.

Work with other bilateral donors is mostly focused through the Utstein Group, a network of donors which includes the UK, Germany, the Netherlands and Norway, formed at The Hague in May 2000.[87] The Utstein Group 'declared their commitment to concerted action to reduce the damaging effects of corruption on development, and their readiness to collaborate with those who share this commitment, in governments, civil society and the private sector, and other development agencies, both multilateral and bilateral'.[88] The group has produced an action plan, which includes commitment to the OECD anti-bribery convention, collaboration at the country level, especially with the World Bank on financial management and procurement issues and, finally, co-ordinated support for multilateral organizations, such as UNDP. In addition, the Utstein Group is developing a joint 'virtual resource centre', or online database, for experts and NGOs.[89] Other examples of DfID support for international anti-corruption work can be found in Box 5.3.

Box 5.3 Examples of projects funded or assisted by DfID[90]

- Assisting WBI work in fourteen countries[91] to 'build domestic support and political pressure for anti-corruption efforts'
- Anti-money laundering initiative for East & Southeast Asia, funded with the European Commission
- Participant in an ADB/OECD anti-corruption strategy for the Asia-Pacific region
- Providing start-up costs for the Commonwealth Business Council, to work with business groups on in-country anti-corruption strategies
- Developing anti-corruption guidelines for civil society organizations
- A joint forum with DTI to encourage codes of conduct and 'integrity pacts' for UK businesses
- Funding TI's first 'Global Corruption Report' (with the Utstein Group)
- Providing funding to expand the capacity of the OECD Convention Secretariat
- Leading the OECD Development Assistance Committee (DAC) revamped governance focus
- In discussion with the BBC World Service to use radio for publicizing anti-corruption issues
- £5 million to strengthen Zambia's Anti-Corruption Commission (with Utstein Group)
- £1.4 million to establish an Anti-Corruption Commission in Sierra Leone
- Support for the Nigeria State and Local Government programme
- One of many donors in the new Partnership for Governance Reform in Indonesia, to provide a co-ordinated response to corruption in that country
- Assisting the preparation of an anti-corruption strategy in the state of Andhra Pradesh, India
- Signatory of the UN Convention Against Transnational Organized Crime

DfID sees its comparative advantage in its inherent nature as a bilateral donor. This includes being able to directly address political issues in country programmes, unlike the World Bank. Its funding is primarily in grant form, which recipients are more comfortable with for technical assistance, rather than taking out further loans. It also highlights its flexibility and ability to respond to changing conditions, as opposed to a very large organization like the World Bank.[92] However, as with UNDP, if the World Bank becomes more politically explicit in its work, the perceived comparative advantage would no longer exist. The Bank also has some funds available as grants for technical assistance, so it is questionable whether or not that can really be called a comparative advantage, as with the notion of DfID responding quicker to changing conditions. It has taken DfID four years after the World Bank announced its commitment to fighting corruption to actually formulate a strategy, far longer than many other donors, and this calls into question how flexible it really is as an organization or whether it has any distinctive role or comparative advantage.

The UK does, however, have a long history of involvement in offshore banking centres. Of the seventeen countries listed by the FATF as non-cooperative, six are Commonwealth countries.[93] However, Britain has been criticized for refusing to allow FATF to include its offshore dependencies – Guernsey, Jersey, the Isle of Man, the British Virgin Islands and Gibraltar – on this list.[94] If it were to fully embrace the fight against money laundering, which certainly seems to be the case in mid-2002, DfID could have a strong role to play in supporting anti-money laundering initiatives in its recipient countries. This would complement USAID's work with the private sector, impacting on the 'supply-side' of corruption, by eliminating the places to hide moneys garnered by corrupt means.

EU

The EU's response to anti-corruption work has been more measured than that of other donors for political reasons. Enlargement issues colour its dealings with Eastern Europe and CIS countries. Its relationship with Latin American and Southeast Asia is more limited than those of the US, which dominates aid and defence in those regions. Finally, it has long had a unique reciprocal agreement with the majority of developing countries through the Lomé Agreement (now the Cotonou Agreement), based on a principle of equality and dialogue.[95]

Democratization and human rights have long been a concern of the EU, but this did not become firmly institutionalized until the Cotonou Agreement in June 2000. 'The promotion of human rights, democracy, the rule of law and good governance are an integral part of [Cotonou]', including an emphasis on institutional capacity building.[96] The agreement is described as 'a mutual commitment to good governance, defined as the transparent and accountable management of human, natural, economic and financial resources for the purpose of equitable and sustainable development'.[97] There is an explicit focus on corruption[98] in the agreement with the ACP countries in this document; however, it also mentions good governance in relation to its agreements with Mediterranean countries, the Western Balkans and the Tacis (Eastern Europe and Central Asia) Region, but not corruption specifically.

Only the EU's work with the ACP countries compares to the work done by the World Bank. Despite the rhetoric of 'partnership', Cotonou is more like a traditional donor-recipient relationship than Lomé in the 1970s and 1980s, and certainly more so than the EU's relationship with other regions. This could explain why the existing literature is more open about dealing with corruption through Cotonou.

EU–ACP co-operation includes:

- a deeper dialogue with – and within – the ACP countries on human rights, democratic principles, the rule of law and good governance;
- greater support in priority areas, including the drafting and introduction of measures to prevent and combat corruption.[99]

These measures including 'criminalising international corruption, abolishing tax deductibility for bribes, making public procurement procedures more transparent and the effectiveness of the accounting rules'.[100] There is also the insistence that anti-corruption work 'should also be about creating special programmes for the vulnerable. It is not simply about setting up "democratic" mechanisms to facilitate for investors and financial and credit markets.'[101] However, there is, at this time, little evidence available of work on the ground or how the EU's policy will translate into action.

The EU does not have a discernible comparative advantage in anti-corruption work. Its advantage as a donor lies in its tradition of dialogue and partnership, especially within the context of the Lomé agreement. It has little experience with building institutional capacity and there is no reason for the EU to make this a key focus for its development work.[102] In addition, EU member countries have had several high-profile problems with corruption in recent years, in both Southern European countries, which rate relatively badly on the CPI, and Northern European countries, which rank as some of the least corrupt countries in the world. For example, Germany has seen former Chancellor Helmet Kohl and the Christian Democrats accused of money laundering and corrupt party finance transactions.[103] In France, President Jacques Chirac has been accused of party finance irregularities while mayor of Paris.[104] Former foreign minister Roland Dumas was convicted of influence peddling, accused of multi-milliondollar kickbacks, in the Elf Aquitaine scandal.[105] In Italy, former prime minister Guilio Andreotti was found guilty of having Mafia connections, and current prime minister Silvio Berlusconi has been questioned about possible Mafia links.[106] In the UK, much has been made about the prime minister's political appointments, sometimes called 'Tony's Cronies', and other scandals have made headlines, such as the Hinduja Brothers scandal, which cost two ministers their posts, despite being cleared eventually.[107] The corruption scandals that rocked the Commission in 1999 included extensive corruption within its own aid programme.[108] This brings into question the EU's mandate in consulting on institutional capacity when it clearly lacks it as an institution itself. Perhaps the EU would be better advised to rebuild its own reputation and to ensure the integrity of its own funds, rather than trying to advise recipients on how to avoid corruption.

Nordic and other like-minded donors

Several donor countries often work together on important issues because of a sense of shared values. They often draw on each other's work, making reference to it in annual reports and speeches, drawing attention to their shared uniqueness. In addition, unlike the US and UK, they share Executive Directors and voting power in the World Bank and have to act collectively to have any impact on Bank activities. Because of this, I have chosen to study these countries together: Denmark, Sweden, Finland, Norway, the Netherlands and Switzerland.

Each of the countries studied considers good governance to be one of the most important factors in alleviating poverty and promoting sustainable development. Definitions vary slightly, but most agree with Denmark, which states that good governance 'includes the creation of transparency, openness, and responsibility in political and administrative decision-making processes. The population must be guaranteed access to information on the decisions made by a country's authorities to ensure inter alia that resources are applied according to the needs of the population.'[109] Finland insists that good governance will help reduce causes of conflicts and inequality, and promotes democracy by 'supporting the organisation of elections, the development of legislation and justice systems … better and more transparent governance, free media, freely operating organisations and human rights training'.[110]

Switzerland's policy includes positive measures, such as election support and the strengthening of legal and administrative structures, policy dialogue with partner countries, and even direct conditionality.[111] NORAD also stresses the importance of 'active and informed dialogue with … partner countries' to develop a 'better reciprocal understanding' of good governance, and to ensure the support of the Norwegian people.[112] SIDA defines its approach as providing 'support to those parts of the public sector and civil society which constitute the foundations of democracy, respect for human rights and good governance'.[113]

The literature consulted contains several examples of these policies at work. DANIDA granted Mozambique US$8.62 million in 1996, for judicial reform, renovation of twenty district courts, and further education for judges and defence lawyers. In Uganda, DANIDA provided assistance to human rights groups, as well as support for the judicial system and civil service, decentralization efforts, public auditing, and reform of the public sector. In Vietnam, it granted US$6.21 million for reform of the judicial system, in partnership with UNDP, in order to promote human rights and democratization.[114] Finland co-operated with UNDP in Kenya to support legislative reforms and promote human rights and democracy. In Burkino Faso, it supported the 1997 parliamentary election via a group of fourteen NGOs, which supervised local elections and provided unbiased information to voters. Finland also suspended new projects in Zanzibar and Zambia due to questionable elections and lack of electoral transparency in 1995.[115]

As far back as 1997, Finland indicated support for Tanzania's upcoming election, and for its human rights commission and anti-corruption drives. It also noted that pressure from the Nordic countries pushed into the IFIs' strategies: 'reducing poverty, advancement of environmental and social issues, and action against corruption in lending procedures'.[116] A 1999 report contained extensive coverage of good governance, democracy and human rights, but did not mention corruption.[117] In 2000, a report highlights corruption as an area of concern, in the overall context of good governance, but no action is indicated.[118]

DIDC sees two areas in particular growing in importance: financial management and civil society. 'As sector-wide programming and budget support becomes an increasingly common modality for channelling aid, more attention needs to be placed on the fiduciary system of the partner countries' sector ministries. Hence, it is envisaged that work needs to be done to support the capacity building of financial accounting systems. Concomitantly, we place an importance on strengthening the role of civil society as an integral part of a functioning democracy.'[119]

DANIDA explains that 'widespread corruption and lack of determination on the part of the government to enter into a dialogue with the opposition and grassroots movements' caused it to cut back Kenya's assistance. For remaining projects in Kenya, DANIDA keeps a tight control on its resources, usually channelling funds and such directly to individual projects. It also mentions Tanzania's President Mkapa's commitment to combating corruption, but indicates no direct DANIDA support.[120] Its 1999 annual report describes anti-corruption work as part of its strategy to promote democracy and human rights, with corruption 'occur[ing] in the context of a lack of development'.[121] It gave almost $105 million to democracy, human rights and good governance projects in 1999, 7 per cent of its total aid budget.[122]

Partnership is a key concept for DANIDA's support. In building partnerships, it requires the recipient to pursue appropriate anti-corruption measures, among other things, which 'live up to *our* expectations'.[123] Success will be rewarded with increased funding, and failure could be punished by sanctions. In Africa, 'The widespread corruption … gives cause for deep concern and is having a destructive effect on long-term development work. In co-operation with partners in the programme countries, Denmark will identify initiatives that can help to combat corruption and remedy this unacceptable state of affairs.'[124] It also claims a key role in bringing about the World Bank's new focus on corruption.[125] DANIDA's language here is strong – almost scolding. The rhetoric of partnership seems incongruous with its language of conditionality.

The same can be said of Finland's literature on good governance, in which it explains that in dealing with good governance, it will provide an open dialogue and advance international visibility of the issue, promote participation projects, ensure regular project assessment and reconsider those which are not attaining goals, and promote the status of women. It strongly promotes the concept of conditionality, stating:

> The conditionality of development aid – even in Africa – is primarily a pro-active means of influencing the structuring of a democratic society. Development aid advances the promotion of a favourable operating environment in the target countries. Conditionalisation means supporting the sectors that are expected to advance Finland's goals best. If the political situation does not meet the requirements

> concerning democracy and respect for human rights set for partner countries, or if the economic environment is unable to utilise external aid, Finland may conditionalise its aid by freezing or interrupting its donations.[126]

Here we have reference to influencing the democratic process, Finland's goals rather than recipient goals and sanctions. There is, however, no direct reference to corruption.

In 1997, Switzerland indicated its support for international anti-corruption strategies, explaining, 'Corruption is endemic in many countries and multilateral institutions are undertaking great efforts to verify the utilisation of their funds. Switzerland supports the efforts made by the OECD to compile codes of conduct concerning the fight against corruption in the industrialised countries.'[127] It now has a Governance Division up and running, and has developed guidelines on combating corruption.[128] Currently, its anti-corruption work is implemented at two levels: operational and thematic.

At the operational level, SDC explains that the work varies depending on the type of operation. 'When the focus is on a project-approach, we are ensuring corruption-free activities through direct supervision of activities and resources or the indirect supervision by a supporting agency. In programme-approaches and general or earmarked budget support, emphasis is put on harmonisation of procedures between donor partners and governments, for instance, for procurement, budgeting and/or expenditure tracking.'[129]

At the thematic level, the Governance Division focuses on information sharing to identify best practices and networking with 'like-minded competence centres or agencies'.[130] SDC also actively participates in international meetings to set global standards, such as the ICC Rules of Conduct and the OECD Anti-Bribery Convention.

The Dutch, apparent newcomers in the fight against corruption, have taken a unique role in this work. They do no work of their own on the ground, preferring instead to use multilateral channels for good governance work, including corruption.[131] Instead, they focus on influencing the international debate, by hosting the workshop 'The Role of Bilateral Donors in Fighting Corruption'[132] and the 'Global Forum on Fighting Corruption & Safeguarding Integrity II',[133] attended by the IFIs, governments, NGOs and anti-corruption experts, and especially through the Utstein Group, where they 'took the initiative to put corruption on the international development agenda'.[134]

Norway stands alone in paying a great deal of attention to corruption throughout the entire period in the literature consulted. As far back as 1994, it identified local factors to take into account when designing a development co-operation strategy, which include, 'economic policies, growth and distribution (including taxation policies), the openness, skills, and capacity of the administration, the degree of corruption, and respect for democracy and human rights'.[135] Corruption was seen as a political (as opposed to economic) condition which affected NORAD's policies, stating, 'Public administration in many countries has … been seriously weakened by increasing inefficiency and corruption.' Finally, it described corruption as a 'threat to the rights of the individual, respect for law and order, and … economic growth'.[136] It the 1994 report, NORAD highlighted incidences of corruption in Malawi, Tanzania, Uganda, Zambia, Zimbabwe, Bangladesh and Nepal, but did not provide evidence of any direct support given by NORAD to anti-corruption strategies, nor did it indicate direct condemnation of such examples.

Speaking to Parliament in May 1999, Hilde Frafjord Johnson, Minister of International Development and Human rights, set out a six-point 'Norwegian offensive' against corruption:

- NORAD will become an international front-line organisation in the battle against corruption.
- Corruption will be put on the agenda in our dialogues with our partner countries.
- We will provide assistance to our partner countries in the battle against corruption.
- International efforts to combat corruption must be better co-ordinated, more systematic and more effective.
- NGOs must be drawn into the battle against corruption.
- Sanctions will be imposed if necessary.[137]

Like DANIDA, the language here is strong, punitive and quite unexpected in tone for a Nordic donor country.

Director-General of NORAD, Tove Strand, has said, 'we have to make the fight against corruption a central element in all our assistance'.[138] She indicates three objectives for its anti-corruption plan:

1. Intensify Norwegian assistance to good governance and the fight against corruption in our partner countries.

2. Increase awareness and knowledge in the aid administration on how to prevent corruption in all of Norwegian-funded development co-operation.
3. Establish mechanisms for systematic collection, analysis and dissemination of experiences drawn from efforts at preventing and combating corruption.[139]

NORAD's work on corruption is now much more explicit and systematic. In February 2000, it launched its Good Governance and Anti-Corruption Action Plan and appointed Mette Masst to run it. NORAD refers to her as its 'corruption hunter'.[140] This work is part of NORAD's overall work on peace, democracy and human rights, with a budget this year of NOK 506.6 million, almost 10 per cent of the budget total.[141] There is also an additional NOK 1.25 billion budgeted over the next few years for specific work to improve transparency,[142] although the report does not indicate what kinds of projects will be funded with this money. Furthermore, this work is to be scaled down, from a discrete sector to an integrated part of NORAD's divisions and embassies' work.[143]

There are many similarities in these countries' approach towards development: a commitment to poverty alleviation, a dedication to helping the world's poorest people, an acknowledgement of the value of dialogue, and the desire to create a cohesive sectoral policy. They also share a dedication to the promotion of good governance as a necessary factor in creating equitable, sustainable development. They do diverge when it comes to methods of ensuring a partner country's commitment to such policies, and they also diverge when it comes to the issue of corruption. Early on, with the exception of Norway, the remaining countries seemed hesitant to address the issue in a direct manner, falling back on terms like 'transparent' and 'accountable' government. The current environment encouraged these donors to establish publicly a more pro-active stance on the issue.

This group of donors has historically been seen as more compassionate and less politicized than other donors, especially USAID, with an 'unselfish' and 'generous' approach to aid, and for a commitment to partnership and dialogue.[144] This has always been seen as its comparative advantage. Developing countries have had more confidence that these countries are truly interested in providing assistance, without a hidden (or not so hidden) political or economic agenda. They have been at the forefront of the efforts to improve human rights in its partner countries, but have been, for the most part, slow to embrace the anti-corruption agenda. Now that it has been institutionalized in most of these agencies, the language has, by and large, become more rigid, more punitive and more 'top-down', rather than a dialogue between equal partners. This raises the question of how this approach impacts on the comparative advantage in anti-corruption work claimed by some of these countries.

Many of the donors, especially NORAD and DANIDA, have become increasingly paternalistic in their discourse on corruption, threatening sanctions unless their expectations and conditions have been met. No one would deny these organizations the right to ensure that their funds are spent as authorized, but this new 'tough' approach does not sit well with their established reputations, which is where these organizations' comparative advantage as institutions lies. However, it does reflect the increasing emphasis on structural adjustment within Nordic aid programmes in the 1990s and also an increasing conservatism within Nordic politics in general.[145] For example, in 2001, Denmark elected a centre-right coalition government led by the Liberal party, replacing the prior Social Democrat-led coalition government. The new government has strongly criticized prior support for corrupt governments, and even cut its aid programme to Uganda in 2002, a move that surprised many. According to Finance Minister Thor Pedersen, '"We have always said that we do not want to support countries which are ruled by dictators…Denmark's international cooperation partners must respect human rights, fight corruption and follow sound business practices."'[146]

This dichotomy has been noted in relation to the Nordics' concern with human rights and democratization. Diamond refers to these donors as 'broad-based overseas development organizations, which have added democracy promotion onto more traditional development assistance'.[147] This has been done without 'evidence of any strategic thinking in regard to their assistance to this sector of the policy'.[148] In an article on the Netherlands and Indonesia, Baehr argues that the joint objectives of the promotion and protection of human rights and in supporting the poorest countries with aid might come into conflict with one another, and do so regularly.[149] In the case of Indonesia, Baehr questions the significance of the Netherlands, use of conditionality in 1992, following Indonesia's human rights violations in East Timor. The amount of aid given by the Netherlands was so small that its efforts were ineffective in bringing about change.[150] Even working together, the total amount of aid given by the Nordic and other like-minded countries only equals approximately 20 per cent of total aid given by bilaterals in 1999.[151] There is thus little evidence that a strong stance by the Nordics on corruption will have the desired outcome on the policies of aid recipients.

