

# If the New World Bank President Calls...



Suppose Paul Wolfowitz telephoned you with the following:

**“I have only five minutes—in that time, what one bit of advice can you offer about leading the World Bank?”**

How would you respond? Remember, Wolfowitz has said he will start his new job by “listening,” but he has also stated that his primary goal is “reducing poverty.” Any thoughts or words of advice for the Bush Administration’s unexpected choice for World Bank chief?

**Over two dozen experts offer their guidance.**

**IMPORTANT MESSAGE**

*YOU*

FOR \_\_\_\_\_ A.M.  
P.M.

DATE \_\_\_\_\_ TIME \_\_\_\_\_

M *Paul Wolfowitz*

OF *World Bank*

PHONE/  
MOBILE \_\_\_\_\_

<input checked="" type="checkbox"/> TELEPHONED	<input checked="" type="checkbox"/> PLEASE CALL
<input type="checkbox"/> CAME TO SEE YOU	<input type="checkbox"/> WILL CALL AGAIN
<input type="checkbox"/> WANTS TO SEE YOU	<input checked="" type="checkbox"/> RUSH
<input type="checkbox"/> RETURNED YOUR CALL	<input type="checkbox"/> SPECIAL ATTENTION

MESSAGE  
*Need some advice!*

SIGNED \_\_\_\_\_

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*Above all, avoid the trap of administrative reorganization.*

**SAMUEL BRITTAN**

*Columnist, Financial Times, and author of Against the Flow (Atlantic Press, United Kingdom)*

**A**bove all avoid the trap of administrative reorganization. The best intentions of some of your predecessors of all political persuasions in this and other bodies became bogged down in these reorganizations. Make the best of the system you have, with the aid of a few key personnel, and concentrate on actual problems.

You are probably rightly suspicious of aid to governments as often wasteful and counterproductive. Give as much of your resources as possible to modest-sized local organizations whose resources cannot easily be diverted into national treasuries.

So far as you have to deal with governments, I agree with much of the advice you are being given about insisting on the rule of law and human and property rights. And do not provide aid to emerging countries that can already borrow for themselves on world capital markets. Concentrate on providing grants for the really poorest.

If I may add my own gloss, it is not only to refuse all aid to unnecessary arms programs and prestige projects of all kinds such as dams, which often attract an unholy alliance of self-interested corporations and Third World lobbyists.

But go further. It will mean not only refusing to finance such projects themselves, but cutting off governments who misuse development funds by diverting money into these projects. This advice will not make you popular with business, but you will only have one chance.



*Let me suggest six points.*

**GUILLERMO ORTIZ**

*Governor of the Bank of Mexico*

**P**aul Wolfowitz's selection as president of the World Bank provides him with a unique opportunity to contribute to developing countries' well-being. While the potential of the Bank to improve welfare is always there, today the institution has the added advantage of strong political support for economic development resulting from the endorsement of the Millennium Development Goals and the Monterrey Consensus by world leaders.

What recommendations can be provided to Mr. Wolfowitz in leading the Bank at this special juncture? I would underline six points.

First, concentrate the Bank's muscle on the institution's core activities and, particularly, on the fight against

poverty. There is broad agreement that this is the main development challenge at present.

Second, improve the efficiency of the Bank's operations. It is no secret that a significant number of the institution's programs fail to deliver the expected results, and that a lot needs to be done to improve transparency, accountability, and conditionality in the Bank's activities.

Third, keep in mind that the Bank has an important role to play in middle-income countries. Many of them face serious problems of poverty, among others, for which private financing is not available, and the Bank's advice and technical assistance activities have a strong demand within this group. Furthermore, an adequate engagement in middle-income countries is crucial for the Bank's financial strength.

Fourth, strive for an adequate balance between loans and grants, taking consideration of both the benefits for recipient countries and the institution's financial viability.

Fifth, the fight against poverty is not a job for one institution. It requires simultaneous efforts on many fronts. A particularly close cooperation with the International Monetary Fund is needed to avoid overlaps and harmonize efforts on the basis of comparative strengths.

Sixth, democracy within the Bank must be enhanced. The institution's decisions must respond to the interests of all the Bank's members, and not to those of the major

shareholders. Furthermore, developing countries must be given a fair share of voting power at the Bank.

Notwithstanding the many criticisms raised against the Bank, no other institution in the world has such a depth of knowledge and expertise in the economic development field. Mr. Wolfowitz clearly has the capacity to take advantage of the combination of talent and experience available at the Bank to lead the institution successfully. I wish him all the best.



