

# Time for the World Bank to shut up shop

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The World Bank is going through the worst period of its history. Its situation has never been so precarious. Rejected by a growing number of social movements, its credibility has been further undermined by revelations of nepotism on the part of its president, Paul Wolfowitz. At the same time, it is coming under fire from several Latin American governments that are setting up a Southern Bank with radically different perspectives. Could the deathblow be on the way ?

The fiasco of its actions over the last 60 years is clearly what has done the World Bank most damage. It will need to answer for a number of acts of which the following is not an exhaustive list:

- during the Cold War, the World Bank used indebtedness to achieve geopolitical ends, systematically supporting the allies of the Western bloc, particularly dictatorial regimes (Pinochet in Chile, Mobutu in Zaire, Suharto in Indonesia, Videla in Argentina, the apartheid regime in South Africa, etc.) which violated human rights and embezzled considerable amounts of money, and it still supports such regimes today (Deby in Chad, Sassou Nguesso in Congo-Brazzaville, Biya in Cameroon, Musharraf in Pakistan, etc.);
- at the turn of the 1960s, the World Bank transferred the debts contracted by the former colonial powers to several newly independent African countries (Mauritania, Gabon, Algeria, Congo-Kinshasa, Nigeria, Kenya, Zambia, etc.), in total contravention of international law;
- a very large part of the loans granted by the World Bank served to carry out policies which caused considerable social and environmental damage (huge and often inefficient dams, extractive industries like open-cast mines and pipelines, export agriculture at the expense of food sovereignty, etc.), with a view to facilitating cheap access to the rich natural resources of the South;
- after the 1982 debt crisis, the World Bank supported the structural adjustment policies promoted by the major powers and the IMF, leading to drastic cuts in social spending, abolition of subsidies on basic necessities, massive privatizations, taxation that worsened inequality, forced liberalization of the economy and unfair competition between local producers and the big multinational corporations - all measures which seriously deteriorated people's living conditions and amount to nothing less than economic colonization;
- the World Bank has carried out policies that have reproduced poverty and exclusion instead of fighting them, leaving the countries that applied

them to the letter mired in deep hardship. In Africa, the number of people having to survive on less than 1\$ a day has doubled since 1981, over 200 million people suffer from famine and for 20 African countries, life expectancy has fallen below the age of 45;

- despite resounding announcements, the problem of Third World debt subsists, since far from total cancellation, the World Bank contents itself with skimming off the top of the debt of a few docile countries, never touching the actual mechanism itself. Instead of signalling the end of relentless domination, debt reduction is just a smoke-screen hiding the draconian economic reforms demanded in exchange, in a continuation of structural adjustment.

In such conditions, the situation has become explosive. One recent event threatens to light the fuse: the current president of the World Bank, Paul Wolfowitz, has admitted to intervening personally to obtain a high salary increase (+45%!) for his partner. The World Bank set up an ad hoc Committee which has just heard him in the course of an enquiry ordered for violation of house regulations.

There have been numerous declarations demanding his resignation: from the World Bank association of staff and former executives; from one of the Executive Directors, the New-Zealander Graeme Wheeler; from high-ranking officials of the U.S. Democrats such as John Kerry; from international networks like the CADTM; the European Parliament, etc. But the U.S. government continues to support him through thick and thin and by clinging to his post, Wolfowitz is dragging the World Bank down with him.

A month after these revelations, no solution has been found. The World Bank's past is far too problematic for the status quo to be acceptable. Now there can only be one possible way out: the abolition of the World Bank and its replacement within a new international institutional architecture. A global development fund, within the United Nations, could be connected to regional development banks in the South, directly run by the governments of the South, using democratic process and transparency.

The way ahead is clear and two bombshells have just been dropped on the neoliberal establishment. Venezuela announced on 30 April that it is leaving the IMF and the World Bank. A few days earlier, Ecuador decided to expel the permanent representative of the World Bank, Eduardo Somensatto. For the Ecuadorian president, Rafael Correa, has a good memory. In April 2005, when he was the Minister for the Economy, he had attempted to reform the way petroleum resources were used so that some of the money, instead of going to repay the debt, should be used for social spending, in particular for the Amerindian population. In reprisal, the World Bank blocked a loan of 100 million dollars and pressure from Washington forced Correa to resign. Offended, he declared that « no-one has the right to punish a country for changing its laws ».

Rafael Correa was democratically elected president of Ecuador in November 2006 and has just carried the referendum for calling a constituent assembly with a clear majority. By expelling the representative of the

World Bank, he has reasserted the dignity and sovereignty of Ecuador in the face of an institution that has taken the liberty of systematically violating its own statutes, which prohibit it from interference in the domestic affairs of any member State.

Several Latin-American countries (Argentina, Bolivia, Brazil, Ecuador, Paraguay, Venezuela) are laying the foundations for two fundamentally new institutions: a Monetary Fund of the South and a Bank of the South. Various experts, including several members of the CADTM, have taken part in these discussions which aim to modify significantly the global balance of power, on the ruins of the World Bank.

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**P.S.**

\* Translated by Vicki Briault and Judith Harris.

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