

The World Bank, Stuck In the Mud

By Sebastian Mallaby
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In the wake of the terrorist attacks of Sept. 11, 2001, there was a new recognition that poor countries could harm rich ones: Weak and failing states could incubate disease, crime, environmental degradation -- and terrorism. But that healthy recognition is fading, and the World Bank, which ought to be a powerful voice against complacent backsliders, is muted by scandal.

Before we get to the World Bank, consider the bigger picture. After Sept. 11, the world launched the Doha round of trade talks, which was supposed to help developing countries; now Doha has fizzled. After Sept. 11, there was hope for more humanitarian intervention; now the Iraq syndrome undermines the Western will to intervene, even in the extreme case of Darfur. The most lasting impact of Sept. 11 on the West's attitude toward development is perhaps a negative one. Opponents of immigration have been handed a convenient argument, with the result that workers from poor countries may have fewer legal opportunities to earn paychecks in rich countries and send money home.

Then there is the aid story. After Sept. 11, foreign assistance from governments [doubled](#) from \$52 billion in 2001 to \$107 billion in 2005; and that year, the leaders of the industrialized nations gathered at the Group of Eight summit in Gleneagles, Scotland, and pledged a further doubling of aid to sub-Saharan Africa. But the Gleneagles promise is proving empty. The latest data [show](#) that governments gave less in 2006 than they had a year earlier. An [analysis](#) by the Center for Global Development projects that aid to sub-Saharan Africa will grow at less than half the rate promised at Gleneagles.

The West's financial retreat is a policy retreat, too, because an alternative patron of poor nations is emerging in the form of China. So long as Western governments dominated the aid business, African governments had reason to listen to their advice on fighting corruption and building institutions. But as Western aid budgets tighten, more African leaders will turn to China for cash and technical assistance. China cares little for controlling corruption and still less for democratic notions of accountability. Even though China has developed marvelously itself, its new sway in Africa is likely to set back the struggle against poverty.

In times like these, the West needs a clear voice to make the case for development. In the past, this has frequently come from the World Bank: As the bank's president in the 1970s, Robert McNamara coined the phrase "absolute poverty." And James Wolfensohn, his most illustrious successor, did more than anybody else to forge the post-Sept. 11 consensus in favor of development. But there is no moral clarity emanating from the bank right now. Instead, there is demoralizing scandal.

The scandal centers on the pay of people around Paul Wolfowitz, the World Bank president. Kevin Kellems, an unremarkable press-officer-cum-aide who had previously worked for Wolfowitz at the Pentagon, pulls down \$240,000 tax-free -- the low end of the salary scale for World Bank vice presidents, who typically have PhDs and 25 years of development experience. Robin Cleveland, who also parachuted in with Wolfowitz, gets \$250,000 and a free pass from the IRS, far more than her rank justifies. Kellems and Cleveland have contracts that don't expire when Wolfowitz's term is up. They have been granted quasi-tenure.

Then there is the matter of Shaha Riza, a long-standing bank official who is Wolfowitz's romantic partner. She went on paid leave (seconded to the State Department) after Wolfowitz arrived; her salary has since jumped from \$133,000 to \$194,000. When questions were first asked about Riza's rewards, a spokesman [declared](#) that the matter had been handled by the bank's board and general counsel, implying that the bank president himself had not been responsible. But the truth was that Wolfowitz had been closely involved, as a

[contribute](#) Wolfowitz admitted yesterday.

Treating an anti-poverty institution this way would look bad under any circumstances. But the scandal is especially damaging to Wolfowitz because his leadership had generated questions already. He has alienated the staff by concentrating too much power in the hands of Kellems and the abrasive Cleveland; he has alienated shareholders by presenting half-baked strategy ideas; he has alienated borrowers by blocking loans, sometimes capriciously. Moreover, Wolfowitz has made the battle against corruption his signature issue. He of all people should have thought twice before sanctioning exorbitant pay for his entourage.

After Sept. 11, Wolfowitz's predecessor, James Wolfensohn, seized on the attacks to drive home the point that the fortunes of the world's rich depend on the fortunes of the world's poorest. In good times an invisible wall seems to divide the two, but the terrorist attacks demonstrated how this divide could be spectacularly breached. "There is no wall," Wolfensohn insisted.

Now, five years later, the United States is walling off its southern border and the aid boom is over. And where is the current World Bank president? Fending off calls for resignation.

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