This does not mean that there is no role for these donors to play in anti-corruption work. Their unique character allows them to participate in discussions with recipient countries on subjects that may be too delicate for other donors to broach, including anti-corruption work. Their use of grants rather than loans could allow the donors to help countries experiment with methods that may, or may not, reduce corruption. This could include training for journalists, educational theatre, support for watchdogs or ombudsmen, and so on. Results of these projects may be difficult to quantify, but costs are relatively low in comparison to support for public sector reform projects, for example. Working within a framework for co-ordination, such as the Utstein Group, these donors could offer one-off, small-scale support for such projects.

Conclusion: the rhetoric of comparative advantage

As this chapter has shown, it is difficult to see how donor rhetoric regarding comparative advantage in anti-corruption work translates into policy on the ground. The concept itself is very problematic. As argued by Dewald and Weder, it makes sense, fiscally and organizationally, for donors to fund work based on their particular strengths and leave areas where they are weak to others. However, that is not how aid works in reality. Donors involve themselves in areas like corruption for a number of reasons, and the reasons can rarely be explained by comparative advantage. Donors can thus be accused of inconsistency: they themselves point to the significance of comparative advantage, but rarely seem to have an understanding of the principle or apply it in practice. There are two solutions: either donors find their real areas of advantage and then fund projects appropriately, or they stop using the rhetoric of advantage and admit that they fund their particular anti-corruption projects for other more pragmatic reasons, despite the potential downfalls of this approach. In the meantime, we need to be cautious in evaluating claims for comparative advantage when there are political or other extraneous reasons for making such an assertion.

This leads us to question why donors are speaking of comparative advantage in the first place. I believe that there is genuine concern within the donor community that this work, once begun, risks spiralling out of control. We have only to return to Johannes Linn's caveats in Chapter 4, regarding donor overload, to see what this means for the Bank as well as for other donors. It is as if donors have found a leak in the dam, but every time they patch it up, another appears, and then another, and then another, and so on. They keep climbing up Cassen's 'ladder of causation', with little end in sight. Indeed, an area donors seem to be contemplating, in the context of fighting corruption and strengthening democracy, is the direct funding of political parties in developing countries.[152] Although this has support in some academic circles,[153] there is in no way a general consensus regarding this complex and even dangerous work.[154] One is left to question where this work is leading and what options donors have remaining, short of 're-colonialization' in the name of fighting corruption. Donors are beginning to stop and take stock of what work is being done, by whom and where, and looking at how effective this work has been so far. This process needs to be completed before taking on even more complex and controversial work.

6
Conclusion

This book started with two main questions. Firstly, if the Bank has long claimed that work on corruption was forbidden by its Articles of Agreement, how and why did it arrive at its current position? I have shown that it was the result of changes in both the theoretical and political environments, including a changing ideological climate following the end of the Cold War; external pressures from donor governments and NGOs; internal pressures from key Bank staff, especially its new president, James Wolfensohn; and also pragmatic institutional concerns.

Up to the late 1980s and the early 1990s, the general consensus among academics, politicians and aid agencies was that democracy was a product of development and was unsustainable in a poor country. Moreover, it was believed that a strong, authoritarian government was a better facilitator of the sometimes painful development process, especially following the austerity measures imposed through structural adjustment. This changed, however, with the increasing importance of democratic peace theory, which argues that democracies do not go to war against other democracies and are more stable overall than authoritarian regimes. Stability has long been seen as key to the development process, and in fact was seen by Huntington as more significant than regime type.[1]

At the same time, the political environment in which the Bank operated changed dramatically following the end of the Cold War. Support for authoritarian regimes dried up when bilateral donors no longer needed their support to provide a bulwark against communism. The 'peace dividend' that was predicted never appeared, and aid budgets decreased in the post-Cold War period. Some governments in developed countries combined 'aid fatigue' with a renewed interest in human rights and demanded less aid spent better. Many critics in academia and NGOs denounced the Bank practice of providing support for repressive regimes. Finally, many LDCs in Sub-Saharan Africa, Latin America and Asia chose to democratize in the immediate post-Cold War period, and the Bank had to change the way it operated and rationalized its programmes to take all of this into account.

Finally, there were pragmatic reasons behind the Bank's interest in corruption. The failure of structural adjustment to bring about the desired changes was blamed on the inadequacy of recipient government institutions, including a failure to tackle problems with corruption.

In addition, there were internal reasons why the Bank became interested in corruption. Certain individuals, predominantly found in the AFR Region, brought about pressure to address corruption in the region. In particular, this includes Peter Eigen, who left the Bank to form Transparency International when he was told that he could not deal with corruption from within the Bank; Petter Langseth, who started working on corruption in Uganda without a clear mandate from the Bank to do so; and finally, some Executive Directors, particularly the US and Scandinavians, who put pressure on the Bank's leadership. Leadership was also key, and the Bank's work on corruption really took off following the appointment of Wolfensohn as Bank president in 1996, who has staked his reputation on the anti-corruption programme.

Despite all of this, the Bank's non-political mandate was still seen as a barrier to explicit work on corruption. However, once the General Counsel provided an interpretation of the Articles that allowed for good governance work and *some* scope for work on corruption, there was an easy progression to more in-depth work than was originally envisioned by Shihata, who retired as Counsel soon after Wolfensohn arrived. Individual actors, such as Langseth and Eigen, proved that working on corruption could be uncontroversial as long as it was done with the full consent of the government and while working in partnership with a like-minded partner in civil society (usually a local TI chapter). Wolfensohn cleared the way for a new interpretation of the Articles by declaring that corruption is an economic issue and not a political one, hence opening the door for explicit anti-corruption work, and a great deal of research has been done by the Bank to support his stance. Despite this, there are internal conflicts regarding the direction in which the programme should develop, and it is not entirely clear if the Bank's staff, both in Washington and in the regions, are as committed to the work as its president.

The second major question looked at the components that make up the Bank's programme. These are based around a four-pronged strategy: preventing corruption within Bank-financed projects, helping countries establish anti-corruption programmes of their own, mainstreaming anti-corruption work into the Bank's practices, and finally, providing support for international initiatives. This same four-pronged strategy came out of the 1997 strategy document and has continued to provide a basic framework for the Bank's programme. The vague nature of this document has allowed significant movement for the development of the programme, including several new procedures and products to accommodate the new work. My examination of the components of the Bank's anti-corruption programme led to the following major findings.

Firstly, the programme lacks a sound theoretical foundation. It is based upon work that sees democracy as a precondition of development, with concomitant ideas regarding institutions, power, actors and the role of the state. However, the Bank has only taken on board one half of the debate regarding this relationship. The Bank is unwilling (or unable) to acknowledge the vast and well-respected literature on the 'developmental state', with its focus on a strong bureaucracy and weak civil society. Indeed, there is also little consensus among academic studies of the appropriateness of using civil society in an attempt to combat corruption, or of the effectiveness of donor support for civil society. This omission is due in part to the Bank's preference for economic studies over political ones. It has announced that corruption is an economic issue, not a political one, and its research base reflects this. Its research base will thus always be flawed if it maintains this distinction, as it is not possible to address the issues contained within its current anti-corruption programme from a purely economistic base.

In this same vein, the programme is justified largely by the Bank's own research. This calls into question the value not only of the research but of the work itself. It is not necessarily the case that the evidence located within the Bank's research has been devised in order to support work already in existence or work that is planned. However, because Bank reports and Bank papers rarely refer to outside work, it is open to that accusation. It also calls into question the value of any internal evaluation of the programme that is based upon the same research.

Secondly, there are some parts of the programme that are valid and important for the Bank to undertake, but there are others that need to be discarded or spun off to other agencies for two reasons: either they violate the Bank's non-political mandate or they overstretch the Bank's capacity.

The work being done within the Bank to minimize corruption in its own projects is valuable and, some would say, long overdue. There have been significant improvements in procurement and in staff training and ethics. The anonymous hotline and protection of whistleblowers is also important and welcome. Most importantly, the Department of Institutional Integrity is an important sign that the Bank intends to permanently institutionalize these procedures. In addition, much of the work being done to mainstream concern with corruption into the Bank's lending is significant, particularly through the CAS process. This is not a legally binding document and the Bank cannot hold the borrower to recommendations made within it; however, it provides a forum for open debate between the borrower and the Bank about concerns that the Bank has with corruption within that country. Also, the CAS is open to input from civil society groups and individuals, both inside the country and from outside (for example, international experts). It provides open and transparent documentary evidence that the Bank has raised concerns about corruption with the recipient. This can protect the Bank from criticism that it is not doing anything about corruption, and it can also provide the Bank with a defence if it feels that it cannot continue working in a country because corruption makes its work unfeasible. It can also provide an impetus for debate within the country because it is available online for anyone to access.

Finally, the Bank has proved to be an important voice for bringing about awareness in the international sphere. It has been especially influential in appealing to those involved on the 'supply-side' of corruption: helping support the OECD anti-bribery convention, assisting FATF bring attention to money-laundering, calling for international standards for accountancy to assist audits, and so on.

On the other hand, its work on developing anti-corruption programmes in borrowing countries often violates the Bank's non-political mandate and overloads its capacity. None of the participants in the Core Course has produced a corruption programme in its home country that did not already exist. This may be due in part to the fact that it is questionable how many of the original countries 'volunteered' to take part and how many had their arms gently twisted by McNamara during his visit to drum up support. The Bank has not been able to successfully deal with the issue of political will, and this is likely to continue to prove problematic in work of this kind. The diagnostic surveys are of questionable value in a developing country setting. Information has value in and of itself, of course, but it is important that the information be used to inform anti-corruption strategies, and it is unclear at this point how often this is occurring and how effective it is when it does.

The clearest conflict with the Bank's mandate is in its work on community empowerment and civil society. Shihata, the former General Counsel, allowed for work on popular participation, but only 'in the design and implementation of a specific development project or program (as opposed to popular participation in general)'.[2] This has not been updated to allow for more general work. This is heavily value-laden work conducted by an institution that has always claimed its work is value-neutral. It assumes that certain ways of organizing society are more worthy than others, but also that this is not an inherently political decision. Referring back to the words of Tshuma: 'the Bank is involved in a process of social restructuring which involves the use of state power and is therefore political'.[3]

The concern here is not just that this work is inherently political and violates the Bank's mandate, but also that the Bank may not stop here but will continue up the ladder of political conditionality. Previous chapters have examined the increasing 'creep' of the language of democratization into the Bank's work on corruption. In addition, as shown in Chapter 3, there is no reason to believe that democratization in developing countries will foster economic growth or development. Cox reminds us that '[d]emocratization and "people power" can move to the right as well as to the left', bringing a 'danger of authoritarian populism, of reborn fascism'.[4] We can see moves in this direction already in Russia, where corruption is often cited as a reason to return to the 'good old days' of authoritarian rule. On the other hand, democratization can move to the left, with civil society calling out for renewed forms of socialism, strong trade unions, increased social welfare and protection from the 'ravages' of structural adjustment and the free market.

Neither of these outcomes, which is just as likely or as predictable as any other, is discussed by the Bank as a possibility within the context of its anti-corruption programme. Indeed, the only potential outcome discussed is that corruption will be reduced, institutions will be strengthened, markets will flourish and development will result. This is largely due to the economistic approach taken by the Bank, which tries to exclude the political from essentially political issues. It is not possible to discuss the many issues covered here – civil society, institution building, free media, judicial reform, community empowerment, electoral rules and so on – in a purely economic manner, which excludes considerations of power structures, class and ethnic divisions, historical trajectories, so essential to a more political approach. This is a major constraint on the effectiveness of its anti-corruption programme, and it will be a major constraint on any democratization work that the Bank undertakes if it does indeed 'push the envelope' on this.

As I have shown, there is a wide range of sources that claim that the Bank's non-political mandate is actually a myth and one that cannot withstand the current move towards political liberalization. This makes its approach to combating corruption problematic, as it allows only partial analysis of the issue. This impacts the research that the Bank conducts, which seems stuck in a quagmire of trying to separate the economic from the political in an area in which both are intertwined and cannot effectively be separated. This negatively impacts the way the Bank designs country strategies and implements projects. This entire history of the Bank's work on anti-corruption is plagued by the distortion of its non-political mandate. Despite Wolfensohn's attempt to redefine it as a purely economic issue, it is still also political. The Bank is still tied by its non-political mandate, and the ongoing conflict weakens the programme.

Increasingly, there seem to be crucial components of the Bank's own programme that it decrees must be spun-off to a 'partner', either another donor or an NGO. However, this assumes that there is a partner both willing and able to conduct the work that the Bank deems too political for it to do itself. Chapter 5 looked at the capacity of other donors and found that few have the capacity to take on the above work with any degree of success in comparison to the Bank. Although they lack the restrictive non-political mandate and are allowed to do this work if they so choose, they lack the resources to do it on a scale that would prove effective.

Moreover, there is the danger of increased controversy for the Bank itself as it becomes an increasingly visible political actor, as it too closely associates itself with the anti-corruption agenda. Any failures could be placed at the Bank's doorstep, and not only those directly linked to a Bank project. For example, in Indonesia, President Wahid has stepped down following attempts to impeach him on charges of corruption. He has been replaced by Megawati Sukarnoputri, the daughter of former dictator Sukarno, with close links herself to the military. If the situation in Indonesia were to de-stabilize, the Bank itself could be implicated because of the role it has played, not only in bringing attention to the problem, but by threatening to withdraw aid unless corruption is tackled.

Indeed, a recent article in the *Guardian* newspaper points to Wahid's efforts to fight corruption as one of the reasons why he was impeached:

> But just as the manner of Abdurrahman Wahid's ascent was less than totally satisfactory, so too is his downfall. He was not voted out of office. He lost no election. Instead he was impeached by the very assembly that perversely thrust him into power. The reasons were personal and political, not strictly constitutional. By attempting, however ineffectively, to tackle state corruption, prosecute human rights abuses and devolve power from the centre, Wahid alienated the military, the internal security forces, the Suharto-era government apparatus, and influential elements of the business elite.[5]

Although there is no reason to suggest that Wahid was innocent of the charges of fraud put before him by the Parliament, the situation has no easy villains or heroes, and the Bank places itself in an awkward position by putting itself at the forefront of the corruption discourse in countries like Indonesia. It is one thing to ensure that Bank funds are properly accounted for, but it is an entirely different matter when the Bank plays a role in bringing down the government.

In his evaluation, Thornburgh highlights the potential for political volatility that the Bank's anti-corruption work could bring about. He says:

> neither the Sanctions Committee nor any other component of the Bank has been charged with addressing a situation in which an errant government official, and possibly even a national government, is found to have engaged in fraudulent or otherwise corrupt activities involving Bank funds … such an issue would be as delicate as any the Bank must face, and understandable that is one reason that the Bank has not yet attempted to resolve it. But the sensitivity of the matter would arise directly only when evidence of official wrongdoing has been clearly established and the question is presented whether legitimate political and practical considerations may preclude the Bank from initiating any action as a result of the finding.[6]

Thornburgh is concerned here with Bank policy – would the Bank pursue action against a national government for misuse of its funds, and if so, how would it do so? This seems to be worrying about finding a band-aid when someone has cut off their arm. The concern should not be over how the Bank will recover the funds that have been misused, but rather how it will deal with the political and economic collapse that could result from such high-level corruption and the attention brought to it by the Bank itself.

In several cases in the past few years, the Bank has been linked to turmoil resulting from high-level charges of corruption. In Papua New Guinea, Dan Weise, a resident World Bank official was expelled from the country and barred from re-entry, after senior government officials accused him 'of attempting to sabotage government policies', including his strong stance on corruption.[7] This put the Bank's Governance Promotion Adjustment Loan, valued at $90 million, at risk. Negotiations between the Bank and prime minister Sir Mekere Morauta were successful, and the Bank reaffirmed commitment on the funding, providing that Mr Weise would be employed by the Bank as a consultant on the loan, albeit based in Sydney.[8]

In the Philippines, the Bank was required to make an official statement after receiving a number of calls to respond to allegations of corruption against high-level officials, prior to the impeachment of former president Joseph Estrada.[9] The Bank expressed concern about the situation but expected the government to deal with the problem as mandated.[10] The Bank has been very active in denouncing corruption in the Philippines and was in the process of completing a major report on the subject. If found guilty, President Estrada could face the death penalty.

In Kenya, long-time government opponent Dr Richard Leakey stepped down as Head of the Public Service, following a vote of no confidence.[11] Prior to this, Kenya's Constitutional Court ruled that the Kenya Anti-Corruption Authority (KACA) was unconstitutional, suspending the body and all ongoing investigations. KACA had been an IMF and World Bank requirement for reinstatement of lending and lacked the mandate and support of parliament.[12]

In Uganda, claims were made that Vice President Specioza Wandira Kazibwe had mismanaged a World Bank-funded valley dam project, worth $3.4 million. Dr Kazibwe defended herself against the charges, passing the blame on to her predecessor as well as her deputy, the current Minister of Works.[13] She was backed by President Museveni, who suggested that malice may have had a role to play in the way MPs jumped on the allegations.[14] Dr Kazibwe was also the head of the government's Anti-Corruption Unit, and had upset many MPs and important citizens with her high-profile investigations.[15] However, the allegations were never proven and she remains in her post.

These examples are intended to show the problematic nature of the Bank's response to allegations of corruption in its borrowing countries, and even within its own projects. In Indonesia and the Philippines, supporters of the two deposed leaders rioted in the streets during the investigations, and it is still uncertain whether these fledgling democracies can withstand the crises. In Kenya, anti-corruption initiatives have been forced upon a parliament and leadership unwilling to support them, resulting in their failure. In Uganda, the World Bank's star pupil on corruption, allegations of fraud appear to have been minimized or swept under the carpet. In each of these cases, the World Bank's anti-corruption activities have been tentative and confused, demanding that national governments be seen to be doing something about corruption and supporting investigations into fraud, and then pulling away at the last minute when the investigations bear fruit. The Bank issues statements about unacceptable high-level corruption, as it did in Indonesia, while distancing itself from the leadership changes and political turmoil that result.

I have argued that the Bank's understanding of, approach to and its preferred ways of dealing with corruption are inadequate, incoherent and flawed. This is not to say that the Bank should not be concerned about corruption. It has an obligation to protect the integrity of its own funds, and reducing corruption is in the best interest of its borrowers and its other shareholders. It can do this by pushing more resources at its procurement division, ensuring that the bidding process is as transparent as possible; by doing more on-site inspections of projects; by making its own documents more freely available for external review; and by strengthening its existing work on public sector reform. This work is less controversial than its work on community empowerment, more likely to be effective than its work on diagnostic tools, and does not require a dramatic rethink of the Bank's Articles of Agreement and its non-political mandate.

