THE NEW REPUBLIC ONLINE

WOLFOWITZ SURPRISES HIS CRITICS.

Credit Lender

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Only at **TNR Online**
Post date: 06.16.06

When Paul Wolfowitz was appointed head of the World Bank more than a year ago, the reaction in many quarters was predictable. Leading newspapers editorialized against him, with *The Financial Times* writing, "[T]he world would view a bank directed by Mr. Wolfowitz as no more than an instrument of U.S. power and U.S. priorities. Every piece of advice the bank gave and condition it set would be made illegitimate, in the eyes of recipients." Within the Bank itself, the multicultural roster of staff, which includes many people from countries where the Bush administration is about as popular as Jeff Skilling is in Houston, expressed disdain and offense. As *The Financial Times* reported, internal polls in the Bank revealed that almost 90 percent of respondents opposed choosing the neoconservative Iraq war hawk as head of their institution.

One year on, Wolfowitz has proven a major surprise. Wolfowitz has shown he could be just the person to reform the World Bank's longstanding problems--precisely because he does not seem to care about offending recipients of Bank money, the Bank staff, and even his former friends in the Bush administration.

Under former head James Wolfensohn, the World Bank, which gives out some $20 billion in annual loans and grants, began to respond to criticism that it imposed too few conditions on its loan recipients, propped up authoritarian regimes in the past, and did not reveal much information about its aid to outside observers. But under Wolfowitz, the Bank has put real teeth into the fight against corruption--corruption that hinders aid and undermines democracy and good governance across the developing world.

After announcing last year that he would make fighting graft a central component of his tenure, Wolfowitz had the Bank deploy new anti-graft teams on the ground in developing countries and publish a report that ranked, for the first time, how easy it is to conduct business in over 150 countries--a report that listed many aid recipients in Africa as among the world's most corrupt nations.

Wolfowitz then went further in his shaming campaign. He stepped up enforcement in the Bank's internal investigations office, which monitors Bank staffers' conduct, and pushed for the Bank to lend more to small, local organizations in developing countries like Indonesia. He also instructed his staff to "blacklist firms that engage in corruption in our projects," according to a report in the *FT*--a move applauded by anti-graft fighting agency Transparency International. By comparison, other major development organizations like the Asian Development Bank do not publish their internal lists of corrupt contractors, making it more likely that these companies would get repeat business.

Most important, the new Bank head has proven willing to suspend some $1 billion in loans to countries with serious corruption problems. Wolfowitz has frozen loans to Bangladesh, which Transparency International consistently ranks as among the five most corrupt in the world, to India, and to other nations. By finally showing that the Bank would call in its loans, Wolfowitz has given the institution a much more powerful stick.

Wolfowitz was able to effect these changes partly because he was a complete outsider. Already disliked internally before he came in, Wolfowitz had little incentive to stick to Bank practices or try to coddle loan recipients. Indeed, his style and decisions have alienated some staffers, and there are constant rumors of rebellions within the organization.

Yet he has also proven willing to take a tough line against the White House's agenda. Shortly after coming to the Bank last year, Wolfowitz began campaigning hard for wealthy nations to offer debt relief to the world's poorest states. The Bush administration had been ambivalent, if not hostile, to the idea of debt relief. But when prodded by Wolfowitz, Tony Blair, and others, the White House agreed to make it a priority, and this April Wolfowitz announced that the Bank would give $37 billion in debt relief to poor nations. What's more, even after international donors, including the Bush administration, cut off aid to Palestinian areas after the election of Hamas this winter, Wolfowitz initially announced that the Bank would continue its aid projects, though the lack of U.S. funding for the Palestinian Authority eventually cramped the Bank's ability to operate there.

Wolfowitz's tenure has not been without mistakes. Some Bank staffers have criticized him for hiring too many advisors with close Republican ties and not following standard Bank procedures in appointing his senior assistants. Most notably, Wolfowitz brought in Robin Cleveland, a former top official at the White House Office of Management and Budget, where she was accused of involvement in a scandal over Defense Department contracts for leased aircraft. "[Wolfowitz] is appointing political hacks into positions that should be filled by highly qualified personnel through competitive and transparent processes," one Bank staffer told Washington blogger Steve Clemons.

More worrisome, after initially suspending aid to Chad because its president had refused to use the nation's oil revenues for social services like health care, Wolfowitz backed off, resuming aid to Chad in late April. The *FT* reported the Bank announcing that Chad had "taken steps to restore the confidence of the international donor community," though it's hard to imagine what steps its thuggish president, Idriss Deby, could have taken-- especially since he was running for re-election at the time. Deby *had* threatened to end Chad's exports of oil--exports that, in the tight current global oil market, major economies could not afford to lose.

Still, only one year after perhaps the most controversial figure in the Bush administration became Bank president, no one is claiming that he's made the institution a servant of the White House--or that he's been short of ideas for potentially impressive reforms. Eventually, maybe his own employees will see this.

JOSHUA KURLANTZICK is the New Republic's special correspondent.

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