

chance of success. However, these groups still face significant obstacles, and the lack of research in this area is troubling. It is important that researchers continue to investigate and analyze the work of anti-FGM groups, particularly in the area of education, to ensure this negative practice can be brought to an end as soon as possible.

CHARTING THE EVOLUTION OF THE WORLD BANK: THE ON-GOING NEED FOR MEANINGFUL REFORM

GREGORY L. SHARP

Conceived in the aftermath of World War II, and the Great Depression, the Bretton Woods institutions were very much products of their epoch. Since their inception, they have been constantly redefined in an effort to remain relevant. In order to chart this convoluted evolution, it is important to have a grounding in the fundamentals of the World Bank, the context from which it arose, and a grasp of its sister institutions. With this understanding it is then possible to examine the evolution of the World Bank chronologically – beginning with its inception in the post-World War II period to its quick shift in focus to the aid of Third World countries. With loans and capital becoming more accessible, these countries quickly became hugely indebted. This in turn resulted in the rise of structural adjustment programs by the World Bank as it tried to confront this problem. These adjustment programs proved extremely controversial and eventually prompted reforms in the organization's purpose and operations. Nevertheless, if the World Bank wants to effectively tackle the global problems of poverty and underdevelopment, it must be reimaged yet again.

UNDERSTANDING THE WORLD BANK

The General Agreement on Tariff and Trade (GATT), the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, more commonly known as the World Bank) were all designed to facilitate economic cooperation, promote a return to profitable growth and rectify the failures of the capital market.¹ More specifically, the GATT was to prevent protectionist trade barriers from being implemented; the IMF was to provide liquidity as well as over-

see the dollar-gold standard; and the World Bank was to engage in the reconstruction of war-damaged Europe.² These goals, although economically motivated, also had political dimensions. These institutions, by creating wealth and raising the standard of living, were designed to prevent a return to economic malaise and stifle the rise of political extremism.³ Moreover, as it became clear that the U.S.S.R. was unwilling to relinquish its control of Eastern Europe, these institutions became an indirect means to counter the spread of communism.

These organizations have developed to such an extent that today they bear little similarity to the institutions created in New Hampshire in 1944. This reflects the simple truth that contemporary financial markets are a far cry from those of the post-war period.⁴ For example, the World Bank has developed into a group of five affiliated multilateral institutions. Together they engage in an array of economic development activities and form the World Bank Group.

The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) are the two main institutions which form the World Bank. The IBRD lends at below market rates to governments of middle-income countries, as well as those who are lower-income, yet deemed credit-worthy. Similarly, the IDA deals strictly with the poorest countries and provides them with interest-free loans. This division helps better serve the different needs of countries of varying wealth.⁵

The internal structure of the World Bank is also important to note. The bank collects funds for its operations by two methods: one is to solicit contributions from wealthier member governments, and the other is to raise money in financial markets by "selling AAA-rated bonds and other debt securities to pension funds, insurance companies, corporations, other banks, and individuals around the globe."⁶ Unlike other international institutions, the World Bank can exert a certain independence in terms of its objectives, ambitions, and per-

² Joseph E. Stiglitz, "The World Bank at the Millennium," *The Economic Journal* 459 (1999): 579.

³ Jonathan Masters, *The World Bank Group* (New York, NY: The Council on Foreign Relations, 2012).

⁴ Jessica Einhorn, "Reforming the World Bank: Creative Destruction," *Foreign Affairs* 85 (2006): 20.

⁵ Paul McLure, *A Guide to the World Bank* (Washington, D.C.: The World Bank, 2003).

⁶ McLure, *A Guide to the World Bank*, 43.

¹ Christopher Gilbert et al., "Positioning the World Bank," *The Economic Journal* 459 (1999): 600.

sonality due to its capacity to raise funds independently.⁷

This independence; however, is limited by the control that the five largest donor countries exert over the World Bank. The World Bank comprises a Board of Governors, a Board of Executives and a President. Although all countries are represented on the Board of Governors, the real power lies with the Executive Board and the President. These are largely under the control of the largest donors: the US, Japan, Germany, France and the UK.⁸

The influence of dominant Western powers on the Bank is an external factor that has guided its evolution. Other external factors include global policy shifts, dramatic shifts in capital markets and new views of development. In terms of internal sources of change, the puissant role of the president is influential in deciding the direction of the organization. Various combinations of these factors have shaped the way in which the World Bank has evolved throughout its brief history.