*Incentives,  
incentives,  
incentives.*

**ALLAN H. MELTZER**

*Allan H. Meltzer University Professor of Public Policy at Carnegie Mellon University, and Visiting Scholar at the American Enterprise Institute*

**C**hange incentives—internal and external incentives. Aid works best when local officials choose to reform and make reform happen. Give assistance where that exists. Do not lend to countries that do not reform.

Change internal incentives also. Reward programs that work. End the policy of rewarding lending. The objective is to reduce poverty, not just to lend money.

Incentives, incentives, incentives.

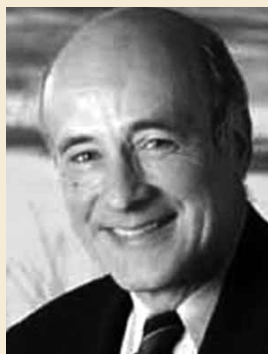


*Resign!*

**DANIEL MITTLER**

*Political advisor to Greenpeace International, based in Berlin*

**I** have only one word of simple advice for Mr. Wolfowitz: Resign!



*Learn from  
your Pentagon  
experience.*

**JOSEPH S. NYE, JR.**

*Distinguished Service Professor at Harvard University and author of The Power Game: A Washington Novel*

**L**earn from your Pentagon experience. In Iraq, you had good intentions, but we judge leaders by the means they choose and the consequences that ensue.

After you testified that the chief of staff of the Army was wildly wrong in his estimate that winning the peace in Iraq would require several hundred thousand troops, the consequences that followed were unnecessarily costly. Supporting debt relief for poor countries will be an easy way to show your good intentions right at the start, but this time pay closer attention to the means if you want good consequences to follow. If you abide by the British advice that rich governments should add real resources towards cancelling the debts, the results will be better. If you follow the advice of your former Administration colleagues and make the Bank cancel the debts out of its own resources, you will again sound good while producing damaging consequences for the institution you are trying to lead.



*Go back  
to basics.*

**MAKOTO UTSUMI**

*President and CEO, Japan Credit Rating Agency*

**F**irst, the World Bank should go back to basics. It is a bank. Poverty reduction is among its most important objectives, but the Bank should not be a mere official development assistance donor. To lessen poverty, enriching the developing economies is also necessary. Improving infrastructure and developing energy supplies should continue to be the important responsibilities of the World Bank's lending.

Second, since middle-income countries, except China and Thailand, still cannot attract capital from the market at conditions equivalent to those of the World Bank, it might consider expanding its lending to this group of countries. This would enable the Bank to get the additional margin to expand aid to the poorest countries.

Third, the internal resource allocation toward the country level should be further promoted. Appoint economists who know and understand a country's political economy and abandon economists just working on papers.

Finally, stop catering to each voice in the non-governmental organizations and academia. Making a list of the slogans such as "faith initiative," "cultural heritage initiative," etc. does not make sense. We expect that the new president will wield strong leadership in defining development strategy with clear priorities.



*Don't ignore Wolfensohn's greatest legacy: the campaign against corruption.*

**LIONEL BARBER**  
*U.S. Managing Editor, Financial Times*

Every new head of an organization is tempted to disregard or downplay the work of his or her predecessors. You must choose your own path but you should not ignore Jim Wolfensohn's greatest legacy: the World Bank's campaign against corruption.

The cancer of corruption has long hampered the Bank's struggle to tackle poverty in the developing world. Almost a decade ago, Wolfensohn—helped by NGOs such as Transparency International—raised public consciousness on this vital issue. He showed how Nigeria, with all its oil resources, could be a rich country full of poor people.

Rooting out corruption is the first step toward better governance and better societies. Influential political leaders such as Tony Blair are urging a fresh focus on Africa, with the ultimate goal of eradicating poverty and disease. Fine words, but they will mean nothing without a renewed commitment to confronting corruption. Africa will be perhaps your greatest challenge.

The Bank's mission over the next five years must include a mandate to set objective criteria for the anti-corruption campaign. This would not only shore up support for the Bank in Congress. It would also send a signal

to those courageous individuals in countries such as Ghana, Kenya, and Nigeria who are fighting the cause.

Mr. Wolfowitz: success on the anti-corruption front would guarantee your legacy as Bank president. You and Mr. Wolfensohn might even earn the honorary joint title of "Dubya."



*Hang tough! The World Bank makes the Pentagon look like a cream puff.*

**L. WILLIAM SEIDMAN**  
*Chief Commentator, CNBC Business News*

You are going to the ultimate in bureaucratic operations. Your ambitious plan for the world will be challenged by operating in an institution that makes the U.S. Defense Department look like a cream puff when it comes to getting things done. How to change this situation, which causes endless non-decision making, is a tough issue. You will be a new kind of chairman, especially since you have had some experience in dealing with the media on difficult issues.

