

## Wolfowitz and board settle differences on anti-corruption

By Krishna Guha in Washington

Published: March 21 2007 02:00 | Last updated: March 21 2007 02:00

Paul Wolfowitz and the World Bank's board of directors have settled their differences over his controversial anti-corruption strategy, the World Bank declared yesterday.

At a board meeting at the bank's headquarters in Washington, directors representing shareholder governments unanimously agreed to a heavily revised version of the strategy that was criticised by ministers at its annual meeting in Singapore last September.

The revised strategy preserves Mr Wolfowitz's emphasis on anti-corruption and governance as central to the process of development and poverty reduction.

But the bank president had to make a string of big concessions to win support, including pledging to stay engaged in countries with severe corruption problems and to work primarily with national governments on governance issues.

The bank will still seek to involve society at large in its governance efforts, but the emphasis will be on doing so largely through existing national forums.

Developing countries also secured increased focus on what Mr Wolfowitz called the "supply side of corruption" in the form of bribe-paying companies based in the industrialised world, and a commitment by the bank to help make it easier to recover money stolen by corrupt officials and held in developed country banks.

The new strategy will be submitted as a report to the bank's spring meeting of shareholder governments in Washington next month. Resolution of the dispute over anti-corruption strategy promises to relieve one major source of tension between Mr Wolfowitz and shareholder governments, many of whom have been critical of his tenure at the Bank.

It comes as the bank is seeking to raise more than \$20bn (£10bn, €15bn) to replenish its main lending facility for poor countries. However, details on how to implement the new strategy are still to be worked out, and there remains a risk that differences between shareholder governments and Mr Wolfowitz could re-emerge when it comes to applying the new policy in difficult country cases.

Mr Wolfowitz yesterday acknowledged that the process of reaching agreement had been tough, but added that "the result is a greatly improved paper; a very, very good paper".

He said the changes to the policy drew on an extensive consultation process involving 3,200 people in 47 countries, which the bank embarked on after ministers refused to sign off the earlier draft at the Singapore meeting.

Mr Wolfowitz's own views also appear to have evolved, in part in the light of his intensive involvement with Liberia, where a reformist government is struggling with deep-seated corruption and governance problems.

Some development experts questioned whether the board and management had done more than end an argument over general principles that should never have taken place.

"The board pulled Wolfowitz back," said Nancy Birdsall, president of the Center for Global Development.

She went on to point out that the Bank was now "back where it was before this kerfuffle started."

Eckhard Deutscher, the German executive director who has tried to act as a peacemaker between Mr Wolfowitz and his critics on the board, suggested that progress had been made on the issue.

However, he added: "A lot of work still lies before us."