Since its inception, the World Bank has been forced to adapt its purpose and operations many times in order to remain relevant. The radical transformation of financial markets, the rapid growth of world population, the collapse of communism, and the effects of globalization have all presented challenges to which this institution has had to adapt.⁹ This evolution can be broken down into five approximate periods: the post-war period (1944-1951), the shift in focus to the third world (1951-1968), the rise of third world debt (1968-1980), the implementation of structural adjustments (1980-1989) and, finally, the adaptation to criticism (1989-Present).

POST-WAR PERIOD (1944-1951)

The World Bank's initial primary purpose was to facilitate European reconstruction. Throughout this period, it predominantly focussed on economic growth, rapid (re) industrialization and the development of infrastructure. In particular, it was defined by fiscal conservatism, careful screening, and a focus on financing dollar imports.¹⁰

⁷ Edward E. Mason & Robert E. Asher, *The World Bank Since Bretton Woods* (Washington, D.C.: Brookings Institution, 1973).

⁸ McLure, *A Guide to the World Bank*, 8.

⁹ Moisés Naím, *World Bank: Its Role, Governance and Organizational Culture* (Washington D.C.: Carnegie Endowment for International Peace, 1994).

¹⁰ Ibrahim Shihata et al., "Evolving Strategies and Policies of Development," *The World Bank in a Changing World* (Dordrecht: Martinus Nijhoff Publishers, 1995), 41.

These elements are all evident in the very first loan issued to France in 1947. Crédit National, a French public corporation, applied for funding of \$500 million, yet they only received \$250 million. It must also be noted that, prior to the loan being approved,¹¹ a missive was sent from the U.S. State Department to the French government asking it to remove communist elements of its cabinet. Within hours of these elements being removed, the loan was approved. Furthermore, the World Bank closely monitored the use of funds and ensured that the French government would balance its budget.¹²

An initial uncertainty regarding the scale and scope of these operations contributed to this conservatism. Perhaps more importantly, the World Bank only had \$727 million in gold or U.S. dollars (out of initial paid-in capital of \$1.6 billion). Most countries applying for loans required goods and supplies that could only be obtained in the U.S. market and consequently required gold or U.S. currency.¹³

In an effort to expand its assets, World Bank president John Jay McCloy made it a focus of his administration to convince American investors that Bank securities were worth purchasing. Shortly after the New York stock exchange opened on July 15th 1947, the Bank's first bonds appeared. These bonds were quickly bought up and began selling at a premium. Nevertheless, this success came with limitations as the Bank now had to appease risk averse American investors – further entrenching fiscally conservative values. This potential for dependence on Wall Street inevitably drew much criticism from the international community.¹⁴

With an increase in capital, further loans were approved for the Netherlands (\$195 million out of an application for \$535 million), Denmark (\$40 million), and Luxembourg (\$12 million). These were not for specific projects but instead for financing U.S. dollar imports that would restore the industrial capacity of these nations and rebuild their infrastructure. These first four loans were significant to McCloy, who saw the Bank as a lifeline to a "sinking Europe" until the implementation of the Marshall Plan.¹⁵

This was a difficult period for Europe, as its access to the Lend-Lease program had been discontinued with the end

¹¹ Kai Bird, *The Chairman: John J. McCloy, the Making of the American Establishment* (New York, NY: Simon & Schuster, 1992).

¹² Mason & Asher, *The World Bank Since Bretton Woods*, 52.

¹³ Mason & Asher, *The World Bank Since Bretton Woods*, 52.

¹⁴ Mason & Asher, *The World Bank Since Bretton Woods*, 54.

