

# Hypocrisy Trap

The  
World Bank  
and the  
Poverty of Reform



**Catherine  
Weaver**

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THE WORLD BANK AND  
THE POVERTY OF REFORM

*Catherine Weaver*

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*For Michael and Annika*

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## Preface

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ON THE MORNING OF 11 September 2001, I was walking up Eighteenth Street from my office in the Brookings Institution to the World Bank headquarters in Washington, D.C. It was midmorning, and traffic was still in its usual state of barely controlled chaos. I was looking forward to an exciting day of interviews with staff members that I was conducting as part of my research on the Bank's organizational culture. The massive World Bank building, which occupies an entire city block of H Street, was in its final preparations for the annual meetings with its sister institution next door, the International Monetary Fund. Dignitaries from all over the world were soon to arrive, and along with them an anticipated 150,000 antiglobalization protestors. The city was preparing to shut down a six-block radius around the World Bank and IMF headquarters. In anticipation of likely riots, several New York City police units would soon arrive to reinforce the D.C. police department. The weeks leading up to the annual meetings had been replete with editorials and articles by critics from both sides of the political spectrum, most of them questioning the World Bank's legitimacy, effectiveness, and relevance in the new millennium. In turn these observers offered their conflicting opinions on how to reinvent, reform, or demolish the World Bank. The World Bank was in crisis.

The tragedies that struck New York City and Washington, D.C., later that morning quickly overshadowed the hype surrounding the World Bank and IMF meetings. For several months after 9/11, the World Bank by and large disappeared from the headlines of major newspapers. Yet the fundamental questions regarding its future did not disappear from public discourse. Instead, the Bank continued to attract criticism, particularly from those who believed that the institution's actions did not correspond to its espoused dream of achieving a "world free of poverty."

This book is concerned with a critical problem facing the World Bank today: its perceived hypocrisy. A label often affixed to the World Bank and other international organizations (IOs), hypocrisy refers to the gap between what an IO says and what it does, or in Nils Brunsson's definition, the contradictions between "organizational talk, decision, and action."<sup>1</sup> Hypocrisy is evident in the Bank's well-documented incom-

<sup>1</sup> Brunsson 1989.

pliance with its own mandates and policies, and in the gaps between its espoused developmental goals and its daily operational practices. Hypocrisy is a powerful rallying cry for critics who believe that the Bank's support for development and globalization results in political and economic inequities, social injustices, and environmental ruin. Such accusations of hypocrisy can be devastating because they undermine the Bank's authority, influence, and effectiveness.

As a concept hypocrisy packs a polemical punch without giving much analytical leverage. It has been widely recognized as a common feature of the behavior of international organizations, but it has not been well explained in conventional theories on IOs. Thus the objective of this book is to unpack the puzzle of organized hypocrisy, both theoretically and empirically. What *is* organized hypocrisy, as opposed to personal hypocrisy, and what causes it? Why are IOs so easily ensnared by hypocrisy and, once caught, so unable to escape? What is it about the determinants of bureaucratic behavior and the nature of organizational change that causes hypocrisy to persist even when it threatens the resources and legitimacy an IO needs to survive? Why is hypocrisy so difficult to uproot and eliminate?

My quest to understand the sources and dynamics of organized hypocrisy has led me beyond the disciplinary bounds of political science to the field of organizational theory within sociology. In this sense, the concepts and methods represented in this book fall in line with the sociological constructivist turn in international organizational theory, best represented by the pathbreaking work of Michael Barnett and Martha Finnemore.<sup>2</sup> In practical terms, to investigate hypocrisy and change, I had to tackle both the external and the internal politics and culture of the World Bank. This required learning how to navigate the Bank's complex bureaucratic history, hierarchy, and language (not to mention its mazelike building). The result is a foray deep into the proverbial "black box" to explain what makes the World Bank tick. Consequently, the empirical work in this book does not focus on states, but instead treats IOs as actors in their own right, investigating their internal workings through methodologies appropriate to their power and pathologies.