Notes

Introduction

1 World Bank (1997), *Helping Countries Combat Corruption: the Role of the World Bank* (Washington DC: World Bank), p. 2.
2 World Bank (1997), *Helping Countries Combat Corruption*, p. 3.
3 Linn, J. (2001), 'The World Bank's New Approach to Good Governance: Promises and Risks', *Transition Newsletter*, 12 (2), p. 2.
4 World Bank (1944), *Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)*, Internet, 4 November 1998, available at http://www.worldbank.org/html/extdr/backgrd/ibrd/arttoc.htm.
5 Cassen, R. (1994), *Does Aid Work?*, 2nd ed. (Oxford: Oxford University Press), pp. 212–13.
6 Caufield, C. (1996), *Masters of Illusion: the World Bank and the Poverty of Nations* (New York: Henry Holt & Co., Inc.), p. 2.
7 Wolfensohn, J. D. (1999), 'Plenary Address', 9th International Anti-Corruption Conference, Durban, South Africa, 10–15 October.
8 Robinson, M. (1998), 'Corruption and Development: an Introduction', in Robinson, M. (ed.), *Corruption and Development* (London: Frank Cass), p. 2.
9 World Bank (1997), *Helping Countries Combat Corruption*, pp. 18–19.
10 World Bank (2000), *Helping Countries Combat Corruption: Progress at the World Bank Since 1997* (Washington DC: World Bank), p. 1.
11 Doig, A. and Theobald, R. (2000), 'Introduction: Why Corruption?', in Doig, A. and Theobald, R. (eds), *Corruption and Democratisation* (London: Frank Cass), p. 4.
12 Rose-Ackerman, S. (1997), 'The Political Economy of Corruption', in Elliot, K. (ed.), *Corruption and the Global Economy* (Washington DC: Institute for International Economics), p. 32.
13 Gold, Sir J. (1983), 'Political Considerations are Prohibited by Articles of Agreement when the Fund Considers Requests for Use of Resources', *IMF Survey*, 23 May, p. 147. Although Gold is referring specifically to the IMF, the same applies to the Bank.
14 Shihata, I. (2000), *The World Bank in a Changing World (Vol. III)* (The Hague: Martinus Nijhoff Publishers), p. 165. Ibrahim Shihata is the former General Counsel of the World Bank.
15 George, S. and Sabelli, F. (1994), *Faith and Credit: the World Bank's Secular Empire* (London: Penguin Books), p. 150. Contains a partial quote from Shihata, I. (1991), *The World Bank in a Changing World: Selected Essays* (Dordrecht: Martinus Nijhoff Publishers).
16 World Bank (2001), 'Financial Strength', 1 February, available at http://www.worldbank.org/debtsecurities/html/financial_strength.html.
17 See, for example, Nelson, P. (1995), *The World Bank and Non-Governmental Organizations: the Limits of Apolitical Development* (Basingstoke: Macmillan Press Ltd.); Weaver, C. (2000), 'The Discourse of Law and Economic

Development in the World Bank', paper given at the MacArthur Conference on the Changing Role of Law in Emerging Markets and New Democracies, University of Wisconsin, Madison, 24–26 March; Fleck, R. and Kilby, C. (2001), 'World Bank Independence: a Model and Statistical Analysis of US Influence', mimeo.

18 Pollard, E. (ed.) (1994), *The Oxford Paperback Dictionary*, 4th ed. (Oxford: Oxford University Press), p. 33.

19 See Hutchings, G. (1989). 'China Worried at Economic Cost of Crushing Dissent', *The Daily Telegraph*, 20 June.

20 The Bank has little leverage over those countries who borrow little from it and can find adequate private finance – such as Botswana. In addition, it has little leverage over those countries with very high borrowing levels and who also find adequate private finance – such as India and China. It is the countries in between who are the most vulnerable with regard to Bank conditionality. Caufield writes, 'As [World] Bank officials are fond of observing – on condition of anonymity – if you owe a bank $100,000, you worry; if you owe it $100 million, the bank worries.' Caufield, C. (1996), *Masters of Illusion: the World Bank and the Poverty of Nations* (New York: Henry Holt and Co.), p. 24.

21 Ayres, R. (1883), *Banking on the Poor: the World Bank and World Poverty* (London: MIT Press), pp. 72–3.

22 Baldwin, D. (1966), *Economic Development and American Foreign Policy 1943–1962*, (Chicago: University of Chicago Press), p. 32. A recent statistical analysis suggests that US interests do play a role in some Bank lending decisions, but that patterns differ depending on US administration and economic and political circumstances. This relationship is thus, according to the study, evolving rather than stable. See Fleck, R. and Kilby, C. (2001), 'World Bank Independence', mimeo.

23 Cited in Gillies, D. (1996), 'Human Rights, Democracy and Good Governance', p. 115 (emphasis in original).

24 Gillies, D. (1996), 'Human Rights, Democracy and Good Governance', p. 105.

25 Miller-Adams, M. (1999), *The World Bank: New Agendas in a Changing World* (London: Routledge), p. 22.

26 Shapley, D. (1993), *Promise and Power: the Life and Times of Robert McNamara* (Boston: Little, Brown and Co.), pp. 544–47.

27 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods* (Washington DC: Brookings Institution), p. 478. Caufield gives the examples of Romania, Brazil and Bangladesh, which all received large loans from the Bank under authoritarian regimes, but had their funding cut after subsequent (or in the case of Brazil, prior) democratic transitions. In these cases, right-wing authoritarian regimes were perceived as more effective managers of the economy, because they 'could move faster than the public will tolerate'. Caufield, C. (1996), *Masters of Illusion*, pp. 209–12.

28 For a more in-depth discussion of the relationship between democracy and development, see Chapter 3.

29 Nelson, J. (1992), 'Good Governance: Democracy and Conditional Economic Aid', in Mosley, P. (ed.), *Development Finance and Policy Reform:*

Essays in the Theory and Practice of Conditionality in Less Developed Countries (London: Macmillan Press), p. 310; Hoogvelt, A. (1997), *Globalization and the Post-Colonial World: the New Political Economy of Development* (London: Macmillan Press), p. 172; Shapley, D. (1993), *Promise and Power*, p. 546.

30 Ayres, R. (1983), *Banking on the Poor*, p. 56.

31 Bank lending commenced in 1948; IDA lending commenced in 1961.

32 Illustrated by a 1976 quote from Henry Kissinger: 'Disaster relief is becoming increasingly a major part of our foreign policy'; cited in De Waal, A. (1997). 'Democratising the Aid Encounter in Africa', *International Affairs*, 73 (4), October, p. 625.

33 Hoogvelt, A. (1997), *Globalization and the Post-Colonial World*, p. 172.

34 In 1973, 24.6 per cent of total states were democracies, compared to 45.4 per cent in 1990. See Huntington, S. (1991), *The Third Wave: Democratization in the Late Twentieth Century*, (Norman, OK: University of Oklahoma Press), p. 26.

35 World Bank (2000), *Anticorruption in Transition: a Contribution to the Policy Debate* (Washington DC: World Bank), pp. 40–1.

36 World Bank (2000), *Anticorruption in Transition*, p. xxii.

37 World Bank (2000), *Reforming Public Institutions and Strengthening Governance: a World Bank Strategy* (Washington DC: World Bank), p. 23.

38 World Bank (2000), *Reforming Public Institutions and Strengthening Governance*, p. 23.

39 World Bank (2000), *Reforming Public Institutions and Strengthening Governance*, p. 24.

40 World Bank (2000), *Reforming Public Institutions and Strengthening Governance*, p. 77.

41 Cited in Saul, J. (1997), 'For Fear of Being Condemned as Old Fashioned: Liberal Democracy versus Popular Democracy in Sub-Saharan Africa', *Review of African Political Economy*, 24 (73), p. 347.

42 Stiglitz resigned in late 1999 in somewhat controversial circumstances, criticizing the Bank's emphasis on growth over distribution and its use of conditionality. See Beattie, A. (1999), 'World Bank Aid Strategy Flawed says Stiglitz', *Financial Times*, 29 November; Lobe, J. (1999), 'Stiglitz Calls for More Open Debate, Less Conditionality', *World News: Inter Press Service*, 30 November; Stiglitz, J. (1999), 'The World Bank at the Millennium', *The Economic Journal*, 109 (November): F577–F597. For an interesting exposé of Stiglitz's acrimonious departure from the Bank following these criticisms, see Wade, R. (2001), 'Showdown at the World Bank', *New Left Review*, January/February, pp. 124–37. His replacement has proven even more controversial: Professor Nick Stern, former chief economist at the European Bank for Reconstruction and Development (EBRD), whose brother, Richard Stern, is the Bank's human resources vice president. The Bank's rules specifically forbid the employment of close family members. This has led not only to external criticism but also to criticism from the Bank's staff association, who warn President Wolfensohn that such an appointment could be interpreted as nepotism and may 'ultimately demean the ability of staff to speak in a credible way with clients about corruption and hamper our work in issues of governance'. Atkinson, M. (2000), 'World Bank Accused of Nepotism and Corruption', *The Guardian* (London), 17 March,

p. 28. Professor Stern was, however, appointed by Wolfensohn as chief economist in July 2000 despite such criticism.

43 Stiglitz, J. (2000), 'Introduction', in Gilbert, C. and Vines, D. (eds), *The World Bank: Structure and Policies* (Cambridge: Cambridge University Press), p. 3.

44 Stiglitz, J. (2000), 'Introduction', p. 4.

45 World Bank (2000), 'World Bank Ties $4.7 BLN Jakarta Support to Democracy, Rights', *Development News*, 2/2.

46 Cited in World Bank (2000), 'World Bank Official Warns Asia to Fight Corruption', *Development News*, 14/2. Original: *International Herald Tribune*, 12/2, p. 12. Mamadou Dia, World Bank Country Director for Côte d'Ivoire and Guinea, told a news briefing that the Bank only dealt with 'constitutional governments', unless it could be proven that 'de facto' governments were stable and upheld international obligations. World Bank (2000), 'World Bank Warns of Aid Suspension for Côte d'Ivoire', *Development News*, 4/2. Although a constitutional government need not be a democracy, it is another example of the Bank publicly choosing one form of government over another.

47 'An amendment of the Bank's Articles of Agreement requires a formal approval by Bank members through a process which ultimately needs a majority of 60 percent of the members having 85 percent of the total voting power (80 percent in the case of IDA).' Shihata, I. (2000), *The World Bank in a Changing World, Vol. III* (The Hague: Martinus Nijhoff Publishers), p. 152, note 35.

48 Kapur, D. and Webb, R. (2000), 'Governance-related Conditionalities of the International Financial Institutions', G-24 Discussion Paper No. 6 (New York: UN), p. 16.

49 World Bank (2000), *Reforming Public Institutions and Strengthening Governance*, p. 62.

50 Few would agree with Przeworski et al. who declare that 'we do not think that "accountability", "responsibility", "responsiveness" or "representation" should be treated as definitional features of democracies'. Przeworski, A., Alvarez, M., Cheibub, J. A. and Limongi, F. (2000), *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1990* (Cambridge: Cambridge University Press), p. 33. This reduces democracy to the notion of freely contestable elections, a dissatisfying notion of democracy for most.

51 A blank space does not imply disagreement with or indifference to the approach. The Bank does identify human rights as an important issue, but de-links rights from political issues. See World Bank (1992), *Governance and Development* (Washington DC: World Bank).

52 Fillip, B. (1997), 'The World Bank and Governance: a Process Approach to Policy Analysis', unpublished Phd thesis University of Pittsburgh, p. 70.

53 Weaver, C. (2000), 'The Discourse of Law and Economic Development in the World Bank', p. 19.

54 Cited in Weaver, C. (2000), 'The Discourse of Law and Economic Development in the World Bank', p. 19. Original: Tshuma, L. (1999), 'The Political Economy of the World Bank's Legal Framework for Economic Development', *Social & Legal Studies*, 8 (1), pp. 75–96.

55 Weaver, C. (2000), 'The Discourse of Law and Economic Development in the World Bank', p. 20.

56 Wolfensohn, J. D. (2000), 'NGO Meeting with Mr. Wolfensohn'. Prague, Czech Republic, 22 September. Available at http://www.worldbank.org/html/extdr/am00/ts092200a.htm.

57 Center for Strategic and International Studies (1998), *The United States and the Multilateral Development Banks*, (Washington DC: CSIS Press), p. 40. It should be noted that the US Executive Director has shown no such reluctance. Indeed, the US government strongly supports the World Bank's anti-corruption initiatives and the changes initiated by Wolfensohn. See USGAO (2000), 'World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain', Report to Congressional Committees, GAO/NSIAD-00-73, April.

58 Shihata, I. (2000), *The World Bank in a Changing World, Vol. III*, pp. 152–3, 148.

2 The Emergence of a Development Agency, 1944–1981

1 Biersteker refers to the 'mimetic' nature of the multilateral development bank (MDBs) and donor agencies. See, Biersteker, T. (1990), 'Reducing the Role of the State in the Economy: a Conceptual Exploration of IMF and World Bank Prescriptions', *International Studies Quarterly*, 34, pp. 477–92.

2 For an analysis of the way policy is developed at the Bank, see Miller-Adams, M. (1999), *The World Bank: New Agendas in a Changing World* (London: Routledge).

3 This role has grown in recent years. According to the Bank, 'The World Bank Group embarked on a new vision in 1996 – to become a Knowledge Bank that spurs the knowledge revolution in developing countries and acts as a global catalyst for creating, sharing, and applying the cutting-edge knowledge necessary for poverty reduction and economic development.' See http://www.worldbank.org/knowledgebank/.

4 Shihata, I. (2000), *The World Bank in a Changing World, Vol. III* (Dordrecht: Kluwer Law International), p. vii.

5 See, for example, Morganthau, H. (1945). 'Bretton Woods and International Co-operation', *Foreign Affairs*, 23 (2), pp. 182–94.

6 Prepared by the Americans and British in Atlantic City in late June 1944.

7 Mikesell, R. (1994), 'The Bretton Woods Debates: a Memoir', *Essays in International Finance*, No. 192, Princeton University, pp. 4–5.

8 Article 1 of the Bank's Articles of Agreement, in World Bank (1944), *Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)*, available at http://www.worldbank.org/html/extdr/backgrd/ibrd/arttoc.htm.

9 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods* (Washington DC: Brookings Institution), p. 51.

10 Four years after Bretton Woods, White was named as a communist spy, and was forced to testify before the Committee on UnAmerican Activities on 13 August 1948. Although acquitted, he died of a heart attack three days later. See Boughton, J. (1998). 'Harry Dexter White and the International Monetary Fund', *Finance & Development*, 35 (3), pp. 39–41.

11 Caufield, C. (1996), *Masters of Illusion: the World Bank and the Poverty of Nations* (New York: Henry Holt and Co., Inc.), p. 51.
12 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods*, p. 47.
13 Mikesell, R. (1994), 'The Bretton Woods Debates', p. 1.
14 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods*, pp. 3–4.
15 Caufield, C. (1996), *Masters of Illusion*, p. 53.
16 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods*, p. 799.
17 Each member has 250 votes plus one additional vote for each share of stock held, with voting decided by majority (Art. V. Sec. 3). The five largest shareholders in 1946 were the US (30.73%), the UK (12.72%), China (6.01%), France (5.28%), and India (4.08% – took the place of the Soviet Union who declined membership). The five largest shareholders as of July 2002 are the US (16.40%), Japan (7.87%), Germany (4.49%), France (4.31%) and the UK (4.31%).
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19 Quoted in Bello, W. (1994), *Dark Victory: the United States, Structural Adjustment, and Global Poverty* (London: Pluto Press), p. 12. Original: Stone, R. (1992), *The Nature of Development: a Report from the Rural Tropics on the Quest for Sustainable Economic Growth* (New York: Alfred Knopf), p. 37.
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21 Dobb, M. (1948), *Soviet Economic Development Since 1917*, p. 2.
22 Preston, P. W. (1996), *Development Theory*, p. 159.
23 James, H. (1996), *International Monetary Co-operation Since Bretton Woods* (New York: Oxford University Press for the IMF), p. 122.
24 See, for example, List, F. (1885), *The National System of Political Economy*, trans. Loyd, S. (London: Longmans, Green and Co); Hoselitz, B. (1960), 'Theories of Stages of Economic Growth', in Hoselitz, B. (ed.), *Theories of Economic Growth*. (Glencoe, IL: Free Press), pp. 193–238; Cahnman, W. and Heberle, R. (1971), *Ferdinand Toennies on Sociology: Pure, Applied, and Empirical* (Chicago: University of Chicago Press); Gottlieb, R. (1992), *Marxism 1844–1990: Origins, Betrayal, Rebirth* (London: Routledge).
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29 Kuznets, S. (1965), *Economic Growth and Structure: Selected Essays* (London: Heinemann Educational Books Ltd.), p. 227.
30 In addition to a postwar State Department role as Assistant Chief of the German-Austrian Economic Division, Rostow served in several prominent positions for the US government.
31 Preston, P. W. (1996), *Development Theory*, p. 177.
32 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods*, p. 97.
33 In 1949, Colombia became the first country to ask for the Bank's assistance in drawing up a plan for a loan application. Black sent a fourteen-person team (which included twelve Americans) to Colombia, resulting in a 642-page five-year plan. The Bank then helped the Colombian government set up a Commission on Economic Development (counselled by Bank staff) to analyse the report in order to determine whether or not to endorse it. When this was completed and the report had official government backing, the Bank helped to establish a National Planning Council to oversee execution of the plan (with Bank staff hired as permanent advisors). 'The Bank was now the driving force behind the decisions Colombia was making about its long-term development.' Caufield, C. (1996), *Masters of Illusion*, pp. 58–9.
34 World Bank (1954), *The International Bank for Reconstruction and Development, 1946–1953* (Baltimore: Johns Hopkins University Press), p. 9.
35 World Bank (1954), *The International Bank for Reconstruction and Development, 1946–1953*, pp. 135–6.
36 Mason, E. and Asher, R. (1973), *The World Bank Since Bretton Woods*, p. 62.
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48 Nkrumah, K. (1965), *Neo-Colonialism*, p. ix.

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50 The IDA is an agency of the World Bank that provides loans to the poorer countries at more favourable rates of interest and repayment and is funded solely through contributions from member countries. See Williams, M. (1994), *International Economic Organisations and the Third World* (London: Harvester Wheatsheaf), pp. 101–9.

51 Quoted in Caufield, C. (1996), *Masters of Illusion*, p. 91.

52 Woods, G. (1966), 'The Development Decade in the Balance', *Foreign Affairs*, 44 (2), p. 206.

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64 McNamara, R. (1981), *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara 1968–1981* (Baltimore: Johns Hopkins University Press), p. 6.
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73 For example, a poor sugar harvest in Cuba, the USSR and Europe, combined with the OPEC oil embargo, forced sugar prices through the roof. In 1973, the world market price was GB£99.46, but increased to GB£305.13 in 1974; see, Mahler, V. (1981), 'Britain, the European Community, and the Developing Commonwealth: Dependence, Interdependence, and the Political Economy of Sugar', *International Organization*, 35 (3), Summer, p. 477.
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75 McNamara, R. (1981), *The McNamara Years at the World Bank*, p. 291.
76 Shapley, D. (1993), *Promise and Power*, p. 518.
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88 Makin, J. (1984), *The Global Debt Crisis* (New York: Basic Books), pp. 14–15, 136.

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98 Shapley, D. (1993), *Promise and Power*, pp. 578–9.

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100 McNamara, R. (1981), *The McNamara Years at the World Bank*, pp. 549, 602–3.

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105 Cingranelli, D. (1993), *Ethics, American Foreign Policy, and the Third World* (New York: St. Martin's Press, Inc.), pp. 196–7.