¹⁵ Mason & Asher, *The World Bank Since Bretton Woods*, 53.

of the war. Furthermore, they were threatened by the potential halt of food, fuel and raw material imports. Despite the perceived conservatism that permeated the early World Bank, it was later revealed that these loans were made largely on faith – no one knew if they would actually be repaid or not.¹⁶ It was partially for this reason that McCloy was an ardent supporter of the Marshall Plan – even going as far as to testify before U.S. congress – despite knowing that this “measure would put the Bank out of business in one of the two principal fields in which it was set up to operate.”¹⁷

The European Recovery Program, more commonly known under the sobriquet of the Marshall Plan, was implemented in April 1948 and was followed by the Mutual Security Plan in 1951. Their mandates were to rebuild Europe and make it profitable again – essentially the same as the World Bank.¹⁸ This marked a turning point for the organization, in which the focus shifted from Europe to the ‘third world.’^{19/20}

SHIFT IN FOCUS TO THE THIRD WORLD (1951-1968)

The period immediately following World War II saw the emergence of a whole new class of countries – the Third World. Over three dozen new countries were formed during the decolonization of Africa and Asia,²¹ most of which promptly became members of the World Bank. Whereas previously the Bank had predominately dealt with industrialized countries recuperating after the devastation of war, these fledgling states experienced a host of different challenges. They not only required the creation of infrastructure, but also programs that specifically targeted poverty alleviation. This marked the first time that poverty reduction became a stated goal of the World Bank.²² While the Bank previously lent to European countries,

despite uncertainty regarding their ability to repay these loans, this was largely due to their substantial economic impact. Moreover, these nations were already well versed in advanced infrastructure systems and thus it was simply a matter of reconstructing them. Perhaps most importantly, it was vital for the U.S. to get European markets up and running again so that they could purchase American goods. The domestic markets of these emerging countries were not attractive enough to warrant the special treatment that was granted to many European countries.²³

So, unlike the loans previously offered to European states, the World Bank was unwilling to make loans on faith in this uncharted territory. This was a new domain in which they were cautiously feeling out their first steps. This risk averse perspective resulted in projects only being funded if they would enable a borrower country to repay its loans (for example, the construction of ports, highways, trade hubs or power plants).²⁴

The first development loan, of \$16 million, was granted to Chile; however, unlike previous loans that were granted with a wide mandate for purchasing dollar goods, it came with the specific stipulation that \$13.5 million was to be allocated to the construction of a hydroelectric power plant and \$2.5million to the production of agricultural machinery. In keeping with previous loans, the Bank carefully monitored how this money was spent by the Chilean government.²⁵

Throughout the remainder of the 50s and into the 60s, the bank slowly realigned itself to fulfill this developmental purpose. While European nations began to pay off their loans during this period, with the first two being repaid by Finland and Yugoslavia in 1951, the Bank began to approve more loans to the Third World. These ranged from Jamaica, to Ethiopia, to Brazil, and were granted by the IDA and IBRD (as well as other members of the World Bank Group).²⁶

THE RISE OF THIRD WORLD DEBT (1968-1980)

This era of the Bank’s history was marked by an increase in programs that were meant to address the foundational causes of poverty, instead of the grand infrastructure projects that characterized the post-war period. These

¹⁶ “Archives - Pages from World Bank History: Richard Demuth,” *The World Bank Group*, accessed November 4, 2012, <http://web.worldbank.org/wbsite/external/extaboutus/extarchives/>.

¹⁷ Mason & Asher, *The World Bank Since Bretton Woods*, 53.

¹⁸ Nicolaus Mills, *Winning the Peace: The Marshall Plan and America’s Coming of Age as a Superpower* (Hoboken, N.J.: John Wiley & Sons, 2008), 195.

¹⁹ Shihata et al., “Evolving Strategies and Policies of Development,” 41.

²⁰ Naím, *World Bank: Its Role, Governance and Organizational Culture*.

²¹ “1945-1952: Decolonization of Asia and Africa,” *Office of the Historian*, accessed November 5, 2012, <http://history.state.gov/milestones/1945-1952/AsiaandAfrica>.

²² Shihata et al., “Evolving Strategies and Policies of Development,” 42.

²³ Shihata et al., “Evolving Strategies and Policies of Development,” 44.

²⁴ Naím, *World Bank: Its Role, Governance and Organizational Culture*.

²⁵ Mason & Asher, *The World Bank Since Bretton Woods*, 53.