## ACKNOWLEDGMENTS

This book would not have been possible without the support of many people. First and foremost, I want to express my profound gratitude

<sup>2</sup> Barnett and Finnemore 1999, 2004.

to Michael Barnett, my former dissertation advisor, mentor, and good friend. Well past the dissertation, Michael continued to give me invaluable advice and encouragement. I owe a huge debt as well to Paul D'Anieri, Ralf Leiteritz, Michael Lipson, Michael Mosser, and Michael Tierney, all of whom were critical in helping me craft my central argument and who kindly acquiesced to my persistent requests for feedback. For comments on the original proposal, individual chapters, and the overarching argument of the book, I would also like to thank Rawi Abdelal, Jacqueline Best, Mark Blyth, Jeffrey Chwieroth, Bruce Cronin, Martha Finnemore, Orfeo Fioretos, Erica Gould, Tamar Gutner, Larry Hamlet, Thomas Heilke, Kathryn Hendley, Peter Katzenstein, Juliet Kaarbo, Rick Messick, Steven Ndegwa, Dan Nielson, Susan Park, Craig Parsons, Mark Pollack, Bruce Rich, Leonard Seabrooke, Phil Schrodt, Mark Suchman, Duncan Snidal, Brent Steele, and Antje Vetterlein. For sheer emotional support at the most difficult stage of the primary research, I extend my thanks and lasting friendship to my two "pod buddies" at the Brookings Institution, Steven Cook and Hilary Driscoll-Price. In addition, I owe an intellectual debt to Robert Wade and Devesh Kapur, whose work on the World Bank has inspired me from the start. I would also like to thank Chuck Myers, my editor at Princeton University Press, Richard Isomaki, my copy editor, and two anonymous reviewers who provided amazing feedback on the entire draft manuscript. And finally, I would like to express my deep appreciation to all the World Bank and NGO staff members who granted me interviews and offered important information. I respect their requests for confidentiality.

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Finally, I am profoundly grateful to my entire family for their enduring patience and support. A special note of thanks to my father, political science professor David Weaver, for instilling in me a passion for

politics and for learning at a very young age. At last, I am most indebted to my husband and my daughter, who spent many weekends at home alone while I buried myself in the office to write this book. This book is dedicated, with love, to Michael and Annika.

## Abbreviations

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|       |   |
|-------|---|
| ARPP  | <i>Annual Review of Portfolio Performance</i>                     |
| CAS   | Country Assistance Strategy                                       |
| CD    | Country Director  |
| CSO   | civil society organization  |
| DEC   | Development Economics Department                                  |
| EIA   | environmental impact assessment                                   |
| ESSD  | Environmental and Socially Sustainable Development<br>Network     |
| GAC   | Governance and Anticorruption                                     |
| GAP   | Government Accountability Project                                 |
| GDP   | gross domestic product  |
| HIPC  | Heavily Indebted Poor Countries Initiative                        |
| IBRD  | International Bank for Reconstruction and<br>Development          |
| ICSID | International Centre for the Settlement of Investment<br>Disputes |
| IDA   | International Development Association                             |
| IEG   | Independent Evaluation Group                                      |
| IFC   | International Finance Corporation                                 |
| IMF   | International Monetary Fund                                       |
| INT   | Department of Institutional Integrity                             |
| M&E   | monitoring and evaluation   |
| MCA   | Millennium Challenge Account                                      |
| MDB   | multilateral development bank                                     |
| MDG   | Millennium Development Goal                                       |
| MIGA  | Multilateral Investment Guarantee Agency                          |
| NEAP  | national environmental action plan                                |
| NGO   | nongovernmental organization                                      |
| ODA   | official development assistance                                   |
| OED   | Operations Evaluation Department                                  |
| PREM  | Poverty Reduction and Economic Management                         |
| PRSP  | Poverty Reduction Strategy Paper                                  |
| QAG   | Quality Assurance Group   |
| UNDP  | United Nations Development Program                                |



|       |  |
|-------|--|
| USAID | United States Agency for International Development |
| USGAO | United States General Accounting Office            |
| WDR   | <i>World Development Report</i>                    |
| WTO   | World Trade Organization                           |

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## Hypocrisy Trap

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## Introduction: Hypocrisy and Change in the World Bank

IN HIS BRIEF TENURE AS World Bank president between May 2005 and June 2007, Paul Wolfowitz made fighting corruption his top priority. He aggressively pushed the governance agenda on the Bank's reluctant borrowing states. He openly criticized the Bank's management and staff for tolerating corruption in lending. He went so far as to unilaterally cancel big loans and projects, over the objections of Bank staff and client governments, where he suspected corruption was present. Wolfowitz declared that under his watch the World Bank would have "zero tolerance" for corruption.<sup>1</sup>