106 Caufield, C. (1996), *Masters of Illusion*, p. 204. As Caufield points out, this does not mean that it did not influence the Bank to make improper loans for political reasons. One example is a $1.25 billion loan to Argentina, made in 1988, despite Bank staff objections to the country's fiscal policies. Secretary of State Baker, a close friend of Bank president Barber Conable, 'wanted to forestall social unrest in Latin America during the run-up to the US presidential election'. The Bank was forced to cancel the loan four months later when it proved unviable (p. 204).

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122 Bello, W. (1994), *Dark Victory: the United States, Structural Adjustment, and Global Poverty* (London: Pluto Press), p. 5.

123 Chossudovsky, M. (1997), *The Globalisation of Poverty: Impacts of IMF and World Bank Reforms* (London: Zed Books), p. 76.

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126 Mosley, P. (1987), 'Conditionality as Bargaining Process', p. 22. Mosley's overall point is supported by others; for example, Kahler, M. (1992). 'External Influence, Conditionality, and the Politics of Adjustment', in Haggard, S. and Kaufmann, R. (eds), *The Politics of Economic Adjustment* (Princeton: Princeton University Press), pp. 89–136.

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3 The Path to the World Bank's Anti-Corruption Programme

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9 Sandbrook, R. (2000), *Closing the Circle: Democratisation and Development in Africa*. London: Zed Books Ltd., p. 2.

10 Pye, L. (1990), 'Political Science and the Crisis of Authoritarianism', *American Political Science Review*, 84 (1), p. 17, note 4.

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14 Lipset, S. M. (1981), *Political Man: the Social Bases of Politics*, orig. 1959, (Baltimore: Johns Hopkins University Press), p. 31.

15 Lipset explained that this is the 'capacity of a political system to engender and maintain the belief that existing political institutions are the

most appropriate or proper ones for the society'. Lipset, S. M. (1959), 'Some Social Requisites of Democracy', p. 86.

16 Lipset, S. M. (1959), 'Some Social Requisites of Democracy', pp. 79–86.

17 Lipset, S. M. (1959), 'Some Social Requisites of Democracy', p. 101. Interestingly, Lipset revisited his 1959 article in 1994 and reached similar conclusions. The 1994 article is more ideological though, with democracy clearly labelled 'desirable' and not just as the product of modernization. This perhaps reflects the changing orthodoxy of the times. Lipset, S. M. (1994). 'The Social Requisites of Democracy Revisited', *American Sociological Review*, 59 (1), pp. 1–22.

18 Moore, B. Jr. (1966), *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (London: Penguin Books), pp. 413–14.

19 Rustow, D. (1967), *A World of Nations: Problems of Political Modernization* (Washington DC: Brookings Institution), p. 104.

20 Friedman, M. (1962) *Capitalism and Freedom* (Chicago: University of Chicago Press), p. 10. Friedman here is arguing against socialism and not necessarily for democracy.

21 Huntington, S. (1968), *Political Order in Changing Societies* (New Haven: Yale University Press), p. 4. For a similar argument, see Przeworski, A. and Limongi, F. (1995), 'Political Regimes and Economic Growth', in Bagchi, A. K. (ed.), *Democracy and Development: Proceedings of the IEA Conference held in Barcelona, Spain* (London: Macmillan Press Ltd./International Economic Association), p. 4.

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23 In this context, Cold War scholars made the distinction between capitalist/authoritarian regimes (that is, the South) and communist/totalitarian regimes (that is, the East). See Karl, T. and Schmitter, P. (1996), 'Democratization Around the Globe: Opportunities and Risks', in Jameson, K. and Wilber, C. (eds), *The Political Economy of Development and Undevelopment*, 6th ed. (New York: McGraw-Hill), pp. 170–1. This distinction is important in that the major proponents of this hypothesis came from the right. I am grateful to Dr Anna Dickson for this point.

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28 See Doyle, M. (1983), 'Kant, Liberal Legacies, and Foreign Affairs, Part 1', *Philosophy and Public Affairs*, 12 (3), pp. 205–35; Doyle, M. (1983), 'Kant, Liberal Legacies, and Foreign Affairs, Part 2', *Philosophy and Public Affairs*, 12 (4), pp. 323–53; Doyle, M. (1986), 'Liberalism and World Politics', *American Political Science Review*, 80 (4), pp. 1151–69; Oneal, J. and Russett, B. (1999), 'The Kantian Peace: The Pacific Benefits of Democracy, Interdependence, and International Organizations, 1885–1992', *World*

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30 Cited in USAID (1999), *Center Report on Assistance for Democratic Development*, (Washington DC: USAID–CDG), p. 3.

31 Fukuyama, F. (1992), *The End of History and the Last Man* (London: Penguin Books). Based on his original article of 1989, 'The End of History?', The *National Interest*. 16 (Summer), pp. 3–18.

32 For an interesting statistical analysis to show its empirical flaws, see Spiro, D. (1994), 'The Insignificance of the Liberal Peace', *International Security*, 19 (2), pp. 50–86.

33 Zakaria, F. (1997), 'Illiberal Democracy', *Foreign Affairs*, 76 (6), p. 36. See also, Walt, S. (1999). 'Never Say Never: Wishful Thinking on Democracy and War', *Foreign Affairs*, 78 (1), pp. 146–51.

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35 Layne, C. (994), 'Kant or Cant', p. 5.

36 Walt, S. (1999). 'Never Say Never', p. 146.

37 O'Donnell writes of the 'overshadowing' of political scientists in this field by economists, 'often "leveraged" by jobs in international financial institutions', but clearly sees no problem with this situation, instead focusing his criticism on the lack of an effective typology of democracy for econometric research. O'Donnell, G. (1995), 'Do Economists Know Best?', *Journal of Democracy*, 6 (1), pp. 23–8.

38 Gillies, D. (1996), 'Human Rights, Democracy and Good Governance: Stretching the World Bank's Policy Frontiers', in Griesgraber, J. and Gunter, B. (eds), *The World Bank: Lending on a Global Scale* (London: Pluto Press), pp. 109–10. This is despite the fact that the evidence from established democracies in the developing world, such as India and Jamaica, shows that democracy does not necessarily lead to popular participation. Socio-economic factors, such as wealth and education, are the big determining factors. See Robinson, M. (1998). 'Democracy, Participation, and Public Policy: the Politics of Institutional Design', in Robinson, M. and White, G. (eds), *The Democratic Developmental State: Politics and Institutional Design* (Oxford: Oxford University Press), pp. 180–91.

39 A comparison could be drawn between this work by economists trying to prove that democracy is indeed good for economic growth and work done by biblical archaeologists who use the Bible to interpret findings, rather than the other way around, as is the norm.

40 World Bank (1991), *World Development Report* (Oxford: Oxford University Press), p. 4.

41 Klitgaard, R. (1994), 'Do Better Polities Have Higher Economic Growth?', IRIS Working Paper No. 113, June, p. 6. The data Klitgaard uses are found in Scully, G. (1992), *Constitutional Environments and Economic Growth* (Princeton: Princeton University Press), p. 176.

42 Klitgaard, R. (1994), 'Do Better Polities Have Higher Economic Growth?', p. 8.

43 Knack and Keefer both work in the World Bank's research department. See Knack, S. and Keefer, P. (1997), 'Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation', *Economic Inquiry*, 35 (July), pp. 590–602; Keefer, P. (1993), 'Checks and Balances, Rent-Seeking and Economic Development', IRIS Working Paper No. 29 (College Park, MD: IRIS); Knack, S. and Keefer, P. (1995), 'Institutions and Economic Performance: Cross Country Tests Using Alternative Institutional Measures', *Economics and Politics*, 7 (3), pp. 207–27; Knack, S. and Keefer, P. (1997), 'Does Social Capital Have an Economic Payoff? A Country Investigation', IRIS Working Paper No. 197 (College Park, MD: IRIS).

44 Measures of freedom include banking and finance, capital flows and foreign investment, monetary policy, the fiscal burden of government, trade policy, wages and prices, government intervention in the economy, property rights, regulation and black markets.

45 Driscoll, G. Jr., Holmes, K. and Kirkpatrick, M. (2000), 'Who's Free, Who's Not: the Difference between Prosperity and Poverty is Liberty', *Wall Street Journal*, 1 November. See also, Heritage Foundation (2000), 'Global Economic Freedom Continues to Gain, Survey Shows', *The Heritage Foundation News*, 1 November; Driscoll, G. Jr., Holmes, K. and Kirkpatrick, M. (2000), *2001 Index of Economic Freedom* (Washington DC: Heritage Foundation & the Wall Street Journal).

46 Bardhan, P. (1990), 'Symposium on the State and Economic Development', *Journal of Economic Perspectives*, 4 (3), p. 5.

47 See Weber, M. (1964), *The Theory of Social and Economic Organizations*, tr. by Henderson, A. M. and Parsons, T. (New York: Free Press). Ironically, Weber said, 'It is completely ridiculous to attribute to today's advanced capitalism an elective affinity with "democracy" not to mention "freedom" (in *any* meaning of the word).' Cited in Rueschemeyer, D., Stephens, E. and Stephens, J. (1992), *Capitalist Development and Democracy* (Cambridge: Polity Press), p. 21. Original: Weber, M. (1906), 'Zur Lage der bürgerlichen Demkratie in Russland', *Archiv für Sozialwissenschaft und Sozialpolitik*, NS 22, p. 347.

48 Sørensen, G. (1991), *Democracy, Dictatorship and Development: Economic Development in Selected Regimes of the Third World* (London: Macmillan Press Ltd.), pp. 66–7.

49 World Bank (1991), *World Development Report*, pp. 9–10.

50 Maravall, J. M. (1994), 'The Myth of the Authoritarian Advantage', p. 19.

51 Przeworski, A., Alvarez, M., Cheibub, J. A. and Limongi, F. (2000), *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1990* (Cambridge: Cambridge University Press), p. 18.

52 Przeworski, A. et al. (2000), *Democracy and Development*, p. 106.

53 Clearly there are pre-existing moral judgements at work here about the value of democracy itself. Przeworski, A. et al. (2000), *Democracy and Development*, pp. 178, 271.

54 Cited in Przeworski, A. et al. (2000), *Democracy and Development*, p. 210. Original: Marx, K. (1952), *The Class Struggle in France, 1848 to 1850*

(Moscow: Progress Publishers), p. 62. In a different text, Przeworski also contradicts Marx's theory on the Bonapartist dictatorship, arguing instead that in capitalist democracies, democracy protects capitalists' interests through participation. Przeworski, A. (1985), *Capitalism and Social Democracy* (Cambridge: Cambridge University Press), pp. 142–3. See Marx, K. (1934), *The Eighteenth Brumaire of Louis Bonaparte* (Moscow: Progress Publishers).

55 Przeworski, A. et al. (2000), *Democracy and Development*, p. 211.

56 The use of 'well-being' rather than economic growth is of great significance. Traditionally, development has been measured in terms of economic growth, but a growing number of scholars argue that economic growth is not sufficient because it does not measure factors such as income distribution. This argument culminated in the annual publication of the UN's Human Development Index, which measures growth, in addition to factors such as literacy and infant mortality rates. Although there is a great deal to be said for this alternative view of development, the World Bank sticks to the orthodox measurements of growth and only pays lip service to this notion of 'well-being'.

57 For example, if China's total income in 1998 was $928.9 billion and Ireland's total income was $67.5 billion, it appears that China is significantly wealthier than Ireland. However, with a Chinese population totalling over 1.2 billion and an Irish population of only 4 million, per capita incomes are $750 and $18 340, respectively, telling a different story entirely. I am grateful to Dr Mark Aspinwall for clarification here. Income figures from World Bank (2000), *World Development Report 1999/2000* (Oxford: Oxford University Press), pp. 230–1.

58 Przeworski, A. and Limongi, F. (1995). 'Political Regimes and Economic Growth', pp. 11–12. One can only guess at how the authors' views changed so dramatically from 1995 to 2000.

59 White, G. (1998), 'Constructing a Democratic Developmental State', in Robinson, M. and White, G. (eds), *The Democratic Developmental State: Politics and Institutional Design* (Oxford: Oxford University Press), p. 22.

60 Dick, G. W. (1974), 'Authoritarian versus Non-authoritarian Approaches to Economic Development', *Journal of Political Economy*, 82 (4), pp. 822–3.

61 Dasgupta, P. (1993), *An Inquiry into Well-Being and Destitution* (Oxford: Clarendon Press).

62 The basic assumption that underpins the Bank's work is that economic growth is essential for development, and has been held by the Bank since its inception, despite various manifestations within its development philosophy. Despite recent in-house criticism of this approach, as well as extensive outside criticism, the Bank stands by the assumption that growth is essential for development.

63 A clear example of this is Ake, who presents a paradigm of development in which development equals human well-being, rather than economic growth, and in which democracy is vital for human well-being. See Ake, C. (1996), *Democracy and Development in Africa* (Washington DC: Brookings Institution), especially Chapter 5. Dasgupta's argument is similar.

64 Diamond, L. (1992), 'Economic Development and Democracy Reconsidered', *American Behavioral Scientist*, 36 (4/5), p. 460.
65 Diamond, L. (1992), 'Economic Development and Democracy Reconsidered', p. 486.
66 He refers here to the landmark study by Almond and Verba. See Almond, G. and Verba, S. (1963), *The Civic Culture: Political Attitudes and Democracy in Five Nations* (Princeton: Princeton University Press).
67 Diamond, L. (1992), 'Economic Development and Democracy Reconsidered', p. 487.
68 Diamond, L. (1992), 'Economic Development and Democracy Reconsidered', p. 488.
69 Leftwich, A. (1996), 'On the Primacy of Politics in Development', in Leftwich, A. (ed.), *Democracy and Development* (Cambridge: Polity Press), p. 4.
70 Saul, J. (1997). '"For Fear of Being Condemned as Old Fashioned": Liberal Democracy vs. Popular Democracy in Sub-Saharan Africa', *Review of African Political Economy*, 24 (73), p. 341.
71 Dickson, A. (1997), *Development and International Relations: a Critical Introduction* (Cambridge: Polity Press), p. 140. Leftwich adds to this first list: Malaysia, Botswana, Taiwan, China and Thailand.
72 There is not room here for an in-depth treatment of the NIC paradox, but excellent discussions can be found in Haggard, S. (1990), *Pathways from the Periphery: the Politics of Growth in the Newly Industrialising Countries* (Ithaca: Cornell University Press); Moran, J. (1999), 'Patterns of Corruption and Development in East Asia', *Third World Quarterly*, 20 (3), pp. 569–87; Moon, C. and Kim, Y. (1996), 'A Circle of Paradox: Development, Politics and Democracy in South Korea' in Leftwich, A. (ed.), *Democracy and Development: Theory and Practice* (Cambridge: Polity Press), pp. 137–67; Gills, B. (1993), 'Korean Capitalism and Democracy' in Gills, B., Rocamora, J. and Willson, R. (eds), *Low-Intensity Democracy: Political Power in the New World Order* (London: Pluto Press), pp. 226–57. Prior to the late 1990s' financial crisis, the World Bank argued that developing countries should model themselves on the East Asian model. See World Bank (1993), *The East Asian Miracle: Economic Growth and Public Policy* (Oxford: Oxford University Press). The financial crisis changed this, which the Bank blamed, in part, on an invasive and corrupt state. See, for example, Claessens, C. and Glaessner, T. (1997), *Are Financial Sector Weaknesses Undermining the East Asian Miracle?* (Washington DC: World Bank).
73 Haggard, S. (1990), *Pathways from the Periphery*, pp. 255–6.
74 Cited in Doig, A. (2000), 'In the State We Trust? Democratisation, Corruption and Development', in Doig, A. and Theobald, R. (eds), *Corruption and Democratisation* (London: Frank Cass & Co. Ltd.), p. 13. Original: Sandbrook, R. and Oelbaum, J. (1997), 'Reforming Dysfunctional Institutions Through Democratisation? Reflections on Ghana', *Journal of Modern African Studies*, 35 (4), p. 608.
75 Wintrobe, R. (1998), *The Political Economy of Dictatorship* (Cambridge: Cambridge University Press), p. 128.
76 Johnson, C. (1982), *MITI and the Japanese Miracle: the Growth of Industrial Policy, 1925–1975* (Stanford: Stanford University Press), p. vii.

77 Leftwich, A. (1996), 'Two Cheers for Democracy? Democracy and the Developmental State', in Leftwich, A. (ed.), *Democracy and Development* (Cambridge: Polity Press), p. 284.
78 Leftwich, A. (1994), 'Governance, the State and the Politics of Development', *Development & Change*, 25 (2), pp. 377–81.
79 White, G. (1984), 'Developmental States and Socialist Industrialization in the Third World', *Journal of Development Studies*. 21 (1), pp. 98–101.
80 Huntington, S. (1987), 'The Goals of Development', in Weiner, M. and Huntington, S. (eds), *Understanding Political Development* (Boston: Little, Brown), pp. 25–6.
81 White, G. (1998), 'Constructing a Democratic Developmental State', p. 29.
82 Sørensen, G. (1991), *Democracy, Dictatorship and Development*, p. 184.
83 Wintrobe, R. (1998), *The Political Economy of Dictatorship*, pp. 7–14.
84 Wintrobe, R. (1998), *The Political Economy of Dictatorship*, p. 149 (emphasis in original).
85 Leftwich, A. (1994), 'Governance, the State and the Politics of Development', p. 365.
86 White, G. (1998), 'Constructing a Democratic Developmental State', pp. 23, 42.
87 White, G. (1998), 'Constructing a Democratic Developmental State', p. 24.
88 Rueschemeyer, D., Stephens, E. and Stephens, J. (1992), *Capitalist Development and Democracy*, pp. 5, 302. See also, Huber, E., Rueschemeyer, D. and Stephens, J. (1993), 'The Impact of Economic Development on Democracy', *The Journal of Economic Perspectives*. 7 (3), pp. 71–86.
89 Healey, J. and Robinson, M. (1992), *Democracy, Governance and Economic Policy: Sub-Saharan Africa in Comparative Perspective*, (London: Overseas Development Institute), p. 122.
90 Healey, J. and Robinson, M. (1992), *Democracy, Governance and Economic Policy*, p. 124.
91 Roemer, J. (1995), 'On the Relationship between Economic Development and Political Development', in Baguhi, A. K. (ed.), *Democracy and Development: Proceedings of the IEA Conference held in Barcelona, Spain* (London: Macmillan Press Ltd./International Economic Association), p. 53.
92 Robinson, M. (1993), 'Aid, Democratisation and Political Conditionality in Sub-Saharan Africa', pp. 90–1.
93 Nelson, J. (1992), 'Good Governance: Democracy and Conditional Economic Aid', in Mosley, P. (ed.), *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries* (London: Macmillan Press Ltd.), p. 313.
94 Cassen, R. (1994), *Does Aid Work?*, 2nd ed. (Oxford: Oxford University Press), p. 59.
95 Nelson, J. (1992), 'Good Governance', p. 315.
96 Here Collier is referring to the economic conditions of SAPs, but he transfers this same reasoning to his more recent forays into political conditions, especially for anti-corruption work.