²⁶ McLure, *A Guide to the World Bank*, 152.

initiatives included rural development strategies, the promotion of small scale industry, agricultural reform, and an emphasis on the direct provision of health, education and food – essentially a consolidation of its earlier aim of poverty alleviation.²⁷ These new programs were accompanied by a decentralization of Bank activities and the establishment of Resident Missions.²⁸

Many loans were approved for an increased diversity of projects under this rejuvenated mandate. These ranged from pollution control and education reform, to commercial ventures. The enlarged scope and scale of World Bank operations allowed for an increased number of loan approvals. During this period a vast number of loans were approved to countries including The Gambia, Yemen, Mexico, Korea, China and Brazil *inter alia*.^{29/30} As loans became easier to obtain, developing countries were encouraged to borrow heavily, in order to fuel economic growth and address issues related to poverty. Consequently, the indebtedness of Third World countries skyrocketed to unprecedented levels.^{31/32}

Many of these changes in policy and operations were the result of the resourcefulness of the President, Robert McNamara, who exerted the power granted by his position to realign the organization's goals. These changes were further compounded by the Nixon shock in 1971 and the 1973-75 economic malaise prompted by the oil crisis and stock market crash.³³ Combined, these factors radically altered the nature of the World Bank.

By the early 1970s inflation in the United States was accelerating - due largely to the Vietnam War - and the country began to run a serious trade deficit. The sheer amount of dollars that had been pumped out into the world through the Marshall Plan, other aid measures, and the expansion of the American military abroad, meant that the U.S. treasury saw its gold coverage drop dangerously low. This was called

the Triffin dilemma.³⁴ This led to the Nixon Shock, in which the United States unilaterally abandoned the dollar-gold standard and the par value system – essentially eliminating the *raison d'être* of the Bretton Woods institutions.³⁵

This unforeseen return to floating exchange rates, in addition to the 1973-75 recession, forced the World Bank to face the stark reality of the era. Stagflation, as well as a rise in unemployment and interest rates, resulted in tenuous relations between the Bank and the U.S. Federal Reserve. This made it more difficult to raise additional funds. These events “clearly necessitated a change in the functioning and perhaps in the very role” of the World Bank.³⁶

“These events were not isolated points but instead were anchored within a larger societal shift.”

These events were not isolated points but instead were anchored within a larger societal shift. The post war period had been, until this point, largely oriented around the ideas of the economist John Maynard Keynes (who was instrumental in creating the Bretton Woods institutions). Keynesianism favoured government intervention in markets

and considered it a means by which the fluctuating nature of capitalism could be stabilized. These values were inherent within the Bretton Woods institutions upon their creation. However, the Nixon Shock and the following recession ushered in a new era of economic thinking. Contrary to Keynesianism, neoliberal economic policies favoured a minimization of government intervention, promoted privatisation and advocated for market determination.³⁷

STRUCTURAL ADJUSTMENT PROGRAMS (1980-1989)

These new economic models – now known as the Washington consensus – found ardent supporters in the World Bank, the IMF and the U.S. Treasury. These ideals were highly influential, as they were not only supported by a

²⁷ Shihata et al., “Evolving Strategies and Policies of Development,” 43.

²⁸ “Archives - World Bank Historical Chronology: 1970-1979,” *The World Bank Group*, accessed November 6, 2012, <http://web.worldbank.org/wbsite/external/extaboutus/extarchives/>.

²⁹ “Archives - World Bank Historical Chronology: 1970-1979,” *The World Bank Group*, accessed November 6, 2012, <http://web.worldbank.org/wbsite/external/extaboutus/extarchives/>.

³⁰ McLure, *A Guide to the World Bank*, 152.

³¹ Eric Toussaint, *Your Money or Your Life: The Tyranny of Global Finance* (London: Pluto Press, 1999).

³² Jane Harrigan, *Aid and Power* (London, UK: Taylor & Francis, 1995).

³³ Jack Rasmus, *Epic Recession* (London: Pluto Press, 2010).

³⁴ Robert O'Brien & Marc Williams, *Global Political Economy: Evolution and Dynamics* (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2010), 223.

³⁵ Roger Lowenstein, “The Nixon Shock,” *Bloomberg BusinessWeek*, April 4, 2011.

