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World Bank problems deeper than Wolfowitz

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The furore surrounding World Bank president Paul Wolfowitz exposes the need for overdue reform of the six-decade-old development lender itself, according to experts.

"It's as much a crisis of governance as a crisis of leadership," said Dennis de Tray, vice-president of the Centre for Global Development in Washington, who has worked at both the bank and the International Monetary Fund (IMF).

"One can only hope that the very real governance and leadership crisis that recent events have generated at the World Bank will bring to the surface how fragile the current governance structure is, and hence set forth an international dialogue on these issues," he said.

Questions about the World Bank's relevance are being raised, including whether the post-war settlement under which the bank is led by an American and the IMF by a European is past its sell-by date.

"If the international community is interested in seeing the bank modernise and move into the 21st century, it's going to have a presidential selection process that is also 21st century," de Tray said.

European governments have been pressing hardest for Wolfowitz to bow out over the controversy surrounding his Libyan-born girlfriend, Shaha Riza, who on his direction was given a generous pay deal and guaranteed promotions when she was reassigned from the bank to the United States State Department in 2005.

On Friday, bank directors broadened their inquiry into the Riza affair and promised "to deal with the situation urgently, effectively and in an orderly manner".

But for one expert close to the bank, the Europeans have only themselves to blame, after they swallowed their doubts over the US government's nomination of the former Pentagon deputy chief to take over the bank two years ago.

"They stood aside when he was nominated as if somehow he had completely changed," the expert said on condition of anonymity.

"And over the past year all the people I knew [at the bank] were deeply unhappy -- they saw the things that were happening, but they didn't say anything."

The "neo-conservative" policy person who helped engineer the war in Iraq immediately ruffled feathers at the bank by bringing in former White House aides as senior advisers.

Wolfowitz went on to prosecute a campaign against corruption with such zeal that many governments, not least in Europe, worried the planet's poorest people could be hit twice -- first by venal officials and then by the World Bank.

But according to Devesh Kapur, a University of Pennsylvania professor who has co-



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written a history of the World Bank, European leaders will have to face up to losing their grip on the IMF leadership if Wolfowitz departs.

"The Americans will say fine, no one has a monopoly. If we don't have it here, you don't have it there [at the IMF]," he said.

"The second question is the role of China, India and Brazil. They are the rising powers and look how completely quiet they have kept [over Wolfowitz]," Kapur added.

"They want to have it both ways -- they want to have more power but they don't want to act responsibly."

Whether Wolfowitz stays or goes, the World Bank will still need to raise up to \$25-billion this year from rich donors to sustain its support for the poorest countries.

And it will still face the challenge of keeping its appeal for countries like China and India, which increasingly are finding the strict conditions attached to the bank's loans irksome in an age of easy global credit.

"People, particularly international diplomats, don't like to rock boats, and yet most people would agree this system is at best highly inefficient and at worst not functioning," de Tray said. -- AFP