97 He defines an 'agency of restraint' as 'the institutional arrangement whereby a government locks itself into a policy'. Collier, P. (1999), 'Learning from Failure: the International Financial Institutions as Agencies of Restraint in Africa', in Schedler, A., Diamond, L. and Plattner, M. et al (eds), *The Self-Restraining State: Power and Accountability in New Democracies* (London: Lynne Rienner Publishers), p. 314.

98 Collier, P. (1999), 'Learning from Failure', pp. 314–15.

99 Collier, P. (1999), 'Learning from Failure', pp. 316–17.

100 Baylies, C. (1995), '"Political Conditionality" and Democratization', p. 325.

101 Nelson, J. (1992), 'Good Governance', p. 312.

102 Baylies, C. (1995), '"Political Conditionality" and Democratization', p. 324.

103 In his 1980 inaugural address, Reagan famously said, '"Government is not the solution to our problem; government is the problem"', quoted in Hogan, J. (1988), 'The Office of Management and Budget and Reaganomics', pp. 97–8.

104 World Bank (1997), *World Development Report* (New York: Oxford University Press), p. iii.

105 Cassen, R. (1994), *Does Aid Work?*, pp. 82–3.

106 Burnell, P. (1993), '"Good Government" and Foreign Aid', PAIS Working Paper No. 115, University of Warwick, January, pp. 10–11.

107 Collier, P. (1999), 'Learning from Failure', p. 323.

108 Culpepper, R. (1996), 'Multilateral Development Banks: Toward a New Division of Labour', in Griesgraber, J. and Gunter, B. (eds), *Development: New Paradigms and Principles for the Twenty-first Century* (London: Pluto Press), p. 65; see also Gordon, D. (1992), 'Conditionality in Policy-Based Lending in Africa: USAID Experience', in Mosley, P. (ed.), *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries* (London: Macmillan Press Ltd.), pp. 25–53.

109 Ardito-Barletta, N. (1994), 'Managing Development and Transition', in Kenen, P. (ed.), *Managing the World Economy Fifty Years After Bretton Woods* (Washington DC: Institute for International Economics), p. 197. This seems unlikely that this is a real concern for the Bank, considering the attention being paid to the issue by all major donor organizations, NGOs, the United Nations and the world's media.

110 ul Haq, M. (1994), 'The Bretton Woods Institutions and Global Governance', in Kenen, P. (ed.), *Managing the World Economy Fifty Years After Bretton Woods* (Washington DC: Institute for International Economics), p. 411.

111 Huntington, S. (1991), *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press).

112 Hewitt, A. and Killick, T. (1996), 'Bilateral Aid Conditionality and Policy Leverage', p. 136.

113 Ben-Dor, G. (1974), 'Corruption, Institutionalization, and Political Development', *Comparative Political Studies*, 7 (1), p. 69.

114 Heidenheimer, A. (ed.) (1970), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart and Winston, pp. 480–1;

Ben-Dor, G. (1974), 'Corruption, Institutionalization, and Political Development', p. 65.

115 Leys, C. (1970), 'What is the Problem about Corruption?', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart and Winston), p. 36. Originally appeared under the same title in 1965, *Journal of Modern African Studies*, 3 (2), pp. 215–24. Leff, N. (1970), 'Economic Development through Bureaucratic Corruption', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart and Winston), p. 510. Originally appeared under the same title in 1964, *American Behavioral Scientist*, 8 (3), pp. 8–14. The authors were quick to point out that 'can' is not the same as 'will'.

116 However, it is important to note that this is only the case if the money ends up in capital investment and not in Swiss bank accounts.

117 Leys, C. (1970), 'What is the Problem About Corruption?', p. 36.

118 Leys, C. (1970), 'What is the Problem About Corruption?', p. 36, note 26. See also Nye's point on corruption's beneficial impact on the integration of non-elites. Nye, J. S. (1970), 'Corruption and Political Development: a Cost-Benefit Analysis', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart and Winston), pp. 568–9. Originally appeared under the same title in 1967, *American Political Science Review*, 61 (2), pp. 417–27.

119 Khan, M. (1998). 'Patron-Client Networks and the Economic Effects of Corruption in Asia', in Robinson, M. (ed.), *Corruption and Development* (London: Frank Cass), pp. 15–39.

120 Nye, J. S. (1970). 'Corruption and Political Development: a Cost-Benefit Analysis', pp. 567–8.

121 Interestingly, as early as 1967, Nye wrote, 'If corruption is a consideration with donors (presumably it weighs more heavily with multilateral institutions), it is not yet a primary one.' Nye, J. S. (1970), 'Corruption and Political Development', p. 570. Nye did not explain his presumption, but it does at least indicate an early academic concern with corruption and the World Bank.

122 Nye, J. S. (1970). 'Corruption and Political Development', pp. 570–572.

123 Scott, J. C. (1969). 'The Analysis of Corruption in Developing Nations'. *Comparative Studies in Society & History*. 11(2), pp. 324–325.

124 Scott, J. C. (1969), 'The Analysis of Corruption in Developing Nations', pp. 326–7; Scott, J. C. (1970), 'Corruption, Machine Politics, and Political Change', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart and Winston), p. 549. Originally appeared in 1969, 'Corruption, Machine Politics, and Social Change', *American Political Science Review*, 63 (4), pp. 1142–59. See also, Scott, J. C. (1972), *Comparative Political Corruption*, (Englewood Cliffs, NJ: Prentice-Hall).

125 Huntington, S. (1968), *Political Order in Changing Societies*, p. 69.

126 See Williams, R. (1999), 'New Concepts for Old?', *Third World Quarterly*. 20 (3), p. 506.

127 Myrdal, G. (1970), 'Corruption: its Causes and Effects', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis*, pp. 540–5.

Originally appeared under the same title in 1968, *Asian Drama: an Enquiry into the Poverty of Nations (Vol. II)* (Harmondsworth: Penguin Books), pp. 951–8.

128 Krueger, A. (1974), 'The Political Economy of the Rent-Seeking Society', *The American Economic Review*, 64 (June), pp. 291–303. See also, Buchanan, J. (ed.) (1980), *Toward a Theory of the Rent-Seeking Society* (Texas: Texas A & M University Press); Bhagwati, J. (1982), 'Directly Unproductive, Profit-Seeking (DUP) Activities', *Journal of Political Economy*, 90 (5), pp. 988–1002.

129 Rose-Ackerman, S. (1999), *Corruption and Government: Causes, Consequences, and Reform* (Cambridge: Cambridge University Press), p. 2.

130 Krueger, A. (1974), 'The Political Economy of the Rent-Seeking Society', p. 295.

131 Myrdal, G. (1970), 'Corruption', p. 541.

132 Myrdal, G. (1970), 'Corruption', p. 541.

133 Waterbury, J. (1973), 'Endemic and Planned Corruption in a Monarchical Regime', *World Politics*, 25 (4), pp. 543–55.

134 Rose-Ackerman, S. (1978), *Corruption: a Study in Political Economy* (New York: Academic Press).

135 Klitgaard, R. (1988), *Controlling Corruption* (Berkeley: University of California Press).

136 Klitgaard has worked as a consultant to the Bank on corruption, while Rose-Ackerman was also a visiting scholar at the Bank in the mid-1990s. While working as a visiting scholar at the World Bank, Rose-Ackerman published the following papers: (1996), 'The Political Economy of Corruption – Causes and Consequences', Public Policy for the Private Sector Note No. 74 (Washington DC: World Bank); (1996), 'Redesigning the State to Fight Corruption'. Viewpoint Note No. 75 (Washington DC: World Bank); (1996), 'Democracy and "Grand" Corruption', *International Social Science Journal*, 48, pp. 365–80; (1996), 'Is Leaner Government Cleaner Government?', published in Spanish as '¿Una Administracion Reducida Significa una Administracion Mas Limpia?', *Nueva Sociedad*. 145 (Sept-Oct), pp. 66–79; with Coolidge, J. (1997), 'High-Level Rent-Seeking and Corruption in African Regimes', Policy Research Working Paper No. 1780 (Washington DC: World Bank); (1997), 'When is Corruption Harmful?', background paper for 1997 WDR (Washington DC: World Bank); (1997), 'Corruption, Inefficiency and Economic Growth', *Nordic Journal of Political Economy*, 24, pp. 3–20; (1997), 'The Political Economy of Corruption', in Elliot, K. (ed.), *Corruption and the Global Economy* (Washington DC: Institute for International Economics), pp. 31–60; (1997), 'The Role of the World Bank in Controlling Corruption', *Law & Policy in International Business*, 29 (1), pp. 93–114; with Stone, A. (1998), 'The Burden of Bribery on Private Business: Evidence from World Bank Surveys', draft working paper (Washington DC: World Bank); (1998), 'Corruption and Development', in Pleskovic, B. and Stiglitz, J. (eds), *Annual World Bank Conference on Development Economics, 1997* (Washington DC: World Bank), pp. 35–57.

137 Klitgaard, R. (1988), *Controlling Corruption*, p. 22.

138 Klitgaard, R. (1988), *Controlling Corruption*, p. 24; see also, Rose-Ackerman, S. (1978). *Corruption*, p. 9.
139 Rose-Ackerman, S. (1978), *Corruption*, p. 9 (emphasis in original).
140 Ostensible involves determining the treatment while strategic involves how to get it implemented.
141 Klitgaard, R. (1988), *Controlling Corruption*, pp. 183–9.
142 Rose-Ackerman, S. (1997), 'The Role of the World Bank in Controlling Corruption', pp. 113–14.
143 UNDP (2002), *Human Development Report 2002: Deepening Democracy in a Fragmented World* (New York: Oxford University Press), p. 51.
144 UNDP (2002), *Human Development Report*, p. 56.
145 Johnston, M. (2000), 'Corruption and Democracy: Threats to Development, Opportunities for Reform'. Colgate University, mimeo, p. 19.
146 Johnston, M. (2000), 'Corruption and Democracy', pp. 20–1.
147 Johnston, M. (2000), 'Corruption and Democracy', p. 32.
148 World Bank (2001), *World Development Report 2002* (Oxford: Oxford University Press).
149 World Bank (2001), *World Development Report 2002*, p. 108.
150 World Bank (2001), *World Development Report 2002*, p. 109.
151 See, for example, Pharr, S. and Putnam, R. (2000), *Disaffected Democracies: What's Troubling the Trilateral Countries* (Princeton: Princeton University Press).
152 Cited in Zakaria, F. (1997), 'Illiberal Democracy', *Foreign Affairs*, 76 (6), pp. 22–43.
153 Huntington, S. (1968), *Political Order in Changing Societies* (New Haven: Yale University Press), p. 59.
154 Huntington, S. (1968), *Political Order in Changing Societies*, pp. 59–61.
155 Huntington, S. (1968), *Political Order in Changing Societies*, p. 62.
156 Veloso Abueva, J. (1970), 'The Contributions of Nepotism, Spoils and Graft to Political Development', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis*, (New Brunswick, NJ: Transaction Books), pp. 534–9. Original: (1966), 'The Contributions of Nepotism, Spoils and Graft to Political Development', *East–West Center Review*, 3, pp. 45–54.
157 Khan, M. (1998), 'Patron-Client Networks and the Economic Effects of Corruption in Asia', in Robinson, M. (ed.), *Corruption and Development* (London: Frank Cass), pp. 32–5.
158 Scott wrote about machine building and corruption in the United States and drew conclusions for developing countries, based on this experience, which saw the machine 'fashion a cacophony of concrete, parochial demands in immigrant-choked cities into a system of rule that was at once reasonably effective and legitimate' (p. 550). The 'machine' is a way of organizing voters through a system of exchanging votes for influence and material rewards, with a 'boss' and loyal followers. See Scott, J. C. (1970), 'Corruption, Machine Politics, and Political Change', in Heidenheimer, A. (ed.), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart and Winston), pp. 549–63. Original: Scott, J. C. (1969), 'Corruption,

Machine Politics, and Social Change', *American Political Science Review*, 63 (4), pp. 1142–59.

159 Perkins, D. (2000), 'When is Political Corruption Good for Democracy? A Comparative Analysis of Political Machines', paper presented at the 2000 Annual Meeting of the American Political Science Association, Washington DC, 31 August – 3 September, p. 21.

160 Perkins, D. (2000), 'When is Political Corruption Good for Democracy?', p. 3.

161 Portes, A. (1998) 'Social Capital: its Origins and Applications in Modern Sociology', *Annual Review of Sociology*, 24, pp. 1–24.

162 Warren, M. (2001), 'Social Capital and Corruption', Georgetown University, mimeo, p. 8.

163 Warren, M. (2001), 'Social Capital and Corruption', p. 2.

164 Moran, J. (2001), 'Democratic Transitions and Forms of Corruption', *Crime, Law & Social Change*, 36 (4), pp. 381–3.

165 Moran, J. (2001), 'Democratic Transitions and Forms of Corruption', p. 383.

166 Moran, J. (2001), 'Democratic Transitions and Forms of Corruption', pp. 383–6.

167 Moran, J. (2001), 'Democratic Transitions and Forms of Corruption', pp. 388–9.

168 Moran, J. (2001), 'Democratic Transitions and Forms of Corruption', p. 389.

169 Harriss-White, B. and White, G. (1996), 'Corruption, Liberalisation and Democracy', *IDS Bulletin*, 27 (2), p. 3.

170 Whitehead, L. (2002), *Democratization: Theory and Experience* (Oxford: Oxford University Press), p. 118.

171 Whitehead, L. (2002), *Democratization*, pp. 118–19.

172 Schumpeter, J. (1942), *Capitalism, Socialism and Democracy* (London: George Allen & Unwin).

173 Downs, A. (1957), *An Economic Theory of Democracy* (New York: Harper & Row Publishers).

174 Ball, T. (1988), *Transforming Political Discourse: Political Theory and Critical Conceptual History* (Oxford: Basil Blackwell), p. 122. Both Klitgaard and Rose-Ackerman are proponents of rational choice theories of corruption.

175 Ball, T. (1988), *Transforming Political Discourse*, p. 136. An interesting example of this is found in a paper by Klitgaard, in which he includes an anecdote about meeting Raymond Gastil, author of *Freedom in the World*, who expressed displeasure that his index of political and civil rights was being linked to economic growth in Klitgaard's work. Klitgaard says that he tried to explain the methodology to Gastil but he did not seem to understand. With the tone in which Klitgaard recounts this story, one can almost imagine a wink at his fellow economists. Klitgaard, R. (1994), 'Do Better Polities Have Higher Economic Growth?', IRIS Working Paper No. 113, p. 5.

176 World Bank (1997), *Helping Countries Combat Corruption: the Role of the World Bank* (Washington DC: World Bank), p. 8 (emphasis in original). For an excellent approach to the problems of defining corruption, see Philp, M. (1997), 'Defining Political Corruption', *Political Studies: Special Issue – Political Corruption*, 45 (3), pp. 436–62. In the most recent World

Development Report, the Bank refers to its definition as 'the classic definition of corruption'. World Bank (2001), *World Development Report 2002* (Oxford: Oxford University Press), p. 101. The Bank should perhaps draw a distinction between 'often-cited' and 'classic.'

177 Sørensen, G. (1998), *Democracy and Democratization: Processes and Prospects in a Changing World* (Boulder: Westview Press), pp. 12–13.; see also, Dahl, R. (1971), *Polyarchy: Participation and Opposition* (New Haven: Yale University Press).

178 For example, Singapore is not a liberal democracy but has low levels of corruption, partly as a result of its successful Corrupt Practices Investigation Bureau (CPIB), established in 1952.

179 World Bank (1992), *Governance and Development* (Washington DC: World Bank), p. 1.

180 UNDP (1997), *Corruption and Good Governance* (New York: UNDP), p. v.

181 USAID (1996), 'USAID's Strategies for Sustainable Development: Building Democracy', available at http://www.info.usaid.gov/democracy/strategy.htm.

182 Chaulker, L. (1991), 'Good Government and the Aid Programme', speech given at the Royal Institute of International Affairs, London, 25 June.

183 DfID (2000), 'Governance Department', available at http://www.dfid.gov.uk.

184 EU (1989), 'Fourth Lomé Convention', Document 291A0817(01), available at http://www.europa.eu.int/eur-lex/en/lif/dat/1991/en_291A0817_01.html. The EU has taken the longest of all major donors to articulate a cohesive governance agenda, but this reflects the uniqueness of its aid programme and its relationship with the majority of LDCs through Lomé. A recent article by Dickson shows how human rights and democracy have crept into the EU's agenda with its ACP partners. Dickson, A. (2000), 'Bridging the Gap: Great Expectations for EU Development Co-operation Policies', *Current Politics and Economics of Europe*, 9 (3), pp. 275–96. Refer also to specific articles in *The Courier*, including 'Memorandum on the Community's Development Policy', *The Courier*, No. 76, November–December 1982, pp. 48–74; 'Negotiations Diary', *The Courier*, No. 83, January–February 1984, pp. i–xvi; 'Brussels – Second Ministerial Meeting in the ACP–EEC Negotiations', *The Courier*, No. 84, March–April 1984, pp. i–xxii; 'Negotiations Update', *The Courier*, No. 85, May–June 1984, pp. i–xii.

185 DANIDA (1997), *Denmark's Development Assistance 1996* (Copenhagen: DANIDA); see also, Marquette, H. (1999), 'Selected European Countries' Approaches to Development and Good Governance', briefing paper for DfID, mimeo.

186 Many other factors also affect the Bank's decision, such as the nature of the projects, and so on, but restrictions of space and time preclude a discussion.

187 In 2000, IBRD disbursed $10.9 billion, with Sub-Saharan Africa receiving only 1 per cent of that total, while IDA disbursed $4.4 billion, with 47 per cent going to Sub-Saharan Africa. World Bank (2000), *World Bank Annual Report 2000* (Washington DC: World Bank), pp. 9–10. The Bank also lends comparatively little to the Middle East, where demand for

Bank loans has historically been very low and bilateral funding is plentiful.

188 World Bank figures for Europe include Central Asia and cannot be separated out of the total.

189 World Bank (1981), *Accelerated Development in Sub-Saharan Africa: an Agenda for Action* (Washington DC: World Bank), pp. 40–41.

190 World Bank (1983), *World Development Report 1983* (Oxford: Oxford University Press).

191 World Bank (1983), *World Development Report 1983*, pp. 5–6.

192 World Bank (1983), *World Development Report 1983*, p. 94.

193 World Bank (1983), *World Development Report 1983*, p. 117.

194 World Bank (1983), *World Development Report 1983*, p. 116.

195 World Bank (1983), *World Development Report 1983*, p. 95.

196 World Bank (1987), *World Development Report 1987* (Washington DC: World Bank), p. 75.

197 World Bank (1990), *The World Bank Annual Report 1990* (Washington DC: World Bank), p. 89; World Bank (1991), *The World Bank Annual Report 1991* Washington DC: World Bank), p. 68.

198 World Bank (1991), *The World Bank Annual Report 1991*, p. 4.

199 World Bank (1991), *The World Bank Annual Report 1991*, pp. 9–10. The Bank refers here to work by R. Gastil (1989), *Freedom in the World* (New York: Freedom House), published annually since 1978.

200 Miller-Adams, M. (1999), *The World Bank: New Agendas in a Changing World* (London: Routledge), p. 111. See also, World Bank (1992), *Governance and Development*, p. 58, note 2; Agarwala, R. and Schwartz, P. (1994), 'Sub-Saharan Africa: a Long-Term Perspective Study', paper prepared for the World Bank Workshop on Participatory Development, 17–20 May 1994.