Then in late March 2007 news broke of the generous secondment, salary, and promotion deal Wolfowitz had arranged for his romantic partner, staff member Shaha Riza. Opponents of Wolfowitz—including his own management and staff—accused the leader of contradicting his own standard of good governance. Events quickly snowballed. Many European donor states threatened to pull the plug on the World Bank's financial support and their passive support of the U.S. privilege of selecting the Bank's president.<sup>2</sup> Major developing country borrowers, especially in Latin America, used the crisis to ramp up anti-U.S. sentiment and called for a clean break from dependence on the World Bank and its sister institution, the International Monetary Fund.<sup>3</sup> Inside the normally staid institution, staff members openly booed the president, wrote open letters of protest, and donned blue ribbons to symbolize support for good governance in the World Bank itself. In an editorial published on 15 April 2007, the *Financial Times* bluntly stated: "if the president stays, [the Bank] risks becoming an object not of respect, but of scorn, and its campaign in favor of good governance not a believable struggle, but blatant hypocrisy."

<sup>1</sup> See, e.g., World Bank 2005.

<sup>2</sup> Weisman 2007a.

<sup>3</sup> Lapper 2007; Cavallo et al. 2007.

While many reacted with indignation at Wolfowitz's transgression, longtime observers of the World Bank were not shocked to find that behavior did not match declared standards. In the past few decades, strange bedfellows from the political left and right have pointed with outrage to the gaps between the rhetoric and the reality of the international organization. In critics' eyes, hypocrisy is not monopolized by the Bank's president, but is in fact endemic to the institution. Hypocrisy is apparent in the Bank's incomppliance with its own policies. It is evident in the "mainstreaming gaps" between what the Bank *says* are its priorities in alleviation of poverty and in socioeconomic development and what it actually *does* to pursue these goals. Hypocrisy is in essence the persistent failure of the Bank, as a collective entity, to act in accordance with its ideals.<sup>4</sup>

Accusations of hypocrisy, once considered inflammatory, are now quite commonplace. Consider for a moment the recent scandal over the Bank's financing of the Bujagali Hydropower Power project in Uganda.<sup>5</sup> The \$225 million loan approved for the dam in 2001 provoked a massive NGO protest campaign, triggering an investigation by the Bank's own Independent Inspection Panel. At heart were charges that the proposed project violated the World Bank's policies and espoused goals on numerous fronts: safeguards against the involuntary resettlement of indigenous peoples, adequate assessment of the potential environmental impact, disclosure of information, a proactive consultation with local "stakeholders" (i.e., the affected population), and an objective evaluation to ensure a positive economic return on the investment. Further allegations of corruption in the contract procurement process eventually led to a temporary suspension of the loan. In April 2007, despite continued concerns about the project's viability, the political instability in Uganda, and the pending inspections panel investigation, the Bank renewed and even increased the size of the loan.<sup>6</sup> For activists, the Bujagali project is an example of the hypocrisy of a self-depicted "green" Bank. Indeed, from their perspective, the Bu-

<sup>4</sup> Lipson (2007, 6) claims that such failures give rise to accusations of hypocrisy directed at the United Nations.

<sup>5</sup> For an overview of this project and its problems, see the report of the World Bank Independent Inspection Panel 2002 and Bretton Woods Project 2002. For a critique of the NGOs' depiction of the Bujagali project, see Mallaby 2004, chapter 8.

<sup>6</sup> Bank Information Center 2007. The loan included \$130 million in funds from the International Finance Corporation (IFC) and \$230 million in guarantees from the International Development Agency (IDA) and (Multilateral Investment Guarantee Agency (MIGA). The total cost of the project was estimated in May 2007 to be \$750 million (\$200 million more than when the dam was first approved in 2001).

jagali case continues a long record of environmental and social neglect and tolerance of corruption in the Bank's work. To the most unforgiving critics, the Bujagali case exemplifies the Jekyll and Hyde character of the Bank, which preaches sustainable, participatory, and accountable development while, in practice, doing whatever is necessary to get big loans approved and out the door as quickly as possible.

Charges of hypocrisy exert a heavy toll on the Bank. Since the mid-1990s, malaise and open dissent have grown within the organization, already beleaguered by demands for reform, reinvention, or even demolition.<sup>7</sup> Increasingly, its highly trained and well-intentioned staff works under politically charged conditions as the Bank takes on goals and tasks that challenge its mandates, *modus operandi*, and *raison d'être*. The result is an institution under persistent pressure to change, yet increasingly uncertain about its identity and path to reform.