³⁶ Stiglitz, “The World Bank at the Millennium,” 581.

³⁷ O'Brien & Williams, *Global Political Economy: Evolution and Dynamics*, 383.

host of international organizations, but also strongly supported by the conservative regimes of Thatcher in Britain and Reagan in the United States. Although state-led development had been the dominant model up until this point, this was quickly eclipsed by the notion that a free market was integral to development and growth.³⁸ Once again the Bank's operations adapted to accommodate this new purpose. The focus on basic needs and social programs was abandoned in favour of an emphasis on structural adjustments programs (SAPs).^{39/40} Essentially, these loans were provided by the World Bank to Third World countries on the condition that they implement reforms to lessen government intervention in the economy. The conditions generally entailed "fiscal discipline, liberalizing trade, freeing exchange rates and interest rates, privatizing state industries, deregulation, tax reform to broaden the tax base, redirecting public expenditure to increase economic returns and redistribute income, and securing property rights."⁴¹

The first such loan was granted to Turkey in 1980 for \$200 million.⁴² This initial loan was followed by many others as the 1981-82 recession sent already indebted developing countries to the brink of default.⁴³ In 1985, 12 of the world's most indebted countries had SAPs; by 1990, the number of SAPs issued around the world had risen to 187.⁴⁴ It was believed that these policies would stabilize the economic situation in these countries and allow them to repay their other debts.

Despite the prevalence of these loans, they were extremely controversial. Advocates pointed to success stories, such as that of South Korea, where the World Bank provided huge amounts of funding and the economy grew

“Despite the prevalence of these loans, they were extremely controversial. Advocates pointed to success stories, such as that of South Korea, where the World Bank provided huge amounts of funding and the economy grew quickly during the 1970s-80s”

quickly during the 1970s-80s.⁴⁵ However, contemporary critics claim that the few countries that met with success did so because they did not submit to the unbridled will of the free market, and instead took a highly state-centric approach. Furthermore, they point to the steady outflow of wealth from Third World countries to bankers in the global North. They also cite the many crises that resulted from the implementation of SAPs in sub-Saharan Africa, Latin America and South-East Asia. They argue that the huge sums of money being diverted to service debts had an extremely negative and disproportional impact on the health, education and nutrition of the world's poorest countries.⁴⁶

These critiques were not limited to the economic realm, however. Instead, advocacy groups, non-governmental organizations and even international organizations critiqued the implementation of SAPs over gender, environmental and human rights issues. It

was recognized even as early as 1988 that these programs were devastating to the poor, an idea that was encapsulated by a United Nations report concluding that “the most vulnerable population groups, in particular women, youth, the disabled and the aged, [had] been severely and adversely affected.”⁴⁷ It was largely a response to these critiques that informed the World Bank's next period of adaptation.

RESPONDING TO CRITICISM (1989-PRESENT)

The deluge of criticism that began in the 1980s reached a critical threshold in the 1990s. Commentators on the right claimed that it was a bad hangover from an interventionist era, whereas those on the left labelled it as a new form of imperialism.⁴⁸ This torrent of bad press, combined with the collapse of the U.S.S.R., another change in presidency, and an increase in private capital, informed the next step in the evolution of the World Bank.

³⁸ O'Brien & Williams, *Global Political Economy: Evolution and Dynamics*, 383.

³⁹ O'Brien & Williams, *Global Political Economy: Evolution and Dynamics*, 383.

⁴⁰ Antje Vetterlein, “Economic Growth, Poverty Reduction, and the Role of Social Policies: The Evolution of the World Bank's Social Development Approach,” *Global Governance* 13.4 (2007): 515.

⁴¹ O'Brien & Williams, *Global Political Economy: Evolution and Dynamics*, 384.

⁴² McLure, *A Guide to the World Bank*, 153.

⁴³ Toussaint, *Your Money or Your Life: The Tyranny of Global Finance*.

⁴⁴ John Gershman, “The Free Trade Connection,” in *50 Years is Enough: the Case Against the World Bank and the International Monetary Fund* ed. Kevin Danaher (Boston, Mass.: South End Press, 1994), 25.

⁴⁵ Jonathan Masters, *The World Bank Group*.