201 World Bank (1989), *Sub-Saharan Africa: from Crisis to Sustainable Growth (A Long-Term Perspective Study)* (Washington DC: World Bank), p. 60. The background papers for this report have also been published and volume 3 is especially relevant. See World Bank (1990), *The Long-Term Perspective Study of Sub-Saharan Africa, Volume 3: Institutional and Socio-political Issues* (Washington DC: World Bank), especially the contributions by Tarr, B., 'Political Developments and Environment in Africa', pp. 32–42; Hyden, G., 'The Changing Context of Institutional Development in Sub-Saharan Africa', pp. 43–59; and Hyden, G. 'Creating an Enabling Environment', pp. 73–80.

202 World Bank (1989), *Sub-Saharan Africa*, pp. 5, 55.

203 The ACBI, now known as the African Capacity Building Foundation (ACBF), originated from a World Bank-convened meeting in Kenya between Bank staff and African policy-makers, economic managers and academics in 1988. The meeting established a lack of capacity as the main reason for continuing African underdevelopment. Results were presented to donors at the Rockefeller Foundation in New York in 1989. Working with the African Development Bank (AfDB), UN Development Programme (UNDP) and other donors, the Bank launched ACBF in 1992 (see http://www.acbf-pact.org). In 1997, Wolfensohn announced that 'efforts are now underway to establish both an international consultative

group for capacity building in Africa and an accompanying trust fund', as outlined in a report by the African Governors of the World Bank entitled 'Partnership for Capacity Building in Africa: Strategy and Program of Action'. World Bank (1997), 'Bank Embraces New Push for Capacity Building in Africa', *World Bank News*, 9 May. The Partnership for Capacity Building in Africa (PACT), established in January 2000, focuses on building capacity in the public and private sectors, as well as civil society, and supporting regional research and training. The Bank has provided a $30 million grant, with a further $150 million awaiting Board approval, and a total initial pledge from donors of $1 billion. See http://www.acbf-pact.org; World Bank (2000), *Reforming Public Institutions and Strengthening Governance: a World Bank Strategy* (Washington DC: World Bank), pp. 75–6, 84. PACT is fully implemented by ACBF and not by the AFR region of the Bank. Instead, a representative from the Bank sits on ACBF's Board. Although PACT is held up by the Bank as an 'African-owned initiative', with twelve Africans on the twenty-two-member Board (the rest are donors), it is hard to see any instance in its history where the Bank has not been at the forefront of initiatives.

204 World Bank (1989), *Sub-Saharan Africa*, p. 60.

205 Shihata, I. (1991), *The World Bank in a Changing World: Selected Essays* (Dordrecht: Martinus Nijhoff Publishers), p. 40.

206 However, 'a question which is traditionally considered as "political" cannot be turned into an economic issue just because of minor possible economic effects'. Shihata, I. (1991), *The World Bank in a Changing World*, p. 84. Despite this, 'Much of what the Bank now considers "economic", and therefore appropriate for its attention, would even a decade ago have been considered inappropriate.' Blackden, C. M. (1996), 'Human Rights, Development, and the World Bank: Economics vs. Politics?', *Trialogue*, April, p. 3.

207 Shihata, I. (1991), *The World Bank in a Changing World*, pp. 82–4; see also World Bank (1992), *Governance and Development* (Washington DC: World Bank), p. 5.

208 Shihata, I. (1991), *The World Bank in a Changing World*, pp. 88–93.

209 Landell-Mills, P. and Serageldin, I. (1992), 'Governance and the External Factor', Proceedings of the 1991 World Bank Annual Conference on Development Economics, p. 304. This same paper includes the caveat that external agencies, such as the World Bank, should not impose 'a particular democratic system' on a country, but should consider withdrawing funding unless there is at least 'some minimal level of popular support' for the government (pp. 311–12). This caveat contains the *a priori* assumption that the political system in question is democratic, and does not take into consideration that almost all governments, with rare exceptions, have at least 'some minimal level of popular support'. This includes governments that wholly contradict the Bank's notion of good governance: Saddam Hussein in Iraq, Castro in Cuba and even the Taliban in Afghanistan.

210 Fillip, B. (1997), 'The World Bank and Governance', p. 58.

211 World Bank (1992), *Governance and Development*, p. 1.

212 World Bank (1992), *Governance and Development*, p. 1.
213 World Bank (1992), *Governance and Development*, p. 2.
214 World Bank (1992), *Governance and Development*, p. xv.
215 World Bank (1992), *Governance and Development*, p. 2.
216 World Bank (1992), *Governance and Development*, p. 3.
217 World Bank (1992), *Governance and Development*, p. 4.
218 She defines formal aspects as including institutions and processes, while material aspects includes strategies that are market-friendly, socially considerate and culturally sensitive. Schlemmer-Schulte, S. (2001), 'The World Bank's Role in the Promotion of the Rule of Law in Developing Countries', in Schlemmer-Schulte, S. and Tung, K. (eds), *Liber Amicorum Ibrahim F.I. Shihata: International Finance and Development Law* (The Hague: Kluwer Law International), p. 722.
219 World Bank (1992), *Governance and Development*, p. 1.
220 Adamolekun, L. (1990), 'Institutional Perspectives on Africa's Development Crisis', *African Governance in the 1990s: Objectives, Resources and Constraints*, the 2nd Annual Seminar of the African Governance Program, The Carter Center, Atlanta, 23–25 March, p. 82, note 5.
221 World Bank (2000) *Reforming Public Institutions and Strengthening Governance: a World Bank Strategy* (Washington DC: World Bank), p. 152.
222 World Bank (1988), *Adjustment Lending* (Washington DC: World Bank), p. 3, cited in Callaghy, T. (1990), 'Lost Between State and Market: the Politics of Economic Adjustment in Ghana, Zambia, and Nigeria', in Nelson, J. (ed.), *Economic Crisis and Policy Choice: the Politics of Adjustment in the Third World* (Princeton: Princeton University Press), p. 318 (emphasis added by Callaghy).
223 Abrahamsen, R. (2000), *Disciplining Democracy: Development Discourse and Good Governance in Africa* (London: Zed Books), p. 42.
224 Martin, B. (2000), *New Leaf or Figleaf? The Challenges of the New Washington Consensus* (London: Bretton Woods Project & Public Services International).
225 George, S. and Sabelli, F. (1994), *Faith and Credit: the World Bank's Secular Empire* (London: Penguin Books), p. 142.
226 Manor, J. (1998), 'Democratisation and the Developmental State: the Search for Balance', in Robinson, M. and White, G. (eds), *The Democratic Developmental State: Politics and Institutional Design* (Oxford: Oxford University Press), p. 129.
227 Parekh, B. (1992), 'The Cultural Particularity of Liberal Democracy', *Political Studies/Special Issue: Prospects for Democracy*, 40, p. 173 (emphasis in original).
228 Leftwich, A. (2000), *States of Development: On the Primacy of Politics in Development* (Cambridge: Polity Press), p. 129.
229 Interview with senior World Bank staff member.
230 Bottelier, P. (1998), 'Corruption and Development', remarks for the International Symposium on the Prevention and Control of Financial Fraud, Beijing, 19 October, p. 1. Available at http://www.worldbank.org/html/extdr/offrep/eap/pbsp101998.htm.
231 Gould, D. and Amaro-Reyes, J. (1983), 'The Effects of Corruption on Administrative Performance: Illustrations from Developing Countries',

World Bank Staff Working Papers No. 580, October (Washington DC: World Bank). This publication contains a forward by Pierre Landell-Mills, another Bank specialist on corruption, who commissioned the paper as background material for the 1983 *World Development Report*, which Landell-Mills directed.

232 Gould, D. and Amaro-Reyes, J. (1983), 'The Effects of Corruption on Administrative Performance', pp. 15, 17.

233 Gould, D. and Amaro-Reyes, J. (1983), 'The Effects of Corruption on Administrative Performance', p. 2.

234 In addition to his own work, cited throughout this chapter, the significance of his role is highlighted in Schlemmer-Schulte, S. and Tung, K. (eds) (2001), *Liber Amicorum Ibrahim F.I. Shihata: International Finance and Development Law*.

235 Now known as the World Bank Institute (WBI), as a result of a recent merger between the Learning and Leadership Centre, which provided training for staff, and EDI, which provided training for clients.

236 Adamolekun, L. and Shields, E. (1990), 'Civil Service Improvement', *EDI Review*, July, p. 5.

237 The SDS is used to measure sectoral performance by surveying both users and suppliers of public services in order to improve results and capacity. See Langseth, P. (1995), 'Service Delivery Survey (SDS): a Diagnostic Tool', paper presented at the Workshop on Civil Service Reform in Anglophone Africa, Somerset West, South Africa, 24–28 April.

238 Langseth, P. (1997), 'EDI's New Approach to Governance: Principles and Modus Operandi for EDI's Governance Work', in Kpundeh, S. and Langseth, P. (eds), *Good Governance for Private Sector Development and Investment in Africa: a Regional Ministerial Seminar*, Entebbe, Uganda, 16–19 March, p. 14 (emphasis in original).

239 In this case, Transparency International. Galtung, F. and Pope, J. (1999), 'The Global Coalition Against Corruption: Evaluating Transparency International', in Schedler, A., Diamond, L. and Plattner, M. et al. (eds), *The Self-Restraining State: Power and Accountability in New Democracies* (London: Lynne Rienner Publishers), p. 266.

240 This could provide one explanation for why the Bank's current work on corruption is so much more advanced in Uganda than in many other African countries.

241 The bulk of this section is drawn from Galtung, F. and Pope, J. (1999), 'The Global Coalition Against Corruption', pp. 257–82. The reason for this is quite simple – there is no other large-scale study of the organization, despite the important role it has played in bringing international attention to corruption. Work that has been done tends to focus solely on the CPI and its methodology. One exception, cited within Galtung and Pope, is a 1996 piece by Espinosa, entitled 'Corrupción: una agenda necesaria', in Espinosa, S. (ed.), *Corrupción: Epidemia de fin de siglo* (Quinto: ILDIS, Cedep, & Fundación J. Peralta), pp. 77–93. He is quoted in Galtung and Pope as saying that TI is

> hija legítima de padre neoliberal y de madre modernizadora tanto porque la transparencia es una condición de credibilidad para el

> processo privatizador, para la inversión extranjera y para la ayuda internacional al desarollo, como porque los neoliberales han hecho de la afinidad y mutua apetencia entre Estado omnipotente y corrupción un eficaz instrumento de propaganda sobre la necesidad de reducir el tamaño del estado. (Espinosa, p. 82; cited in Galtung and Pope, note 13, p. 280)

Roughly translated, Espinosa says that TI is 'the legitimate daughter of the neoliberal father and modernization mother, so much because transparency is a condition of credibility for the privatization process, for external influence and for international aid for development; also because the neoliberals have made an affinity and mutual link between the omnipotent State and corruption an efficient instrument of propaganda about the necessity to reduce the size of the state'. Galtung and Pope offer no further analysis on this quite stark observation on Espinosa's part.

242 Galtung, F. and Pope, J. (1999), 'The Global Coalition Against Corruption', pp. 257–8.

243 Galtung, F. and Pope, J. (1999), 'The Global Coalition Against Corruption', p. 258. In a footnote to the above passage, Galtung and Pope write:

> The prohibition against taking political considerations into account in lending decisions was clearly designed to provide protection for countries with one-party state systems of government – monarchies and the like – and to prevent discrimination on constitutional grounds. In our view, it cannot reasonably be read as excluding the Bank from taking into account the likelihood that elites would loot the treasury and distort public decisions, leaving the people of the country to meet the costs. We see their view as substantiated by the Bank's 180-degree U-turn on the issue and this without any amendment to the charter. (note 3, p. 279)

The authors do not address the historical context behind the inclusion of the non-political mandate in the Bank's Articles nor its role in protecting the Bank itself against outside political influence, shielding it from external criticism and ensuring its integrity on the world's capital markets.

244 Personal communication.

245 A senior World Bank staff member told me that the memo received in reply was a 'very big slap on the wrist for even daring to become involved in this nonsense'.

246 Galtung, F. and Pope, J. (1999), 'The Global Coalition Against Corruption', p. 267.

247 Quoted in Celarier, M. (1996), 'Corruption: the Search for the Smoking Gun', *Euromoney*, p. 37.

248 Quoted in Brummer, A. (1999), 'The People's Plutocrat', *The Guardian (London)*, 12 June, p. 6.

249 Brummer, A. (1999), 'The People's Plutocrat', p. 6.

250 Shihata, I. (1997), 'Corruption and the Role of the World Bank', *Dickinson Journal of International Law*, 15 (3), p. 475.

251 Wolfensohn, J. (1997), 'Accountants and Society: Serving the Public Interest', remarks to the World Congress of Accountants, Paris, 26 October.

252 Wolfensohn, J. (1996), '1996 Annual Meetings Speech', address to the Board of Governors, World Bank/IMF, Washington DC, 1 October (emphasis in original).

253 Galtung, F. and Pope, J. (1999), 'The Global Coalition Against Corruption', p. 267.

254 The group was co-ordinated by Mike Stevens and included Ladipo Adamolekun, Peter Calderon, Michael Cohen, Alejandro Escobar, Gunnar Eskeland, Louis Forget, Anthony Gaeta, Cheryl Gray, Daniela Gressani, Rohil Hafeez, Ernesto Henriod, Petter Langseth, Kathryn Larrecq, Karin Millett, John Nellis, Klaus Rohland, Malcolm Rowat, Alfonso Sanchez, Sabine Schlemmer-Schulte, Paul Siegelbaum, Raghavan Srinivasan, Frederick Stapenhurst, Stephen Weissman, Jim Wesberry and Myla Williams, with additional support from Peter Eigen and Jeremy Pope of TI. Many of these participants are still actively involved in anti-corruption work both within and outside the Bank. Daniel Kaufmann, an important force in the Bank's ongoing anti-corruption effort, was working at Harvard as a visiting scholar at this time. However, while there he published a paper entitled 'Listening to Stakeholders Spell the C........ Word: the "Tackling-Corruption-is-Taboo" Myth meets some Evidence'. An annotated bibliography of anti-corruption sources published by the World Bank describes this paper as advocating that the Bank emphasizes reducing corruption in its approach to lending. Prior to this, Kaufmann worked as Bank Chief of Mission in Ukraine, and other papers he published at Harvard focus on corruption in Ukraine. It is interesting that he was away from the Bank working on corruption at the time when the Bank's original anti-corruption strategy was being devised, and then returned from Harvard to head WBI's anti-corruption initiatives.

255 World Bank (1997), *Helping Countries Combat Corruption: the Role of the World Bank* (Washington DC: World Bank), p. 3.

256 World Bank (1996), 'Bank Takes Anti-Corruption Stance', *World Bank News*, 11 October.

257 World Bank (1996), 'Bank Takes Anti-Corruption Stance'.

258 World Bank (1999), 'World Bank Chief Highlights Anti-Corruption Fight', *Development News*, 12 October.

259 Eizenstat, S. (1999), 'An Anti-Corruption and Good Governance Strategy for the Twenty-First Century', speech given at the Global Forum on Fighting Corruption, Washington DC, 24 February.

260 World Bank (1997), *Helping Countries Combat Corruption*, p. 2.

261 In a recent publication, this has changed from 'preventing' fraud to 'minimizing' fraud. World Bank (2000), *Helping Countries Combat Corruption: Progress at the World Bank Since 1997* (Washington DC: World Bank), p. 7. This may reflect the acceptance that some minimal level of corruption is to be expected, especially in an organization the size of the

Bank, and this new wording could help deflect criticism if corruption is found which involves Bank staff. I posed this to a senior staff member, who first replied that the change is insignificant, but then paused for a moment and agreed with my conclusion.

262 World Bank (1997), *Helping Countries Combat Corruption*, p. 3.

263 World Bank (1997), *Helping Countries Combat Corruption*, p. 6.

264 World Bank (1997), *Helping Countries Combat Corruption*, pp. 11–12.

265 World Bank (1997), *Helping Countries Combat Corruption*, p. 44.

266 World Bank (1997), *Helping Countries Combat Corruption*, p. 47, note 46.

267 World Bank (1997), *Helping Countries Combat Corruption*, p. 51.

268 World Bank (1997), *Helping Countries Combat Corruption*, p. 52.

4 The World Bank's Anti-Corruption Programme

1 Huther, J. and Shah, A. (2000), 'Anti-corruption Policies and Programs: a Framework for Evaluation', World Bank Policy Research Working Paper No. 2501, December, p. 2.

2 Cited in Simon, D. (1995), 'Debt, Democracy and Development: Sub-Saharan Africa in the 1990s', in Simon D. et al. (eds), *Structurally Adjusted Africa: Poverty, Debt and Basic Needs* (London: Pluto Press), p. 24.

3 See Samoff and Stromquist's early study of the Bank's new role as 'Knowledge Bank'. Samoff, J. and Stromquist, N. (2001), 'Managing Knowledge and Storing Wisdom? New Forms of Foreign Aid?', *Development and Change*, 32 (September), p. 639, note 13.

4 Unless otherwise noted, this section draws on PREM's website. This is available at http://www.worldbank.org/publicsector/anticorrupt/supporting.htm.

5 Personal communication with senior DfID staff member.

6 A phrase attributed to Moody-Stuart, G. (1997), *Grand Corruption: How Business Bribes Damage Developing Countries*, 3rd ed. (Oxford: Worldview Publishing).

7 World Bank (2000), *Helping Countries Combat Corruption*, p. 43.

8 See http://www1.worldbank.org/publicsector/anticorrupt/supporting.htm.

9 World Bank (2000), *Helping Countries Combat Corruption*, p. 43.

10 World Bank (2000), *Helping Countries Combat Corruption*, p. 44.

11 World Bank (2000), *Helping Countries Combat Corruption*, p. 44.

12 I was told that this is 'not by coincidence' but a direct result of the G7 statement on corruption in 1996 that urged the regional banks to formulate policy based on the principles established by the World Bank. Personal communication with ADB staff member. See, for example, AfDB (1999), 'African Development Bank Group Policy on Good Governance', Internet accessed November 2000. Available at http://www.afdb.org/about/ocod/governance.pdf; AfDB (1999), 'African Development Bank Policy on Good Governance Adopted by Board of Directors', Internet, News Release COMU/B/32/99, Abidjan, 22 September; ADB (2000), 'Anticorruption Policy', Internet accessed November 2000. Available at http://www.adb.org/Documents/Policies/Anticorruption/corruption_policy.pdf. IADB has no concrete policy on corruption, but there is still

work being done. See, for example, Inter-American Development Bank (2000), 'Conferencia sobre Transparenciay Desarrollo en América Latina y el Caribe'. Internet. Accessed November 2000. Available at http://www.iadb.org/leg/Transparencia.asp. There is also IADB's website on the reform of the state, which does not actually mention corruption, available at http://www.iadb.org/exr/topics/modstate.htm.

13 World Bank (2000), *Helping Countries Combat Corruption*, p. 45.

14 EBRD chooses to focus primarily on ensuring its own procurement procedures are transparent and maximize its own projects' efficiency. See http://www.ebrd.org/english/procure/main.htm.

15 World Bank (2000), *Helping Countries Combat Corruption*, p. 46.

16 OECD (1997), 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions', Internet accessed December 1998. Available at http://www.oecd.org/daf/cmis/bribery/20nov1e.htm.