Your record at Defense seems to me to give us citizens hope that you can streamline this bloated organization. My advice, hang tough—in a nice way!



*Concentrate on raising growth rates and encouraging democracy.*

**JAGDISH BHAGWATI**  
*Senior Fellow in International Economics, Maurice R. Greenberg Center for Geoeconomic Studies, Council on Foreign Relations, and University Professor of Economics, Columbia University*

First, do not ask for a five-minute advice again! As you know from your Indonesian experience, development is a complex matter that cannot be reduced to a sound bite.

Second, despite the complexity, you must not fall for the favorite cliché of the World Bank's senior staff under Wolfensohn that "one shoe size does not fit all." Your main task is to decide whether to wear shoes or to go barefoot. If you decide to wear shoes, the size will inevitably adjust to what your client country needs or can manage.

You will have to decide your basic approach to development and poverty elimination. In my view, based on over forty years of experience starting with work in the Indian Planning Commission in early 1960s on raising the bottom 30 percent of the Indian population to "minimum living standards," the most effective way to reduce poverty is to raise growth rates and thereby "pull up" the underemployed and famished into sustained, gainful employment and income.

In turn, the optimal mix of policies that will accelerate growth consists of integration into the world economy (i.e., economic globalization), treating it as an opportunity rather than as a threat, and embracing a judicious use of markets, including privatization of the many public-sector white elephants in the developing countries to this date. In my latest book, *In Defense of Globalization* (Oxford, 2004), I review the postwar experience that underlines this pretty effectively in regard to economic globalization.

I would also add democracy as an important institutional mechanism for success. While transition to better policies can be difficult under democracies, the combination of political and economic freedoms is generally the most powerful policy mix for sustained development and assault on poverty.



*Avoid being a henchman of U.S. policy.*

**HORST SIEBERT**

*President-Emeritus of the Kiel Institute for World Economics and Agip Professor for International Economics, Johns Hopkins University, Bologna*

The mission of the World Bank is to reduce poverty in the developing countries, to get these countries on a promising growth path, and to improve the living standards of their people. This mission defines Wolfowitz' own measuring rod. Are the existing programs effective in fight-

ing the multidimensional problem of poverty? How effective are they in the long run? Which program is more effective than others under the given conditions of a country? Which preconditions are essential in terms of humanity, such as fighting illnesses, and contribute to development simultaneously? And which conditions will initiate a growth process? How relevant is education?

Wolfowitz would be well advised to introduce an external control panel evaluating the efficiency of the programs and to increase transparency. In any case, he will not succeed if domestic institutional reforms in the poorer countries are not undertaken. If the incentives defined by the institutional set-up are false, growth simply will not take place. Financial means, whether loans or grants, should not vanish in corruption or serve to stabilize incapable regimes working to line their own pockets. The most difficult question he will have to answer is whether democracy is a precondition for receiving help from the World Bank. Or is it sufficient and appropriate to tailor the programs in such a way that they start a process, eventually leading to democratic governments?

Most importantly, Wolfowitz must define his role from a global perspective, and not through the U.S. looking glass. Then he is not credible. He must avoid being viewed as the henchman of U.S. policy.



*How about a pilot project for coherence?*

**SYLVIA OSTRY**

*Distinguished Research Fellow, Munk Centre for International Studies, and Former Canadian Ambassador for the Uruguay Round and Summit Sherpa*

The focus on poverty this year is really quite amazing—the G7/G8 Summit and the U.N. Millennium Assembly and the Millennium Development Goals and so forth. When Robert McNamara became World Bank president, he pledged in 1973 to eradicate poverty by the year 2000. With the Millennium Development Goals the time frame has slipped a bit. But goal rhetoric has not abated.

Perhaps it's a response to a media that favors the emotive over the intellectual. But can rhetorical inflation go on forever? Could President Wolfowitz admit that we really don't know how to "eradicate" poverty in many countries

and that there will have to be policy pilots—learning by doing? Let's begin in Africa. Let's focus on agriculture. Let's involve the World Trade Organization and the New Partnership for Africa's Development. Despite lots of talk about international policy coherence, let's admit it hasn't really worked with respect to poverty. So how about a Pilot Project for Coherence?



*Conserve your financial resources. The battle against poverty will not be won quickly.*

**PETER B. KENEN**

*Senior Fellow in International Economics, Council on Foreign Relations, and Walker Professor of Economics and International Finance Emeritus, Princeton University*

It is essential for you to conserve the financial resources of the World Bank and especially those of the International Development Association. The battle against poverty will not be won quickly. There will be a long-lasting need for large-scale financing. It would be therefore wrong for the Bank to write off the debts of the poor countries. Debt reduction is needed to end the merry-go-round of new lending to pay off old loans. But that should be done differently. The old loans should be repaid by the industrial countries. Otherwise, the IDA will be deprived of the financial resources it will need to meet the ongoing needs of the poor countries.