⁴⁶ Kevin Danaher, “Introduction,” in *50 Years is Enough: the Case Against the World Bank and the International Monetary Fund* ed. Kevin Danaher (Boston, Mass.: South End Press, 1994), 2.

⁴⁷ Kevin Danaher, “Introduction,” in *50 Years is Enough: the Case Against the World Bank and the International Monetary Fund* ed. Kevin Danaher (Boston, Mass.: South End Press, 1994), 3.

⁴⁸ Gilbert et al., “Positioning the World Bank,” 599.

The fall of the Berlin wall ushered in a new era for both the world and the World Bank. The mission of aiding war torn states, “which was ignored during the Cold War, [came] back with a vengeance.”⁴⁹ The multitude of newly independent states soon bolstered the ranks of the World Bank Group, as they sought assistance in their transitions from command economies to capitalist economies.

Unlike the emphasis on macroeconomic growth that existed under adjustment lending, this allowed the Bank to gradually shift toward a new goal of sustainable development, coupled with the underlying emphasis on poverty alleviation. However, this transition did not occur immediately. Instead World Bank officials simultaneously defended SAPs while trying to alter them so as to address the aforementioned problems. They currently still exist, albeit in a radically different form, and are designed to complement the World Bank’s new emphasis on sustainable poverty alleviation.⁵⁰

A change of presidency in 1995 consolidated these changes. James Wolfensohn made it very clear that his priorities were constructing institutions in host countries, improving governance, enhancing the agency of the poor, strengthening the rule of law, and eradicating corruption. It was Wolfensohn who wanted the Bank to have “a human face” and who dreamed of a world without poverty.⁵¹

It was through his initiative that the World Bank adopted a two-pronged approach. On one hand, they would focus on supporting economic prosperity in borrowing countries through a variety of programs and policies. An example of this would be the Heavily Indebted Poor Countries (HIPC) initiative which made 39 countries around the world eligible for special assistance. On the other hand, they would invest directly in people through human resource development. This manifested itself in the form of increased lending to local non-governmental organizations and charities.⁵² It was hoped that through these programs, the organization would experience a restored sense of mission, more confidence from recipients, as well as donors, and a rejuvenation in its lending operations.⁵³

⁴⁹ Einhorn, “Reforming the World Bank: Creative Destruction,” 18.

⁵⁰ O’Brien & Williams, *Global Political Economy: Evolution and Dynamics*, 332-34.

⁵¹ Einhorn, “Reforming the World Bank: Creative Destruction,” 17.

⁵² Shihata et al., “Evolving Strategies and Policies of Development,” 43.

⁵³ Jonathan Pincus & Jeffrey A. Winters, “Reinventing the World Bank,” *Reinventing the World Bank* (Ithaca: Cornell University Press, 2002), 16.

Furthermore, globalization gave rise to “integrated capital markets, in which private flows to developing countries have become more important than public ones.”⁵⁴ Consequently, the Bank had to face some bleak statistics. The IBRD’s lending declined throughout this period from \$13 billion in the 1990s, to approximately \$10 billion in 2004-2005. Private capital flows over comparable time periods amounted to over \$300 billion a year and the trend is generally of increasing investment (although the 2008 financial crisis is proving resistant to recovery), despite the volatility of private capital. Perhaps, as many have suggested, lending to middle-income countries is no longer necessary and the IBRD is a dying institution.⁵⁵

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Calls for dissolution of the organization put further pressure on the World Bank to reform. In 1998 they officially redefined the organization as a ‘Knowledge Bank’ – essentially the world leader in development research and policy. This was possible, as the organization had grown into the “largest centre for development economics” and often attracted the best minds in the field.⁵⁶ Part of this initiative was to set global standards and norms (for example, environmental regulations on investments or ethical investing). Equally important was identification of uneven application of private capital and investment in projects and programmes that were deemed too risky or infeasible by private sector organizations.⁵⁷ Despite these many reforms, and an acceptance of past faults, the World Bank is still fervently criticized. This prompts the question: is the World Bank worth keeping?

