Fifty years! How much chicanery, how much waste, how much...

BY ROSS HAMMOND AND JULIETTE MAJOT

The Bank that would like the image of "the Benevolent Bank" has never enjoyed a good reputation among the poor of the developing world who have suffered the consequences of its secretive, unaccountable, and tenacious character. As the Bank continued to promote and finance development schemes that forcibly displaced millions of people, turned forests into wastelands, destroyed communities and cultures, Southern voices raised in protest reached the ears of Northerners, who learned new lessons of the folly: the "benevolent bank" wasn't. What it was, and what it remains, (absent profound change) is an institution out of time and place, a cold warrior whose lofty McNamara-defined objective of poverty alleviation rings hollow.

What is needed, say proponents of sound development policies, is a new array of international finance institutions; smaller, less bureaucratic, democratically run and based on principles of openness, and accountability.

The Bank, not surprisingly, has its own ideas. This month, the 6,000-staff-person, top-down-managed, $20 billion-in-loans-per-year, security-paranoid-relic of an institution, will release a new vision statement. In it, it will lay down the three principle roles it has written for itself into the next century: provider and mobilizer of capital, advisor on economic and development policy, and key actor and coordinator in addressing strategic global development problems. Three roles, so far, at which it has failed.

It is not the first time that the Bank has reinvented itself. It first manifested itself as the Bank to rebuild the business classes of Europe and Japan after World War II. During the McNamara 70s, it transformed itself into the Bank for the poor of what it then called "the Third World." In the 80s it became the engineer and foreman for "structural adjustments" of what it called "development countries." And in the early 90s, it sprouted grafted limbs of artificial green and proclaimed itself the world's hope for what it finally called, "sustainable development."

All in the aid of—what, exactly? By restricting access to information, the Bank has isolated itself from valuable intellectual resources and advice that could have improved enormously the design and implementation of its policies and programs. By insisting on an internal culture which deifies economists, and relegates social sciences to lowly advisor status, the Bank has institutionalized leaving people out of nearly every equation it has ever relied on to make its case. By dealing, nearly exclusively, with only the highest level government officials of borrowing governments, it has effectively denied itself even a hint of credibility in understanding the priority needs of the poor. It has, time and again, not by coincidence, but by intent, propped up military dictatorships and repressive regimes who otherwise had few friends.

Just as the Bank's project lending has come under fire, (such as the disastrous loan for the Sarovar Dam which resulted in the damning, 400-page report commissioned by the Bank itself), its structural adjustment loans are intensely attacked. Having committed more than $45 billion to adjustment programs since 1980 in more than 75 countries, there is little more to show for the efforts than increased political turmoil, and an increased desperation among the poor. Ostensibly advanced as a strategy to promote long-term growth through cut backs in the public sector, pricing adjustments, and better balance of trade, adjustments are doing little more than further integrating countries into an international trade system that is stacked against them.

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The dampening of domestic demand to control inflation and free resources for export, which combined with cuts in social services, subsidies, credit availability and public employment, has had a devastating effect on local populaces. At first, the Bank claimed that the process of adjustment to a healthy economy would take only two to three years. By the mid-1980s, however, many countries that had adopted adjustment programs saw no light at the end of the adjustment tunnel. The Bank responded with compensatory social programs that directed short-term funds, jobs and services to vulnerable and potentially volatile populations in order to keep a cap on social and political discontent. Eventually, these programs were integrated into adjustment programs themselves. When that didn't stem the growing chorus of criticism, the Bank began to argue that the failures of adjustment were due to non-compliance on the part of the borrowers and/or to external factors outside of its and the countries' control.

Bank economists, ever dogged in their determination to stay on the same path, (despite the fact that it is strewn with dead bodies), continue to hand out the same dangerous prescriptions, such as insisting that numerous countries focus their production on the same types of export commodities, thus flooding the international market and keeping prices down. In response, these exporters have been compelled to increase the very same exports to make up for revenue shortfalls, thus draining resources away from local needs and the destroying of the natural resource base.

Fueled by the flawed economic logic of unlimited growth, and driven by the shortsighted and—greedy—actions of Bank shareholders and borrowers, the Bank as we know it can no more stop support for rapid-extraction investment projects than it can halt its imposition of, and lending for adjustment programs.

In its defense, stenographic Bank spokespersons refrain, "We've made mistakes. We recognize them. We are learning. Change can't happen overnight. We are making progress." Too late. Too late.

During this jubilee year, the international community would be wise to examine the role of the World Bank in creating and deepening poverty in countries that it professes to be helping. Rather than entrusting the Bank with more responsibilities and financial resources, the international community must seriously consider whether the institution is sound enough—financially, intellectually or ethically—to continue at all. Fifty years is enough.

WORLD BANK/IMF
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