Some say that those countries will not need new financing if the Bank cancels their existing debts, but their argument is deeply flawed. Precisely because many poor countries must use new loans to pay down old debts, the new loans do not help them to wage war on poverty. If their old debts are written off by the Bank, not paid off by the industrial countries, the IDA will lack the resources it needs to make new loans in the future, and the poor countries will still be stuck where they are today, without the additional loans they need.

It is also important for the World Bank to continue lending to middle-income countries—those that are not IDA-eligible. Those countries still look to the Bank, not merely to supplement their market borrowing but also to insulate them from the very volatile cost of long-term market borrowing. That cost can fluctuate hugely for reasons that have little relationship to the creditworthiness of an

individual emerging-market country. Because the World Bank can borrow at more stable interest rates, the cost of borrowing from the Bank is likewise more stable.



*Among other things, lend to each emerging market in its own currency.*

**JOHN WILLIAMSON**

*Senior Fellow, Institute for International Economics*

Mr. Wolfowitz will already be aware that his clients come in two broad categories, the middle-income and the low-income countries. His Bank's role is much more critical in the latter group, since it supplies a far larger share of the financial flows to those countries than to the ones that can draw on the private market. But the agenda in the low-income countries is fairly clear: the Bank needs to make a reality of local ownership of the Poverty Reduction Strategy Papers, and it needs to convert the finance it provides to the really low-income countries from loans to grants.

In contrast, there is much dispute about the role of the Bank in middle-income countries, from the majority of the Meltzer Commission who want it to close shop to the members of the Volcker-Gurria Commission who want it to continue doing what it has traditionally done but better. Kemal Dervis's new book, *A Better Globalization*, suggests a third and perhaps preferable course of action: to use the Bank (or maybe the IMF, though it would seem better to finance such an operation by selling bonds on the world market, which points to a central role for the Bank) to help highly indebted countries get their debt service down to a manageable level. Under this paradigm an over-indebted middle-income country that had already established macroeconomic discipline would be offered the opportunity of refinancing its sovereign debt at marginally more than the World Bank's borrowing rate, in return for a long-term commitment to lock in its disciplined macroeconomic policies. The combination of the reduction in the cost of debt service, a substantial primary fiscal surplus, and even moderate economic growth would allow progressive reduction in the debt burden until it no longer threatened the stranglehold it too often does today.

It would of course be important that this refinancing not be done in a way that would threaten renewed crisis vulnerability in the short run. To my mind this means that

the Bank should lend to each emerging market in its own currency (though indexed to its price level, so that an irresponsible country could not inflate its debt away). It could avoid exposing itself to exchange risk by borrowing through an Eichengreen-Hausmann bond (a bond denominated in a basket of indexed emerging market currencies, where the weights are similar to the proportions in which its clients borrow from it).



*Concentrate on a limited number of objectives.*

**ANDERS ÅSLUND**

*Director of the Russian and Eurasian Program, Carnegie Endowment for International Peace*

The World Bank has many specific advantages, such as a broad mandate for economic development, a world-embracing network, a strong staff, and substantial financial resources. James Wolfensohn's high public profile has given the Bank extraordinary good will, which the Bank can live on for years.

The Bank's fundamental problem is that its all-embracing mandate makes its objective function look like an octopus. Therefore, it has also an organization that looks like an octopus, but such a structure cannot work very well. The first challenge for the Bank is to concentrate sufficiently on a limited number of objectives so that the bureaucracy stays bearable. The Bank must sufficiently constrain its desire to be politically correct so as not to come to a standstill. The number of conditions connected with Bank loans must be restrained and limited to essentials.

Since 1990, the Washington Consensus has caused an appropriate focus on deregulation, macroeconomic stabilization, and privatization, which have prompted good economic results in large parts of the world. After a few years of wobbling about equality, the Bank should focus on the promotion of economic growth, which is the best means of defeating poverty. The intellectual challenge to the Bank is to find applicable ideas that can boost economic growth.

Governance has rightly been brought forward in recent years as a key issue for the Bank. A profound problem is to secure private property rights in the second and third worlds. Another issue is to contain corruption of state bureaucracies so that economies can grow. The eventual

goal must be to minimize corruption. We now know that property rights are weaker in the third world and state regulation more ubiquitous. The key question is how to combat not market but state failure.