REIMAGINING THE WORLD BANK

The old adage *Tempora mutantur, nos et mutamur in illis* – time changes and we change with it – is true of the World Bank. The World Bank currently faces a challenging situation. The dwindling relevance of public flows of

⁵⁴ Claude Freud, “La Banque Mondiale n’a Plus d’Argent, mais elle a des Idées,” *Cahiers d’Études Africaines* 157.40 (2000): 137 (my translation).

⁵⁵ Einhorn, “Reforming the World Bank: Creative Destruction,” 20.

⁵⁶ Shihata et al., “Evolving Strategies and Policies” 44.

⁵⁷ Gilbert et al., “Positioning the World Bank,” 613.

capital, the “epic recession” of 2008,⁵⁸ and a deep rooted mistrust of the organization are among some of the problems faced. For the World Bank to remain relevant, it must first accept that its past reforms have been inadequate. Then, and only then, will it be able to reimagine itself.

While many critiques of the World Bank are outdated and do not actually reflect the contemporary operations of the organization, others are valid and reflect a genuine need for change. Of particular concern is the artificial disjuncture between the economic and social realms implicit within World Bank policy. This is largely due to uncritical faith in neoliberal economic ideals, which emphasize adjustments on a national level. Although macro-economic health is important, wealth does not necessarily trickle down – it must also be encouraged from below.⁵⁹

It is this blind adherence to free trade and neoliberal values that is one of the Bank’s greatest weaknesses. Many of the world’s dominant economies went through mercantilist or protectionist periods in their development – France, Germany, Japan and the U.S. in particular – so why should developing countries skip straight to the extreme of unrestricted markets? It is for this reason that the IMF and the World Bank are often accused of being tools of imperialism. Consequently, it is paramount that there is a recognition that there is more than one valid economic model, and that developing countries often lack the capacity to adequately handle the rigours of free trade.⁶⁰ The Bank cannot hope to achieve these changes unless it manages to effectively translate purpose into operation. Their goals are just ones: workers’ rights, women’s health, non-discrimination, local self-reliance, creation of infrastructure, education and poverty reduction amongst others. However, these good intentions need to actually be put into effect. For example, funds are often blatantly misused for political purposes (a problem also faced by the IMF)⁶¹ or simply stolen by corrupt officials in recipient countries. To prevent this, the organization needs more transparency. This could be achieved through a reform of the internal structure that facilitates accountability, and the creation of a mechanism that circumnavigates institutional inertia.⁶²

⁵⁸ Rasmus, *Epic Recession*.

⁵⁹ Pincus & Winters, “Reinventing the World Bank,” 15.

⁶⁰ Freud, “La Banque Mondiale n’a Plus d’Argent, mais elle a des Idées,” 137-38.

⁶¹ Alex Dreher et al., “Global Horse Trading: IMF Loans for Votes in the United Nations Security Council,” *European Economic Review* 53 (2009): 742-757.

Moreover, an approach of international standardization and normalization – although at times desirable – is not the best solution to every situation. Instead the Bank needs to operate under the assumption that each problem is unique to its context.⁶³ To borrow a term coined by the anthropologist Arjun Appadurai, the World Bank needs to “globalize” its operations to best address the local problem.⁶⁴ It is at this confluence of international expertise and local experience where innovation and solutions occur.

The World Bank should seek to specialize in knowledge, development and international-local cooperation. Lending to middle income countries is no longer relevant due to the aforementioned private capital flows; as a result, the Bank should restrict its loans to the poorest nations with little access to capital. A transfer of knowledge and expertise should be coupled with these measures, not top down structural adjustments.

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It is important to preserve this institution, partly because it has the potential to be transformed into a puissant tool to combat poverty, but also because such an organization might never be created today due to the dichotomous political climate. Finally, the purpose of the World Bank – poverty alleviation – is a noble one; it is simply a matter of making the implementation an accurate reflection of the intent.

⁶² Kevin Danaher, “What to Do?,” in *50 Years is Enough: the Case Against the World Bank and the International Monetary Fund* ed. Kevin Danaher (Boston, Mass.: South End Press, 1994), 187.

⁶³ Pincus & Winters, “Reinventing the World Bank,” 17.

⁶⁴ Arjun Appadurai, *Modernity At Large: Cultural Dimensions of Globalization* (Minneapolis: University of Minnesota Press, 1996).