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Wolfowitz's `saber rattling' against corruption raises eyebrows

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Nearly a year into the job, World Bank President Paul Wolfowitz has been wielding an anti-corruption sword that strikes the minute there's a whiff of shady dealings.

Chad, India, Kenya and Congo all have felt the sting of the cuts aimed at demonstrating how serious he is about fighting corruption.

Wolfowitz, who was the Pentagon's right hand man in justifying the 2003 invasion of Iraq, has provoked opposition among development organizations, who dismiss his actions as meaningless and arbitrary "saber rattling." Instead, they point the finger at the World Bank itself, which they say is responsible for a world culture of bribery.

At last month's joint spring meeting of the World Bank and IMF, worried member countries insisted that the World Bank set up standards and criteria to guarantee objectivity in such decisions. The guidelines are to be in place by the next meeting of the 184-member organization in Singapore in September.

Crackdown

Beginning in January, Wolfowitz signalled the new crackdown. In Chad, the bank pulled its co-financing of a US\$4.1 billion African oil pipeline project because the government intended to use the oil income to fight alleged rebel groups, not poverty, as had been promised.

He blocked more than US\$265 million in credit to Kenya after

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irregularities were uncovered. In India, US\$1 billion for health projects were blocked. There will be no new funding for Uzbekistan for the time being.

After it came to light that the Congolese president partied away US\$295,000 in a hotel in New York, paying the bill in cash, Wolfowitz put a hold on expected debt relief for the country.

Corruption is often the source of the problem when a government doesn't function, Wolfowitz said last month in Jakarta.

But the Bretton Woods Project, a watchdog of the World Bank and IMF, sees it differently. It says the roots of corruption are underpaid civil servants and the willingness of large companies to pay bribes, the group wrote. Salaries must often be reduced under reform programs that are prerequisites to receive credit from the World Bank.

Others agree.

"The World Bank should adopt an approach that starts looking at itself," said Lidy Nacpil of Jubilee South, a network of activist groups demanding debt cancellation based in the Philippines. "That's why we ask for a fully open audit of its activities."

Systemic problems

Wolfowitz "refuses to look at [the bank] itself about its role in perpetuating corruption through its lending conditionalities and corporate corruption," the group said.

Development groups accuse the World Bank of handing out contracts to large multinational companies instead of small local firms. The contract process must become more transparent, they say.

Parliaments should receive oversight for World Bank projects and civil rights groups should be more involved.

Wolfowitz has taken their concerns into account. The World Bank wants to publish a training program for civil servants, promote freedom of the press as a key ally in uncovering shady deals and consult more regularly with citizens groups.

The bank said last year 13 percent of its credit — US\$2.9 billion — went to projects to improve government leadership through assistance in building systems based on the rule of law and the promotion of independent institutions.

Corruption police

The World Bank now has 50 corruption investigators who have investigated 1,700 suspected cases of irregularities in World Bank

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projects since the department was set up in 2001. The names of 330 companies and people have been banned from receiving new contracts and their names have been published on the World Bank Web site.

Smitu Kothari of the group Lokayan, which is fighting for democracy and equality in India, has been critical of the World Bank's anti-corruption campaign. He says the anti-corruption campaign is a new attempt to interfere in a country's affairs. The World Bank cannot act as a global policeman, he said, speaking in Washington.

Nevertheless, during the World Bank/IMF meeting Wolfowitz said he felt emboldened to continue the course.

"There is strong consensus among all shareholders that this is a problem that we need to address -- it's a problem for the poor people who are our biggest concern and it's a problem for the taxpayers of developed countries that help to pay our bills," he said.

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