*Prove you can deliver.*

**DANIEL K. TARULLO**

*Professor, Georgetown University Law Center, and former Assistant to the President for International Economic Policy*

As you know better than anyone, you begin your presidency at the World Bank confronting a combination of uncertainty and skepticism in some developing countries, among the Bank staff, within the development agencies of many countries, and in non-official development policy circles. Your earlier experiences at the U.S. State Department and as dean of a distinguished graduate school of international studies have been, to put it mildly, overshadowed by your prominence as an architect of the Bush Administration's military actions.

While you will doubtless want to change some programs at the Bank and to challenge some assumptions held by certain of the Bank's constituencies, you will ultimately need their cooperation to make meaningful reductions in global poverty—the goal you have set for your presidency. My advice would be to show these constituencies early in your term not just that you are willing to listen to them—although you should clearly continue Jim Wolfensohn's outreach efforts—but also that you can deliver things from the United States where a development community insider could never have done so. Find an issue or a proposal where the United States has been an obstacle to a course of action widely favored by the other constituencies, and then convince your former colleagues in the Bush Administration to modify their opposition.

Obviously you will need to choose carefully, not least because you should yourself believe the policy or proposal to be a good one. Equally obviously, you won't be able to rest on one such achievement to support your credibility with development constituencies indefinitely. But if you can deliver an early and tangible success, you will significantly reduce their skepticism and enhance your chances of your own proposals being well-received.



*Break bottlenecks to growth.*

**RICHARD N. COOPER**  
*Maurits C. Boas Professor of International Economics,  
Harvard University*

The World Bank needs to sharpen its priorities. “Reducing poverty” is the appropriate ultimate objective, but history suggests that can best be done by stimulating economic growth. The Bank should focus on breaking bottlenecks to growth, where it has competence. The key bottlenecks will vary from country to country, and therefore the Bank’s programs will properly vary from country to country.

The Bank has historically been strong at financing infrastructure—roads, water control, power generation and distribution. This is still important in some countries, but must include training and perhaps initial financing for maintenance of infrastructure, which is often weak in developing countries. In others, the emphasis can be on education—training teachers, including secondary and agricultural extension teachers, and providing both teachers and students with incentives to go to school, as well as providing school supplies and school lunches where those would be significant incentives and otherwise improve learning.



*Among other things, reduce overlap and competition between the Bank and Fund.*

**WENDY DOBSON**  
*Professor at the University of Toronto  
and former Associate Deputy Minister  
of Finance, Ottawa*

Seldom has the head of one of the Bretton Woods institutions arrived with more baggage and more critics. Yet Mr. Wolfowitz also arrives at an opportune time in

the histories of these institutions as shareholders are using the occasion of their sixtieth anniversary to mount the latest of a series of evaluations of their mandates and operations.

His first challenge will be to demonstrate that he is accountable only to the Bank’s board. But his most significant challenge will be to focus the Bank’s considerable financial and technical resources on realistic and sustainable strategies to reduce poverty, including the resolution of a lengthy debate over whether the poorest countries should receive loans or grants. It would be particularly timely to decide what has been obvious good sense for many years: they should receive grants. They and the Bank’s other clients should also benefit from its technical assistance. Mr. Wolfowitz would also do well to provide an example at the top to reduce overlap and competition between the Bank and the Fund. He should pay particular attention to the Bank’s considerable in-house expertise on poverty reduction, as well as expertise on national financial systems and corporate governance that has been developed in the wake of the 1997–98 financial and economic crises. That knowledge and expertise, which is widely shared by the Bank, is a unique global public good.



*Listen, and be a pragmatist.*

**NORBERT WALTER**  
*Chief Economist,  
Deutsche Bank Group*

As you yourself already suggested, you will need to listen and show that you can be a pragmatist and a manager able to focus on the day-to-day running of a large bureaucracy. Grand visions are unlikely to work in a place like the World Bank. You should seek to consolidate the currently existing programs (many of which have become somewhat ill-focused in recent years). This will allow you to win the loyalty of the Bank’s staff and the support of Bank’s shareholders, which will be indispensable if your tenure is to be successful.

You must strengthen support among donor countries for global development finance, debt relief, and aid. You should stick to the main financing methods in place. In times of great fiscal strains among donor countries, a strong security dimension to their bilateral development policies,



and sharply diverging development fortunes of continents, clear-cut priority setting on issues and regions is a huge, yet essential political task. Diverting aid flows from middle-income to low-income countries is overdue.

