

# The World Bank: Explaining the Move Towards 'Good Governance'

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## Introduction

Over the past few decades the way in which individual governments and multi-national institutions view corruption has changed. Anti-corruption policies and initiatives have been at the forefront of many nations policymaking and there is no doubt that a global battle to curb corruption has taken place. Laws pertaining to corruption have been enacted in greater numbers; anti-corruption and accountability committees have been established.

This is especially true at the World Bank. However, 'Good Governance' and corruption were not even mentioned by the Bank until 1989 and yet, in the past two decades, it has become a focal point of the entire institution. How do we explain such drastic change? Furthermore, how do we explain recent direct Bank involvement in governing institutions as a result of this change? Although the movement was far-reaching and relatively recent, by looking at changes within the Bank's lending process and attitude towards borrower governments we are able to make sense of it.

## Methods and Procedure

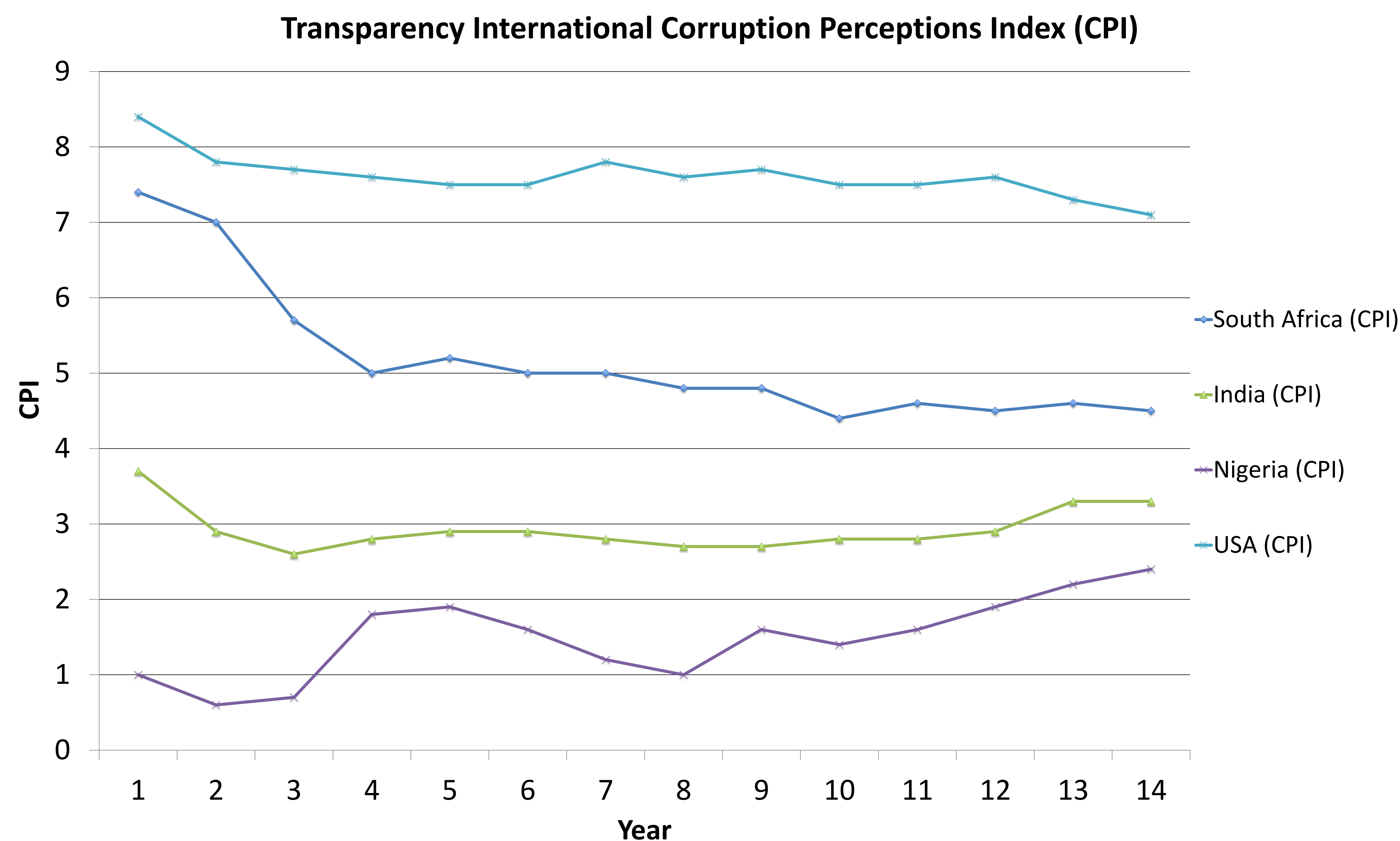
To determine the effect this has had on Bank-borrower relations we had to sharpen our focus to a few countries. In order to see the effects in a diverse setting we chose to focus on three nations with varying levels of corruption: Nigeria (most corrupt), India and South Africa (least corrupt). Although these nations have varying degrees of corruption it should be noted that they all struggle with corruption to a large degree.

In order to determine the effects that anti-corruption policies have had on Bank-borrower relations we analyzed primary documents from the World Bank pertaining to specific loans over a number of years as well as reports submitted by non-profit organizations such as Transparency International.

## Case Study: India

**Corruption Environment:** India, despite numerous reforms at the start of the 21<sup>st</sup> century, still struggles with corruption significantly. In its most recent Corruption Perception Index, which ranks nations based on a scale from 1 to 10 based on the perceived corruption within the public sector, Transparency International gave India a measly score of 3.3 placing it as the 87<sup>th</sup> most corrupt nation in the world (out of 178 nations total).

**Bank Initiatives:** In the 1990s the Bank's primary goal regarding lending to India centered on two broad goals: structural adjustment of their balance of payments crisis and supporting a number of reforms to liberalize their economy and open it to international markets. Both reforms were largely successful, especially pertaining to opening the Indian economy to international markets. India has taken substantial steps in this field allowing it to generate record growth in the last few years normally hovering around 10% of GDP. As India became more open economically the Bank was able to draw its focus to governance related issues such as Judiciary and Police reform as well as supporting massive reform in the telecom industry. Although monetary support has not necessarily come from the Bank pertaining to judiciary and police reform, it has been able to, with help from the United Nations, support and pressure India into developing reform initiatives. Lending to the telecom industry has been a different story with the World Bank implementing anti-corruption stipulations directly into their monetary support of the expansion of that sector of the economy.



## The Lending Process

The structural adjustment lending process of the Bank, implemented in the 1980s, did create greater competition between nations; however, it did not ensure that member countries personally wanted to be involved with the Bank and the projects it undertook for an extended period of time. This could be a large explanation for the Bank's turn towards institutions and its first mention of "good governance" in 1989. By becoming more involved in a borrower nation's institutions the Bank is able to maintain a long-term relationship in which it has a large amount of leverage over non-compliant nations, something it has had trouble with in the past. It has been able to increase its involvement in borrower nation's governing practices, allowing it to implement its agenda, largely through the anti-corruption initiatives that first took hold in the mid 1990s.

## Conclusion

The Bank has become increasingly involved in anti-corruption standards out of necessity, in order to ensure the efficiency of their loan process and maintain accountability from borrower nations. By becoming more involved in a borrower nations given institutions and governing system the Bank is able to establish a long-term, sustainable relationship. This allows the Bank to implement its policy initiatives and avoid the downfalls of structural adjustment lending, while ensuring, most importantly, that those initiatives will persist in the given nation after a given loan is completed.

## References

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