17 Members include the US, Germany, Japan, France, UK, Italy, Canada, Korea, the Netherlands, Belgium, Luxembourg, Spain, Switzerland, Sweden, Mexico, Australia, Denmark, Austria, Norway, Ireland, Finland, Poland, Portugal, Turkey, Hungary, New Zealand, Czech Republic, Greece and Iceland, while the non-member signatories include Argentina, Brazil, Bulgaria, Chile and the Slovak Republic.

18 OECD (2000), 'Welcome to the OECD Anti-Corruption Unit', Internet accessed October 2000. Available at http://www.oecd.org/daf/nocorruption/index.htm.

19 TI also independently monitors implementation of the Convention, and has produced country reports on several countries. These can be found at http://www.transparency.de/activities/oecd.html.

20 FATF (2000), 'Welcome to the new FATF website', Internet accessed October 2000. Available at http://www.oecd.org/fatf/index.htm.

21 These include the Asia/Pacific Group on Money Laundering (APG), the Caribbean Financial Action Task Force (CFATF), the Council of Europe PC-R-EV Committee, Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Intergovernmental Task Force against Money Laundering in Africa (ITFMLA), AsDB, the Commonwealth Secretariat, EBRD, IADB, IMF, Interpol, International Organization of Securities Commissions (IOSCO), Organization of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD), Offshore Group of Banking Supervisors (OGBS), UN Office for Drug Control and Crime Prevention (UNODCCP), World Customs Organization (WCO) and the World Bank.

22 Interview with UNDP staff member.

23 UNDP (1999), 'UNDP Announces Launch of Partnership Fund for Transparency at Ninth International Anti-Corruption Conference', press release, 13 October.

24 UNDP (2001), *PACT Bi-Annual Report to BMZ (August 2000–January 2001)* (New York: UNDP–PACT), p. 18.

25 See http://www.gca-cma.org/eabout.htm.

26 See Global Coalition for Africa (1997), 'Corruption and Development in Africa', paper read at the 1997 Policy Forum, Maputo, Mozambique, 1–2 November.

27 There is potential within this relationship for conflict of interest, with the Bank as the largest provider of funding and as the former employer of so many of its key staff. This relationship deserves external evaluation.

28 Galtung, F. and Pope, J. (1999) 'The Global Coalition Against Corruption: Evaluating Transparency International' in Schedler, A., Diamond, L. and Plattner, M. (eds), *The Self-Restraining State: Power and Accountability in New Democracies* (Boulder: Lynne Rienner), pp. 266–7.

29 See http://www.delna.lv/english/index.htm.

30 Transparency International (1999), 'TI Country Activities', *TI Newsletter*, June, p. 14.

31 World Bank (2001), 'The World Bank Operational Manual', Internet accessed February 2001. Available at http://wbln0018.worldbank.org/institutional/manuals/opmanual.nsf/textdefinition1?opennavigator.

32 See http://www.worldbank.org/whatwedo/policies.htm.

33 See http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20040574~menuPK:34574~pagePK:34542~piPK:36600~theSitePK:29708,00.html.

34 Staff working on corruption do not seem, in the main, to distinguish between policy and strategy. Either they fail to recognize the difference, or feel it is unimportant to differentiate the two. When interviewed, one staff member indicated that the 1997 document, *Helping Countries Curb Corruption*, is a policy statement, because it was cleared by the Board. However, all documents published by the Bank have a lengthy clearing process with ultimate approval by the Board, and this has never been the sole determinant for making official policy statements. An original architect of the programme pointed out a specific passage in the 1997 document and described it as the policy statement: 'Where corruption is widespread and affects a country's development objectives and Bank-financed projects, the Bank needs to raise the issue with borrowers and seek ways to help governments and civil society address it.' See World Bank (1997), *Helping Countries Combat* Corruption, p. 7. This statement was also highlighted as Bank 'policy' by Anita Baker, Manager of the Office of Professional Ethics (OPE) at the International Institute for Public Ethics Year 2000 Conference. See Baker, A. (2000), 'Ethics: the View from Multilateral Institutions – WBG: a Framework of Integrity', presentation at the International Institute for Public Ethics Year 2000 Conference, 27 September. However, a senior staff member contradicted these co-workers, saying that there is no policy statement in the form of one document, describing the 1997 document as a report and nothing more than that.

35 For example, in countries where women's rights are restricted by law, as in some Middle Eastern countries, requiring that their interests are taken into account in project design and implementation can be very controversial indeed.

36 See http://www.worldbank.org/ks/vision.html.

37 World Bank (2000), *Reforming Public Institutions & Strengthening Governance: a World Bank Strategy* (Washington DC: World Bank), p. 2.
38 Huther, J. and Shah, A. (2000), 'Anti-corruption Policies and Programs', p. 2.
39 I presented this methodological weakness to Dr Shah in an email, but he did not comment on it.
40 Eigen, P. (2000), 'Introductory statement by Peter Eigen for the press conference on the role of the World Bank in the fight against corruption', TI Press Release, 31 August. It could be argued that Eigen sees an opportunity here for an expanded role for TI.
41 Jakobeit, C. (1999), 'The World Bank and Human Development: Washington's New Strategic Approach', *Development and Cooperation*, November/December, p. 5.
42 Samoff, J. and Stromquist, N. (2001), 'Managing Knowledge and Storing Wisdom?', p. 641.
43 Samoff, J. and Stromquist, N. (2001), 'Managing Knowledge and Storing Wisdom?', p. 650.
44 Goldman, M. (2003), 'The Power of World Bank knowledge', Internet accessed 17 January. Available at http://www.brettonwoodsproject.org/knowledgebank/goldmanarticle.html.
45 Mehta, L. (2001), 'The World Bank and its Emerging Knowledge Empire', *Human Organization*, 60 (2).
46 Khan, M. (2002), 'Corruption and Governance in Early Capitalism: World Bank Strategies and their Limitations', in Pincus, J. and Winters, J. (eds), *Reinventing the World Bank* (London: Cornell University Press), p. 165.
47 Khan, M. (2002), 'Corruption and Governance in Early Capitalism', p. 165.
48 Interview with senior World Bank staff member. The Bank's website also refers to its 'evolving strategy'. See http://www1.worldbank.org/publicsector/anticorrupt/helping.htm.
49 World Bank (2000), *Helping Countries Combat Corruption*, p. 4.
50 See http://www.worldbank.org/cdf.
51 Wolfensohn, J. D. (1999), 'A Proposal for a Comprehensive Development Framework: A Discussion Draft', 21 January. Available at http://www.worldbank.org/cdf/cdf.pdf.
52 Wolfensohn, J. D. (1999). 'A Proposal for a Comprehensive Development Framework', p. 32.
53 'The expression [National Integrity System] is of recent origin, having emerged from discussions within the Transparency International movement and widely popularized by development agencies.' Transparency International (2000), *TI Source Book 2000*, (Berlin: Transparency International), p. 32. TI has produced a Source Book to assist countries in building a National Integrity System, with an emphasis on 'integrity pillars', including the executive, parliament, the judiciary, civil service, 'watchdog' agencies, civil society, mass media and international agencies.
54 Wolfensohn, J. D. (1999), 'A Proposal for a Comprehensive Development Framework', p. 35.

55 McDonald, I. (2000), 'From the Editor', *Finance & Development*. 37 (2).

56 An evaluation conducted by the Swedish development agency, SIDA, backs this up. It found that projects on capacity building too often assumed incorrectly that '*the beneficiary is willing and able* to develop his/her capacity'. SIDA (2000), *The Evaluability of Democracy and Human Rights Projects: a Logframe-related assessment* (SIDA Studies in Evaluation – ITAD Ltd./ODI. Gothenburg: SIDA), p. 53 (emphasis in original).

57 According to Art. 3.5(b), 'The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted.' World Bank (1944), 'Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)' (Washington DC: World Bank). Art. 5.1(g) of the IDA's Articles contains similar wording.

58 Aguilar, M., Gill, J. and Pino, L. (2000), *Preventing Fraud and Corruption in World Bank Projects: a Guide for Staff* (Washington DC: World Bank), pp. 2–3; World Bank (1997). *Helping Countries Combat Corruption*, p. 29.

59 According to the 1997 *World Bank Annual Report*, 'The Strategic Compact is a plan for fundamental reform to make the Bank more effective in delivering its regional program and in achieving its basic mission of reducing poverty.' World Bank (1997), *World Bank Annual Report* (Washington DC: World Bank), p. 1. It is the Bank's official business strategy. For more information, see http://www.worldbank.org/html/extdr/backgrd/ibrd/comsum.htm.

60 Since June 1997 fifty-three new procurement staff have been hired (sixteen in Washington and thirty-seven in country offices). The majority of new staff have gone to the ECA and AFR regions. World Bank (2000), *The World Bank Procurement Function Annual Report FY99*, p. 3.

61 'The CPAR is intended to be a useful tool to diagnose the health of the existing procurement system in a country and, in the process, generate a dialogue with the government focused on needed reforms. The main purpose of the CPAR is to establish the need for and guide the development of an action plan to improve a country's system for procuring goods, works and services.' World Bank (2000), 'Country Procurement Assessment Reports (CPARs)', Internet accessed November 2000. Available at http://www1.worldbank.org/publicsector/cpar.htm. The CPAR has been used since the early 1980s but was redesigned in 1998. The old CPAR looked into the accountability of national bidding procedures, used when a contract was unlikely to attract foreign competition, to see if they were acceptable. The Bank decided this was not a particularly useful tool. Instead, the CPAR is now used as a diagnostic tool for the Bank and donors in general. They 'broadened the scope' from individual Bank projects to an assessment of overall procurement capacity as an element of governance. The CPAR is conducted jointly with the borrower and the Bank, with other donors sometimes involved as well. This self-assessment component is intended to ensure government ownership. Interview with senior World Bank staff member.

62 World Bank (2000), *Helping Countries Combat Corruption*, pp. 7–9.

63 Aguilar, M. et al. (2000), *Preventing Fraud and Corruption in World Bank Projects*, pp. 3–9.

64 World Bank (1999), 'Master Bidding Documents: Procurement of Goods and Users' Guide'. Internet accessed October 2000. Available at http://www.worldbank.org/html/opr/procure/mdbgoods.html; World Bank (1997), 'Standard Request for Proposals: Selection of Consultants', Internet accessed October 2000. Available at http://www.worldbank.org/html/opr/consult/rfp/r-titlpg.html.

65 Aguilar, M. et al. (2000), *Preventing Fraud and Corruption in World Bank Projects*, p. 14.

66 'The CFAA is a diagnosis of a country's private and public financial management systems. Its purpose is twofold: (i) to help the borrower and the Bank assess and manage the risk that public funds will be used other than for agreed purposes (the fiduciary objective), and (ii) to support the borrower in the design and implementation of financial management capacity-building programs (the developmental objective).' World Bank (2000), 'Country Financial Accountability Assessment', Internet accessed November 2000. Available at http://www1.worldbank.org/publicsector/cfaa.htm.

67 Aguilar, M. et al. (2000), *Preventing Fraud and Corruption in World Bank Projects*, pp. 15–16.

68 World Bank (1998), 'World Bank Sets Up Hotline', News Release, 30 October.

69 World Bank (2000), *Helping Countries Combat Corruption*, p. 17.

70 Wolfensohn, J. D. (1998), 'New Measures to Combat Fraud and Corruption', World Bank Staff Memo, p. 3.

71 Wolfensohn, J. D. (1998), 'New Measures to Combat Fraud and Corruption', p. 3.

72 World Bank (1999), *Guidelines*, p. 8.

73 See http://www.worldbank.org/publicsector/anticorrupt/prevent.htn for more information.

74 Wolfensohn, J. D. (1998), 'New Measures to Combat Fraud and Corruption', p. 1.

75 Sierra, K. (1998), 'Ethical Guide for Bank Staff Handling Procurement Matters in Bank-Financed Projects'. World Bank Operational Core Services Memo.

76 See http://wbln0018.worldbank.org/acfiu/acfiuweb.nsf/(WebDisplay)/AbouttheInvestigationsUnit?open document. I asked the Ethics Department why this rule was amended as late as 1997 and what happened to staff involved in fraud prior to this. The response contradicted the information available on the website. Staff have always been fired for involvement in fraudulent activities involving Bank funds and this amendment reflected 'what was in fact already happening in the case of staff fraud' (personal communication). When I requested further clarification, I was referred to a senior staff member, who concurred that staff have always been terminated for fraud, and that the amendment to Staff Rule 8.01 merely provided protection for whistleblowers. Recently, seven people were fired, with five for fraud and two for falsification of documents (two are currently appealing their termination). The Bank, like other multilateral institutions, is unique in that it has immunity and cannot be sued by its employees, current or former. Therefore, a great

deal of attention must be taken to ensure that the due rights of staff are taken into consideration in these matters. Ironically, s/he says that more people were fired before 1990 for fraud than now because of the complex appeals process put into place to ensure the protection of staff rights.

77 World Bank (1999), *Living Our Values* (Washington DC: World Bank).

78 See http://www.worldbank.org/ethics.

79 World Bank (2000), *Helping Countries Combat Corruption*, pp. 18–19. This amendment about whistleblowers is definitely 'a response to and part of anti-corruption initiatives' at the Bank. The senior staff member I interviewed said that it is very difficult to write policy for whistleblowers, but it is vital for improving the workplace atmosphere and for providing an ethical workplace. Staff must have a safe way to raise issues and concerns without fear of repercussions.

80 USGAO (2000), 'World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain', report to Congressional Committees, GAO/NSIAD-00-73, April, pp. 15–16.

81 USGAO (2000), 'World Bank', pp. 5–7. In 1998, US Senator Mitch McConnell, a member of the Senate Appropriations Committee which approves funding levels for the Bank, expressed great concern about alleged corruption at the Bank and called for the GAO report. He accused the Bank of being 'secretive and rife with "cronyism and deceit"' and called for the immediate resignation of US Executive Director Jan Piercy 'for failing "to serve US interests"'. Ms Piercy was defended by her boss, US Treasury Secretary Robert Rubin, who nonetheless expressed concern over the corruption allegations. It is thus in the Bank's best interest to ensure a transparent and well-publicized investigation process to ward off this type of attack. 'World Bank President Defends Handling of Corruption Cases', *Bloomberg*, 17 July 1999; 'Rubin Calls Allegations of World Bank Corruption "Serious"', *Bloomberg*, 17 July 1999.

82 USGAO (2000), 'World Bank', p. 34.

83 The CAS is handled in detail later in the chapter.

84 Letter from Wolfensohn to Benjamin F. Nelson, Director, International Relations and Trade Issues, dated 16/3/00, in USGAO (2000). 'World Bank', pp. 52–5.

85 World Bank (2000), *Helping Countries Combat Corruption*, pp. 19–20.

86 Thornburgh, R., Gainer, P. and Walker, C. (2000), 'World Bank: Concerning Mechanisms to Address Problems of Fraud and Corruption', report to Shengman Zhang, Managing Director and Chairman of the Oversight Committee on Fraud and Corruption, 21 January (rev.), (internal document), pp. 2–3, 41–2.

87 Fidler, S. (2001), 'Corruption Leads to Freeze on Trust Funds: World Bank Five European Governments Act after Organisation's Staff were Found to have Received Kickbacks', *Financial Times*, 7 Feb.; World Bank (2000), 'World Bank Investigation Reveal Three Staff Members and Swedish Firms Engaged in Corruption; Staff Members Fired, Funds to be Reimbursed', News Release No. 2001/144/S, 6 December; World Bank (2000), 'World Bank Fires Three Staffers for Alleged Corruption', *Development News*, 7 December.

88 'NIDB Denies Fraud Allegation, States Position', *The Guardian (Nigeria)*, 13 December 2000; 'Nigeria to Probe Corruption in Industrial Bank', *South African Broadcasting Corporation*, 29 January 2000; World Bank (2000), 'Briefly Noted', *Development News*, 31 January.

89 World Bank (2000), 'World Bank Warns of Investment Schemes Misrepresenting its Name', News Release No. 2000/345/S, 17 May.

90 World Bank (2001), 'Crackdown on Corruption in East Timor', Press Release, 25 January.

91 TI (2000), 'Ghana: World Bank Turns Off the Taps on Water Project', *TI Newsletter*, October, p. 11.

92 'World Bank Launches Investigations Against its Former Manager', *The Nation (Kenya)*, 12 December 2001.

93 It is too early to report any institutional or procedural changes that will come out of this. At this point in time, this is more a consolidation of existing practice rather than an example of new practice, and much remains the same but under a different body.

94 Mr de Jong was previously Managing Director of the European Institute for Law Enforcement Cooperation (EULEC). United Nations (2001), 'World Bank Names Law Enforcement Expert to Fight Fraud and Corruption', Internet accessed 23 April. Available at http://www.allafrica.com/stories/printable/200101160187.html; World Bank (2001), 'Fighting Fraud: World Bank Appoints Maarten de Jong as Director of Institutional Integrity', *Development News*, 12 April.

95 See http://www1.worldbank.org/publicsector/anticorrupt/prevent.htm.

96 Interview with World Bank staff member.

97 Thornburgh, R. et al. (2000), 'World Bank', p. 25.

98 Cooksey, B. (1999), 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', p. 2.

99 Cooksey, B. (1999), 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', p. 3.

100 In particular, see Harriss-White, B. and White, G. (1996), 'Corruption, Liberalisation and Democracy', *IDS Bulletin*, 27 (2), pp. 1–5; Hawley, S. (2000), 'Exporting Corruption: Privatisation, Multinationals and Bribery', Corner House Briefing No. 19, June; Haggard, S. and Kaufman, R. (eds) (1992), *The Politics of Economic Adjustment* (Princeton: Princeton University Press); Watt, D., Flanary, R. and Theobald, R. (2000), 'Democratisation or the Democratisation of Corruption? The Case of Uganda', in Doig, A. and Theobald, R. (eds), *Corruption and Democratisation* (London: Frank Cass & Co.), pp. 37–64; Bayart, J-F., Ellis, S. and Hibou, B. (1999), *The Criminalization of the State in Africa* (Oxford: James Currey); Riley, S. (1998), 'The Political Economy of Anti-Corruption Strategies in Africa', in Robinson, M. (ed.), *Corruption and Development* (London: Frank Cass), pp. 129–59.

101 Defined by the report as 'the actions of individuals, groups, or firms both in the public and private sectors *to influence the formation* of laws, regulations, decrees, and other government policies to their own advantage as a result of the illicit and non-transparent provision of private benefits to public officials'. World Bank (2000), *Anticorruption in Transition: a Contribution to the Policy Debate* (Washington DC: World Bank), pp. xv, 32 (emphasis in original).