You must continue marshalling the resources of the World Bank Group to reducing poverty in areas in which states, societies, and markets do not function properly, including post-conflict reconstruction of war-torn countries. You should continue to reward best efforts in developing countries, tackle corruption and bad governance, and devote the key resources of the institution to fighting the interrelated problems of poverty, malnutrition, and epidemics or catastrophic ills. The Group's move towards projects and programs which are driven by recipient governments should be maintained. And you should work closely with other agencies with similar goals, such as the IMF and the World Trade Organization.

The best way to achieve all of this is to listen to shareholders, staff, and customers, then set achievable goals and finally focus on their realization. If you do this, you will prove your critics wrong and make your tenure a success.



**CHARLES W. CALOMIRIS**  
*Henry Kaufman Professor of Financial Institutions and Academic Director, Jerome Chazen Institute for International Business, Columbia Business School*

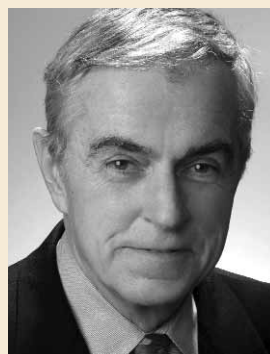
*Read the Meltzer Commission report.*

Careful research by David Dollar at the World Bank shows that liberalizing trade reduces poverty. Gerard Caprio of the World Bank produced pathbreaking work demonstrating the importance of limiting regulatory corruption and the government's protection of developing country bankers so as to reduce the impoverishing costs of financial bailouts. William Easterly (formerly of the World Bank) has written compelling accounts explaining how the absence of accountability by World Bank bureaucrats to their ultimate donors and ultimate aid recipients results in the unending stream of unfulfilled Bank promises and mind-numbing Bank rhetoric.

All three of these fundamental insights about policies to alleviate poverty informed the recommendations of

the Meltzer Commission, on which I served in 1999–2000. Clearly, the intellectual wherewithal to identify and implement appropriate reforms already exists both inside and outside the Bank. The intellectual battle for reform has already been won, but so far that has counted for little. Mr. Wolfowitz's success will depend on his ability to change the incentives of the organization to identify and reward knowledgeable and experienced staff members who are willing to prioritize poverty alleviation rather than simply move loans and soundbites out the door.

The necessary policy changes—promoting trade liberalization and financial sector reform, and focusing humanitarian aid on a few, concrete, and verifiable objectives (e.g., educational achievement, clean water, vaccinations) while ensuring accountability of aid providers through the credible evaluation of outcomes—are simple and obvious. But they will constitute a revolution, and there are many inside and outside the Bank with strong vested interests who will oppose such reforms. One way to overcome opposition might be to introduce the new approach quickly in one or two receptive countries, and use the improvements in living standards in those countries to campaign for broader implementation. Demonstrated success would matter far more in the political battle for reform than the opinions of experts.



**RICHARD D. ERB**  
*Senior Fellow, Montana World Affairs Council, Research Professor, University of Montana, and IMF Deputy Managing Director, 1984–1994*

*Attach a high priority to a country's government.*

Everyone appears to agree on the need to reduce poverty, but finding common ground on ways to reduce poverty in individual countries is another matter. Based on my IMF experience, I attach a high priority to the quality, stability, and ultimately the democratic accountability of a country's government.

The fact that the World Bank and the broader development community currently promote good governance is welcome. Given the multinational character of the World Bank and other international organizations, it is not surprising that much of that effort is technocratic in nature and focuses on

such subjects as corruption, transparency, and government institution building. These efforts should be intensified and indeed broadened to pay more attention to democratic accountability, especially given the emphasis many countries place on supporting “home-grown” policies.

But for many countries suffering from extreme poverty, the challenge is more fundamental than good governance. These are countries torn apart over struggles for self-determination. They are found in every region of the world and include millions of impoverished men, women, and children. Billions of dollars of development assistance have been undone in these conflicts and more will be wasted unless they are resolved. Even worse, millions of people have died.

As a leader of the World Bank and the international development community, you have a unique opportunity to focus public attention on the extent to which unsettled self-determination conflicts undermine development and exacerbate poverty. When meeting with officials of member governments and of course the United Nations, press them to strengthen their weak and often ambivalent efforts to help resolve such conflicts. Remind them that the principle of “self-determination of peoples” is enshrined in various UN covenants.

Whether self-determination conflicts are resolved through devolution of national authority or nation deconstruction, many difficult institutional and economic issues will need to be resolved in most cases. The World Bank and other multilateral institutions, including your neighbor the IMF, have relevant experience and expertise and should play a role in such efforts. The international aid community also should make it clear that significant external financial and technical assistance will be made available when such efforts lead to agreement among the relevant parties. Such assistance should include aid for sub-national entities when appropriate.



