

Show more flexibility

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Thanks to the World Bank meeting in Singapore, corruption in aid programs is once again in the spotlight. The head of the bank, Paul Wolfowitz, has made this his signature issue.

Just like poverty alleviation (the chosen focus of his predecessor, James Wolfensohn), alleviating corruption is an important and uncontroversial generality - ranking alongside peace, freedom and motherhood.

Why, then, has this caused controversy and dissent within the bank and among donors?

The problem, as usual, is not the generalities, but the specifics. We are all in favour of ending corruption, but how?

So far, the World Bank's technique has been to identify instances where this occurs and take away the funding (in fact, ask for a refund from the government involved).

But some donors are becoming unhappy with this blanket approach. The United Kingdom has threatened to withhold nearly \$ US 100 million (\$ 133 million) of assistance to the bank because the measures are seen as being misdirected.

At the same time there is crossfire from the non-government organisations, which want tighter action against companies in donor countries found to be deficient in their governance.

Wolfowitz is learning that, in the aid game, it's impossible to please everyone.

Like many people coming fresh to a vexed issue, his initial approach had an evangelical clarity in identifying right from wrong, and judging who was innocent and who guilty. Surely corruption is an unambiguously bad thing which the bank must avoid at all costs?

But if that is the criterion, then the bank will have to close up shop: no one will be good enough to receive aid.

Some measure of consequence is needed: how much harm is done to poor people in poor countries by corruption, and how much harm is done by withdrawing funding and imposing high standards on implementation?

Some areas of implementation will be much harder than others. So should the World Bank only fund those easy areas where clean implementation can be guaranteed? The hardest areas will often be the most vital in terms of poverty alleviation.

There are, as well, plenty of chicken and egg dilemmas here. If the corruption is a product of endemically low public-sector salaries, should the bank wait until these are raised - and if so, how, in countries which do not have enough budget funds to pay all their public servants properly? More vexing still, when corruption campaigns are not precisely targeted, the results can be counter-productive.

The widespread focus on corruption in contract payments in Indonesia has led to a perverse result. Increasingly, government officials are reluctant to approve expenditures for fear of

some fault being found with the contract, resulting in severe penalties for the unfortunate who signed off on the project.

Consequently, vital projects remain on the drawing board. Three senior central bank officials are still in jail over the lender of last resort issues in the 1997 crisis. What official will, again, sign off on such policies, even if they are critically needed, knowing that their actions will be judged not in terms of whether they were done with good intent, but whether the outcome was satisfactory?

These issues may seem subtle - former US Treasury secretary Robert Rubin talked about the problems of decision making under uncertainty, where there is a significant possibility that the most carefully made decision may turn out to be wrong. But subtle issues and simplistic solutions are bad bedfellows.

The point made here is not that we should abandon efforts to combat corruption. Rather, those who run these campaigns should demonstrate some understanding of the complexities and ambiguities involved.

There are numerous examples of where corruption has been successfully tackled, but few where this was driven by arm-waving generalisations.

Singapore's former prime minister Lee Kuan Yew, coming to power in 1959, dismissed some of his closest associates to signal that a new leaf had been turned and that a higher standard was to be maintained. But he also put in place other measures to achieve this - the salaries of Singaporean parliamentarians and officials are the envy of their Australian counterparts.

But it's not just about salaries. Some of the most blatant cases of American corporate corruption have involved people whose pay is, seemingly, beyond the dreams of avarice.

How did America shift from the Robber Baron Era of the end of the 19th century to the well-functioning system in place 50 years later? How was the endemic corruption of the Hong Kong police force in the 1980s fixed? What makes some local government councils in Australia beacons of good administration, while others are inefficient and have elements of corruption?

There is much talk of good governance, but if this is just more form-filling, then it won't achieve its aims.

In all this, there doesn't seem to be too many absolutes, and the real danger is that perfection will be the enemy of the good.

Instead of evangelical certainties, the World Bank president needs a sense of history; a patient, flexible and opportunistic approach; a recognition that good things are often achieved by imperfect means; and an acceptance of the ambiguities of the real world.

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