102 World Bank (2000), *Anticorruption in Transition*, p. 32.
103 World Bank (2000), *Helping Countries Combat Corruption*, p. 4.
104 World Bank (2000), *Reforming Public Institutions and Strengthening Governance*, p. 13.
105 Interview with World Bank staff member.
106 World Bank (2000), *Helping Countries Combat Corruption*, p. 22.
107 Parts of this section draws on WBI's website. This is available at http://www.worldbank.org/wbi/governance/.
108 WBI's approach has been summed up as a formula: GI & AC = F (KI, LE, CA), or 'Successful **G**overnance **I**mprovement (GI) and **A**nti-**C**orruption programs (AC) are dependent on the public availability of **K**nowledge and **I**nformation (KI) plus political **Le**adership (LE) plus **C**ollective **A**ction (CA).' The **F** apparently stands for 'Formula'.
109 See http://www.worldbank.org/wbi/governance/overview.htm#strategy.
110 World Bank (2000), 'Key Instruments for Institutional and Governance Analysis', Internet accessed November 2000. Available at http://www1.worldbank.org/publicsector/keyinstruments.htm.
111 World Bank (2000), *Helping Countries Combat Corruption*, p. 24.
112 WBI (1999), *New Empirical Tools for Anti-Corruption and Institutional Reform: A Step-by-Step Guide to Their Implementation* (Washington DC: World Bank).
113 WBI (1999), *New Empirical Tools for Anti-Corruption and Institutional Reform*.
114 Huther, J. and Shah, A. (2000), 'Anti-Corruption Policies and Programs', p. 6.
115 WBI (1999), *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, prepared as background for the 9th Annual International Conference Against Corruption (IACC), Durban, South Africa, 10–15 October.
116 WBI (1999), *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, p. 14.
117 WBI (1999), *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, preface.
118 WBI (1999), *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, p. 7.
119 World Bank (2000), *Helping Countries Combat Corruption*, p. 36.
120 WBI (1999), *New Empirical Tools for Anti-Corruption and Institutional Reform*.
121 Transparency International (2000), 'Country Activities', *TI Newsletter*, September.
122 WBI (2000), 'Ghana Anti-Corruption Coalition'. Internet, accessed November 2000, p. 2. Available at http://www.worldbank.org/wbi/governance/pdf/guide_pdfs/08b-ghana_example.pdf.
123 World Bank (2000), *Helping Countries Combat Corruption*, p. 2.
124 See http://www1.worldbank.org/publicsector/anticorrupt/resultsmainstreaming.htm.
125 World Bank (2000), 'What is a Country Assistance Strategy?', Internet, accessed November 2000. Available at http://www.worldbank.org/html/pic/cas/whatis.htm.
126 World Bank (2000), *Helping Countries Combat Corruption*, p. 57.

127 World Bank (2000), *Helping Countries Combat Corruption*, p. 63.
128 World Bank (2000), *Helping Countries Combat Corruption*, p. 38.
129 World Bank (2000), *Helping Countries Combat Corruption*, p. 38.
130 World Bank (2000), 'World Bank Policy on Information Disclosure (Discussion Draft)', Internet accessed September 2000. Available at http://www.worldbank.org/html/pic/disclosure/draftpolicy-en.pdf.
131 World Bank (2000), 'Memorandum of the President of the International Development Association and the International Finance Corporation to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Ghana', CAS No. 2018S-GH, 29 June, p. 3. It is of course also possible that the central government fears losing control of resources.
132 World Bank (2000), 'Memorandum', pp. 3, 5.
133 World Bank (2000), 'Memorandum', pp. 14–15.
134 World Bank (2000), *Helping Countries Combat Corruption*, p. 12, Annex C, p. 2.
135 World Bank (2000), *Helping Countries Combat Corruption*, p. 15.
136 World Bank (2000), *Helping Countries Combat Corruption*, p. 41.
137 World Bank (2000), 'Key Points from the EAP Anti-corruption Advisory Group Meeting: Third Meeting with EAP Management Team', Internet accessed November 2000. Available at http://www.worldbank.org/eapsocial/library/anticorrupt.pdf.
138 World Bank (2000), 'India: Policies to Reduce Poverty and Accelerate Sustainable Development', Internet accessed November 2000. Available at http://WBLN1018.worldbank.org/sar/sa.nsf/Attachments/GoodGovernance/$File/chapt4.pdf.
139 World Bank (2000), 'Poverty Reduction and Economic Management in Europe and Central Asia', Internet accessed November 2000. Available at http://wbln0018.worldbank.org/eca/eca.nsf/66d6f5004ed085ca852567d10011a8b8/2adef1166610169b852567f500043237?OpenDocument.
140 World Bank (2000), 'Public Sector Development'. Internet accessed November 2000. Available at http://wbln0018.worldbank.org/mna/mena.nsf/All/15E5A7D635C9AB3685256952005869 20?OpenDocument.
141 For further information on the LAC Region's work on good governance and corruption, see http://wbln0018.worldbank.org/external/lac/lac.nsf/45b1a64b68f7a2d3852567d6006c364a/9947299068d941c4852567ee00568da9?OpenDocument.
142 Burki, S. and Perry, G. (1998), *Beyond the Washington Consensus: Institutions Matter* (Washington DC: World Bank).
143 See http://www.worldbank.org/afr/overview.htm.
144 See World Bank (2000), 'Community Driven Development: a Vision of Poverty Reduction through Empowerment', mimeo, draft version only.
145 World Bank (1997), *Helping Countries Combat Corruption*, p. 3.
146 Even one of the Bank's biggest partners in anti-corruption expressed concern regarding the potential for increased political conditionality and intervention in a sovereign country's political affairs. In 1996, TI said, 'We would not like to see the Bank dictating to governments and understand that it has no intention of doing so. Still less would we want to see elements of conditionality creeping in.' Transparency International

(1996), 'TI supports World Bank initiative', *TI Newsletter*. December. However, subsequent publications have called on the Bank do just this: to reduce lending levels for countries that 'do not have convincing anti-corruption reform programmes in place and which do not collaborate with external efforts to promote such programmes'. Transparency International (2000), 'World Bank Needs to Strengthen its Anti-corruption Work, says Transparency International', press release, 31 August.

147 See http://www.worldbank.org/wbi/governance/overview.htm#whoarewe.

148 World Bank (2000), *Helping Countries Combat Corruption*, pp. 28–9.

149 World Bank (1997), *Helping Countries Combat Corruption*, p. 27.

150 World Bank (2000), *Helping Countries Combat Corruption*, p. 29.

151 World Bank (1997), *Helping Countries Combat Corruption*, p. 44. The Bank's findings continue to support this. See World Bank (2000), *Anticorruption in Transition*, p. 79; Huther, J. and Shah, A. (2000), 'Anti-Corruption Policies & Programs', pp. 7, 9; Pope, J. and Vogl, F. (2000), 'Making Anticorruption Agencies More Effective', *Finance & Development*, 37 (2), pp. 6–9. These sources and others generally agree that anti-corruption agencies can be effective but require certain conditions: an independent judiciary, for example. These conditions do not exist in many of the countries the Bank lends to and would therefore not provide an effective entry point for an anti-corruption strategy. Interestingly, the Bank does not refer to the rather extensive and important work within political science on the effectiveness of such bodies. See , for example, the contributions by Moran, Theobald and Williams and Williams in Doig, A. and Theobald, R. (2000), *Corruption and Democratisation*. (London: Frank Cass).

152 World Bank (2000), *Helping Countries Combat Corruption*, pp. 28–36, 72–99.

153 World Bank (1997), *Helping Countries Combat Corruption*, p. 5.

154 Brinkerhoff, D. with Kulibaba, N. (1999), 'Identifying and Assessing Political Will for Anti-Corruption Efforts', USAID Working Paper No. 13, January, p. 3.

155 World Bank (1999), 'Assessing Political Commitment to Fighting Corruption', PREM Notes No. 29, September, p. 1.

156 Frank Vogl, formerly World Bank Director of Information and Public Affairs and now TI-USA, criticizes WBI's work on media training, saying that the organization lacks credibility, is inconsistent with its own research and is too open to unwanted influence. Bretton Woods Project (2001), 'World Bank Warned: Don't Meddle with Media', *Bretton Woods Update*, 23 (June/July), p. 8. This work is indeed proving controversial. Mark Tomlinson, World Bank Country Director of Nigeria, has recently called out for the government to remove its Official Secrets Act from its constitution to assist the media in the country to investigate corruption. Garba, K. A. (2001), 'How Media can Boost Anti-corruption Campaign, by World Bank chief', *The Guardian (Nigeria)*, 15 February. This can be seen as an example of Bank staff becoming too involved in a country's political affairs and ignoring the balance between the government's needs and the public's needs (or the donor institution's needs).

157 Two examples are loans to Guinea (Capacity Building for Service Delivery and Rural Decentralization) and Cameroon (Decentralization). Interview with senior World Bank staff member.

158 Kaufmann, D. (1999), 'New Frontiers in World Bank Programmes', *Democracy Dialogue*, June (Washington DC: USAID–CDG), pp. 4–5. There is another apparent divergence in approach between PREM and WBI, and the two may be linked. The PREM strategy document acknowledges criticism about the 'technocratic' nature of its work and discusses moves away from this approach; however, in the same document, WBI describes its own approach as technocratic. See World Bank (2000), *Reforming Public Institutions & Strengthening Governance*, pp. 17, 151. A senior staff member that I interviewed believes that the work done by WBI is very different from the usual sectoral work being done, in that it is much more sensitive and could be accused of being very political (for example, media training, parliaments). Hence, WBI insists on focusing on the empirical and technical side of its work to avoid criticism in this area and must have high-level political support to avoid accusations of political interference.

159 United States Information Agency (1997), 'Global Coalition on Africa to Help Fight Corruption', *Africa News Online*, 17 November, p. 2, available at http://www.africanews.org/usafrica/stories/19971117_feat3.html.

160 'Mkapa Can't Fight Corruption Singlehandedly', *Observer (Tanzania)*, 5 October 1997; 'Mkapa, MacNamara [sic] Agree about Corruption', *The Guardian (Tanzania)*, 3 October 1997, pp. 1, 2; 'Ex-WB Chief Urges Transparency', *Daily News*, 4 October 1997; Djiwan, H. (1997), 'Kerekou est prêt à lutter contre la corruption', *Le Citoyen*, 3 September, p. 3; Djiwan, H. (1997), 'La guerre contre la corruption', *Le Citoyen*, 2 September, p. 3; De Sousa, S. (1997), 'Conférence-lébat de la Coalition mondiale pour l'Afrique (CMA) et Transparency International (TI): Pour consolider la moralisation de la vie publique', *Echos Nation*, 2 September.

161 Personal communication with GCA staff member.

162 Mwambando, L. (1997), 'Reform Tendering in IRP II – MacNamara [sic]', *Observer (Tanzania)*, October. See also, Mwakisyala, J. (1997), 'Donors May Freeze Aid to Tanzania Over Corruption' *The East African*, 6–12 October, pp. 1, 2; 'World Bank to Set New Conditions on Aid to Tanzania – MacNamara [sic]', *Observer (Tanzania)*, October 1997, pp. 1, 3.

163 In a study of the World Bank undertaken immediately after McNamara's retirement, Ayres concluded: 'Instead of countries coming to the Bank with identifiable projects perceived as possible solutions to existing problems, the Bank went to countries with solutions and requested the identification of problems for potential funding.' I would suggest that McNamara's GCA trip can be construed as a continuation of this policy. Ayres, R. (1983), *Banking on the Poor: the World Bank and World Poverty* (London: MIT Press), p. 215.

164 World Bank (2001), 'What is Civil Society?', Internet, 10 January, accessed 10 August 2001. Available at http://www.worldbank.org/wbp/scapital/sources/civil1.htm#top.

165 Nagle, J. and Mahr, A. (1999), *Democracy and Democratization*, p. 64. For example, Jeffries points out that all World Bank discussions on civil

society exclude any mention of trade unions. Jeffries, R. (1993), 'The State, Structural Adjustment and Good Government in Africa', *Journal of Commonwealth and Comparative Politics*, 31 (1), p. 32.

166 Kasfir, N. (1998), 'Introduction: the Conventional Notion of Civil Society: a Critique', in Kasfir, N. (ed.), *Civil Society and Democracy in Africa: Critical Perspectives* (London: Frank Cass), p. 1.

167 Abrahamsen, R. (2000), *Disciplining Democracy: Development Discourse and Good Governance in Africa* (London: Zed Books), p. 52.

168 Abrahamsen, R. (2000), *Disciplining Democracy*, p. 56. This finding is also reported in Hearn, J. and Robinson, M. (2000), 'Civil Society and Democracy Assistance in Africa', in Burnell, P. (ed.), *Democracy Assistance: International Co-operation for Democratization* (London: Frank Cass), pp. 241–62.

169 Francis, P. (2001), 'Participatory Development at the World Bank: the Primacy of Process', in Cooke, B. and Kothari, U. (eds), *Participation: the New Tyranny?* (London: Zed Books), pp. 81, 87.

170 Abrahamsen, R. (2000), *Disciplining Democracy*, pp. 56–9.

171 Abrahamsen, R. (2000), *Disciplining Democracy*, p. 59. This includes a partial quote from World Bank (1989), *Sub-Saharan Africa: from Crisis to Sustainable Growth* (Washington DC: World Bank), p. 58.

172 Ottaway, M. and Carothers, T. (2000), 'Toward Civil Society Realism', in Ottaway, M. and Carothers, T. (eds), *Funding Virtue: Civil Society Aid and Democracy Promotion* (Washington DC: Carnegie Endowment for International Peace), p. 299.

173 One example is the 31st December Women's Movement (31stDWM), headed by the wife of former Ghanaian president Jerry Rawlings. It was originally part of the Provisional National Defence Council (PNDC), Rawling's political party, and was used to generate political support for Rawling's campaign from women. However, in the 1980s, the 31stDWM withdrew from the PNDC to become an NGO, in order to receive aid money. Its nature may have changed but its purpose remains the same. Sandbrook, R. and Oelbaum, J. (1997), 'Reforming Dysfunctional Institutions Through Democratization? Reflections on Ghana', *Journal of Modern African Studies*, 35 (4), pp. 623–5.

174 In a recent Bank-sponsored email discussion group on anti-corruption strategies, no fewer than six individuals offered their services to the Bank as consultants. This is, of course, not evidence of corruption or even corrupt intent. It does, however, remind us that where demand has been created, there will always be 'experts' to fill that demand.

175 Cooksey, B. (1999), 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', paper given at the 9th International Anti-Corruption Conference (IACC), Durban, South Africa, 10–15 October, p. 16.

176 Nelson, P. (1995), *The World Bank and Non-Governmental Organizations: the Limits of Non-political Development* (London: Macmillan), pp. 112–41.

177 Some NGOs include IRIS, Global Coalition for Africa, Centro Latinoamericano de Administracion para le DeSarrollo, Carter Center, Asia Foundation, Civil Service College (UK), Open Society Institute, Escola de Administracao Fazendaria (Brazil), Ford Foundation, Lawyers

Committee for Human Rights, Danish Center for Human Rights, Institute for Democracy in South Africa, National Democratic Institute, Institute for Democracy and Electoral Assistance (Sweden), Centre Quest-Africain des Media et du Developpment, Association of Journalists (Tanzania), Uganda Management Institute, Radio Nederland and the Groupe de Recherche et d'Echanges Technologiques. For these and others, see World Bank (2000), *Helping Countries Combat Corruption*, pp. 31–2.

178 World Rainforest Movement (2000), 'Chad–Cameroon: the World Bank Again Shows Who it Serves', WRM Bulletin No. 35, June.

179 Brown, P. (2002), 'Chad Oil Pipeline Under Attack for Harming the Poor', *The Guardian (UK)*, 27 September.

180 See Klein Haarhuis, C. and Leeuw, F. (2000). 'Fighting Corruption: Evaluating Impact and the World Bank Institute's Program Theory', mimeo, University of Utrecht, p. 7; Klein Haarhuis, C. and Leeuw, F. (2000), 'Measuring and Explaining Variance between Anti-Corruption Policies', paper presented at the EES Conference – Working Group Realist Evaluations, Lausanne, 12–14 October 2000, p. 6.

181 Finch, C. D. (1996), 'G7 Corruption Project', *The International Economy*, 10 (6), p. 26.

182 Elliott, L. (2001), 'Leak Reveals Crisis at the World Bank', *The Guardian (London)*, 31 January; World Bank (2001), 'Soul-searching Uncovers Hidden Malaise at World Bank', *Development News*, 31 January; Hoyos, C. (2001), 'James Wolfensohn's Self-created Storm', *Financial Times*, 30 January.

183 Cited in Wilks, A. (2001), 'Overstretched and Underloved: World Bank Faces Strategy Decisions', Bretton Woods Project Briefing Paper, February, p. 3.

184 'Internal Conflict leaves World Bank Policy in Disarray', *The Observer (London)*, 4 February 2001, Business Section, p. 3.

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5 The Significance of Comparative Advantage in Donor Work on Corruption

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8 Cassen, R. (1994), *Does Aid Work?*, 2nd ed. (Oxford: Clarendon Press), p. 177.
9 Cooksey, B. (1999), 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', p. 8. This builds on the economic notion of capital absorptive capacity, which is 'a more or less absolute limit to the amount of capital, foreign or domestic, that can be productively employed in the sense of yielding some net return over and above depreciation and obsolescence'. Mikesell, R. (1968), *The Economics of Foreign Aid* (London: Weidenfeld & Nicolson), p. 100. In other words, a donor can throw only so much money at a problem before the recipient will become unable to use the funding productively because of a lack of capacity. According to Mikesell, this can result from, among other things, a lack of good government (p. 101).
10 Dewald, M. and Weder, R. (1996), 'Comparative Advantage and Bilateral Foreign Aid Policy', p. 551.
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to the *Economist*, 'Over the past few years Kenya has performed a curious mating ritual with its aid donors. The steps are: one, Kenya wins its yearly pledges of foreign aid. Two, the government begins to misbehave, backtracking on economic reform and behaving in an authoritarian manner. Three, a new meeting of donor countries looms with exasperated foreign governments preparing their sharp rebukes. Four, Kenya pulls a placatory rabbit out of the hat. Five, the donors are mollified and the aid is pledged. The whole dance then starts again' 'Aid for Kenya: Stop, Go', *The Economist*, 336 (7928), 19 August 1995, p. 51.

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22 Fillip, B. (1997), 'The World Bank and Governance', p. 275. For a look at Benin's subsequent national conferences and the impact on corruption, written by a former Bank staff member, see Heilbrunn, J. (1999), 'Corruption, Democracy, and Reform in Benin', in Schedler, A., Diamond, L. and Plattner, M. (eds), *The Self-Restraining State: Power and Accountability in New Democracies* (Boulder: Lynne Rienner), pp. 227–43.

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26 The Dutch define corruption as 'using public goods or a public position for personal interests ... covering bribery, misappropriation, fraud, extortion, smuggling, and cronyism'. See http://www.minbuza.nl. UNDP defines it as 'the misuse of public power, office or authority for private benefit', and, two paragraphs down, 'Political systems are also characterized by high and low levels of corruption.' UNDP (1999), *Fighting Corruption to Improve Governance* (New York: UNDP), p. 7. NORAD points out the Bank's definition and then elaborates: 'corruption is any transaction between private and public sector actors through which collective goods are illegitimately converted into private payoff'. It claims that this emphasizes the 'state–society relation' in a more precise way than the Bank does, but it is really little more than an elaboration of the Bank's definition. NORAD (2000), *NORAD's Good Governance & Anti-Corruption Action Plan 2000–2001* (Oslo: NORAD), p. 7.

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29 NORAD (2000), *NORAD's Good Governance and Anti-Corruption Action Plan 2000–2001*, p. 3.

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35 USAID (1999), *Center Report on Assistance for Democracy Development* (Washington DC: CDG), p. 3.

36 USAID (1999), *Promoting Transparency and Accountability: USAID's Anti-Corruption Experience* (Washington DC: Center for Democracy and Governance), p. 4.

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38 USAID (1999), *Promoting Transparency and Accountability*, p. 5.

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