**PETER MANDAVILLE**

*Director, Center for Global Studies, George Mason University*

*Listen better than you did prior to the Iraq invasion.*

If the kind of “listening” to partners and allies that went on prior to the U.S. invasion of Iraq is the same listening that Paul Wolfowitz has in mind as his tenure at the

World Bank begins, the international development community is in for a rough time. Civil society actors—particularly those in the global south—have lost any hope that recent Bank rhetoric about inclusion and “multi-stakeholder dialogue” is anything other than an invitation to agree with a predetermined set of developmental directives. If, under Wolfowitz, global development were to become “securitized”—in other words, if it were to become part and parcel of the geostrategic reordering that currently passes for a War on Terrorism—then civil society in the Third World will become wholly alienated. Potential partners will disappear as quickly as the protesters pour back on to the streets. So while promising to listen is good, Dr. Wolfowitz also needs to hear. And there will be considerable skepticism as to whether he can hear anything that doesn’t mesh with the unilateralist tendencies of the administration he is leaving. The global partnership for development that the UN Millennium Development Goals exhort us to achieve will never materialize until the pluralism and genuine inclusiveness implied by the notion of partnership is enjoined. On this account, and based on the track record, Paul Wolfowitz starts with the chips stacked heavily against him.



**NANCY BIRDSALL**

*President and Co-founder of the Center for Global Development, and Co-chair of a recent Center working group that has developed an agenda for the next World Bank president*

*Don't try to do everything everywhere.*

For the world’s preeminent development agency to retain its relevance in a dynamic and fast-paced international system, Paul Wolfowitz will need to take strong leadership in building support among the Bank’s shareholders in three key areas.

First, the Bank should not do everything everywhere. As president, Wolfowitz will need to create incentives for senior management to define clear and monitorable country-specific priorities. In many low-income countries, the temptation to target lending to people-oriented projects in health and education should not eclipse careful assessment of whether the highest returns for the poor are not in rural roads and port modernization to stimulate growth and exports.

Second, Wolfowitz must protect the Bank's comparative advantage as a "knowledge bank" or brain trust of development. As a knowledge bank, creating and sharing across countries development experience and expertise, the World Bank constitutes in itself a global public good—an institution that no one country would today have sufficient incentive to create or fund, yet from which all potentially benefit. Strengthening this role requires attending to the declining interest of big middle-income borrowers and of rapidly growing China and India in borrowing from the Bank. It is the dialogue and accompanying lending to these countries that creates and sustains the Bank's expertise, and generates the profits on lending that help finance that fundamental brain trust function.

Third, Wolfowitz will have to take bold leadership in corralling the Bank's powerful shareholders into dealing with the Bank's unwieldy and outdated governance structure. He should lead a transformation of the Bank from a development agency—in which some members are financial contributors and others are beneficiaries—to something closer in spirit to a global club. In a global club, today's developing country beneficiaries, not only its rich country benefactors, should have a keen sense of ownership and financial responsibility. Without an increase in the representation of China, India, and yes, aid-dependent Africa at the Bank—in terms of board membership, capital and voting shares—there will be further erosion of its relevance, its legitimacy, and therefore of its effectiveness in advancing international development goals.



**SUSAN ARIEL AARONSON**  
*Senior Fellow and Director of Globalization Studies,  
 Kenan Institute*

*Make human rights  
 a central element.*

**P**olicymakers, development professionals, and academics have long argued about "how" to achieve development. But in a series of World Bank lectures in 1998, Amartya Sen suggested an integrative strategy that you may find compelling. Sen argued that development rests on a foundation of human rights. Under your leadership, the World Bank can do more to make these ideas a reality.

In his earlier Nobel Prize-winning work, Sen explained that nations and individuals are poor because

their citizens lack access to productive resources. Some of these resources are public goods such as education, justice, and the rule of law; others are access to quasi-public goods, such as credit. But all citizens have a "right" to such productive resources. To sustain development, policymakers must work to ensure that all of their citizens, whether male or female, able or disabled, can obtain these services and resources. Thus, the promotion and protection of human rights are building blocks both for sustainable development and good governance. Moreover, Sen suggested an end to the chicken-and-egg debate regarding the causality between democracy and economic growth. In his view, freedom is both a constituent of development and a means to foster development. Democracy gives people a voice and a constructive role in shaping values, norms, and ultimately policy responses. Thus, development should promote freedom, because freedom enhances development.

Under your predecessor, the Bank attempted to put some of Sen's ideas into practice. But it can do more. Specifically,

- In all of its efforts, the Bank should emphasize the importance of protecting human rights and investing in human capital. While human rights performance per se should not be a criterion for getting loans, the World Bank should expand its existing efforts that train developing country policymakers in how to promote and protect essential human rights.
- The Bank should sponsor and disseminate research on the relationship between the protection of human rights and economic growth.

By making human rights a central element of the Bank's approach to development, the Bank will make greater progress towards its mission and towards your personal interest in democratization.



**ANTONIA JUHASZ**  
*Policy analyst and author of The Bush Agenda: Invading the  
 World One Economy at a Time (ReganBooks, forthcoming)*

*Hell-bent on  
 expanding  
 America's empire?  
 The world will  
 be watching.*

**P**resident Bush has been clear about his plans for World Bank for over five years. He intends to reduce aid and increase free trade and investment requirements. He

also will only give to those countries that are willing to “play ball” with the United States. Paul Wolfowitz’s focus at the Bank will likely be three areas of the world rich in oil over which the Administration would like a firmer grip: North Africa, the Caspian Region, and the Middle East. U.S. oil and oil support corporations such as Halliburton, Bechtel, ChevronTexaco, and ExxonMobil—all with direct links to the Bush Administration—want the World Bank to be more aggressive in opening up these regions.

Wolfowitz is a capable advocate of the Bush agenda—moving forward regardless of the impact on people, public opinion, or even the U.S. economy. I offer Mr. Wolfowitz the following advice: You will do well to remember that in the past you have implemented an economic and military agenda hell-bent on empire from behind closed doors. Now the whole world will now be watching.



*Operate as a  
contrarian.*

**STEVE H. HANKE**

*Professor and Co-Director of the Institute for Applied Economics and the Study of Business Enterprise, Johns Hopkins University*

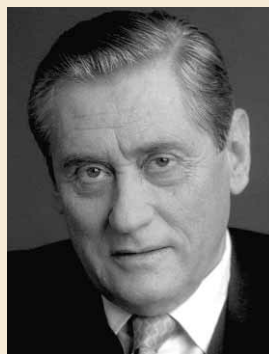
Even before assuming his post as President of the World Bank, Paul Wolfowitz—architect of the Iraq war—unveiled his plans for the Bank: “I can’t stress enough how important it is that the first priority of the bank is Africa, and the poorest people in Africa.” With every dog and cat already on that bandwagon, one wonders just what Wolfowitz would add?

Maybe the best thing would be for Wolfowitz to operate as a contrarian. He might actually accomplish something. He should begin his education by spending some quality time with Africa’s poorest inhabitants: the desert peoples, nomads, and other tribal folk who live outside the exchange economy. He would quickly learn that most of the World Bank’s top-down policies are simply irrelevant, at best. If nothing else, this reality check would force Wolfowitz to modify his rhetoric and to start thinking about how to facilitate economic development from the bottom-up.

During his African sojourns, Wolfowitz should read *The Elusive Quest for Growth* (MIT Press, 2001) by William Easterly, a former World Bank staffer. He should also read Easterly’s personnel file. It will contain the

results of a disciplinary investigation brought against Easterly for having the temerity to launch a “smart bomb” against the World Bank’s programs and policies. Indeed, Easterly found that the Bank’s interventionist policies were generally neat, plausible, and wrong. More broadly, his work demonstrates the damage that can be done by imposing Washington Consensus concepts, models, paradigms, prescriptions, and policies on developing countries. In truth, about the only thing the aid brigade is highly efficient at is moving hard-earned money from low- and middle-income people in “rich” countries to kleptocrats in “poor” ones. On his return from Africa, Wolfowitz should spend a weekend with Easterly. Nothing beats a good one-on-one.

Wolfowitz’s first stop at headquarters should be at the office of Simeon Djankov, senior author of the annual “Doing Business” report. Wolfowitz should request a short course on the nuts-and-bolts of the rule of law. Djankov can deliver that and explain how Africa’s number one problem—corruption—can only be cut by introducing the rule of law.



*Exercise restraint  
and avoid extremes.*

**HANNES ANDROSCH**

*Former Minister for Finance and Vice Chancellor of Austria*

There must be a clear commitment to run the World Bank on a multinational and multilateral basis. Closer cooperation with the International Monetary Fund should be sought as a matter of priority, as a means of optimizing the implementation and the effects of policy. We need to be clear that economic growth provides the best perspective for progressive social programs, and a prerequisite for growth is a good social infrastructure, including transportation, communications, and energy and water supply systems as well as a future-oriented educational system. The World Bank should also attach a high priority to the fight against AIDS and other debilitating diseases, some old, some new. Corruption must also be combatted in every way possible.

To meet these goals, it is imperative to exercise restraint and to avoid extremes. There should be no total restructuring or reorganization of the institution itself. Instead, priorities need to be defined, and a sharper focus brought to bear on their implementation.