For these reasons, the phenomenon of the Bank's hypocrisy merits a close examination that gets beyond polemics to an analytically satisfying explanation. Indeed, the goal of this book is not to prove the Bank guilty of hypocrisy. My intent is to explain the nature of, and reasons for, the hypocrisy, a behavioral characteristic I find to be embedded in the Bank's political environment, its internal bureaucratic culture, and the complex process of organizational change. Paradoxically, in investigating the causes and dynamics of hypocrisy, I also argue that hypocrisy may be a natural, enduring, and even *necessary* feature of Bank life.<sup>8</sup>

While I do not seek to generalize my explanation of hypocrisy beyond the critical case of the Bank, I do see its hypocrisy as an exemplar of the bureaucratic "pathologies," dysfunctions, and legitimacy crises that we observe in international organizations today.<sup>9</sup> Others have invoked the concept of organized hypocrisy<sup>10</sup> and in some cases have explicitly theorized on the types of organized hypocrisies found in other IOs.<sup>11</sup> Organized hypocrisy constitutes a salient puzzle for IO the-

<sup>7</sup> See, e.g., Pincus and Winters 2002.

<sup>8</sup> Wade 2005; Hobbs 2005.

<sup>9</sup> Barnett and Finnemore 1999, 2004; Dijkzeul and Beigbeder 2003; Lipson 2007.

<sup>10</sup> E.g., Steinberg (2002) on the WTO; Schimmelfennig (2002) on NATO; and Iankova and Katzenstein (2003) on the European Union.

<sup>11</sup> E.g., Kiersey et al. 2006 on the European Union and Turkish accession; Bukovansky 2006 on the WTO and agricultural subsidies; and Lipson 2007 on United Nations peacekeeping. These works are a different take on Krasner's (1999) understanding of sovereignty as organized hypocrisy. See Lipson 2007 for a discussion of the distinction between "Brunssonian" and "Krasnerian" organized hypocrisy, and Bukovansky (2005) for a discussion of realist (e.g., Krasner 1999) versus liberal (e.g., Walzer 1977) versus constructivist (e.g., Shklar 1984) approaches to hypocrisy.

ory. Increasingly, scholars (particularly those in the constructivist tradition) recognize IOs to be relatively autonomous and powerful actors who help both to regulate and to constitute the world by “defining meanings, norms of good behavior . . . and categories of legitimate social action.”<sup>12</sup> Hypocrisy impedes these functions, undermining the authority, and potentially limiting the normative and material influence, of IOs. Hypocrisy may be linked to the ineffectiveness or overt failure of an IO.<sup>13</sup> For these reasons, the phenomenon of organized hypocrisy is directly relevant to those considering how to rationally design and delegate authority and tasks to IOs in ways that avoid errant behavior by agents.<sup>14</sup> At first glance, therefore, it seems counterintuitive to view hypocrisy as predictable, even essential for organizational survival. Yet this is exactly what an empirical investigation of the World Bank leads us to believe.

## THE SOCIOLOGY OF ORGANIZED HYPOCRISY AND CHANGE

This book is driven by two sets of questions. First, why does the Bank exhibit hypocrisy? What does this hypocrisy look like in the manifested behavior of the Bank? What factors, external or internal to the Bank, drive the divergence of bureaucratic talk and action? Second, why is hypocrisy so difficult to resolve, especially when it is exposed as a critical threat to legitimacy and authority? Stated differently, what is it about the nature of change, and specifically strategic reform efforts within international organizations, that enables or even requires hypocrisy?

I tackle these questions theoretically in chapter 2. I draw extensively from organizational sociology, in particular work on sociological institutionalism, resource dependency, and organizational culture. Here I owe a large intellectual debt to the work of Nils Brunsson (1989, 2003), who first theorized the concept of hypocrisy and later, in collaboration with Johan P. Olsen (1993), linked it to the study of organizational reform. Collectively these sociological theories share the assumption that organizations depend upon their external environments for critical resources, including both material (financial) support and conferred legitimacy.<sup>15</sup> An organization must appear responsive to environmental

<sup>12</sup> Barnett and Finnemore 2004, 7.

<sup>13</sup> Lipson 2007.

<sup>14</sup> Koremenos, Lipson, and Snidal 2002; Hawkins et al. 2006.

<sup>15</sup> Pfeffer and Salancik 1978.

demands in order to survive. Hypocrisy arises when these demands clash and the organization is compelled to separate talk from action so as to reconcile conflicting societal norms or placate multiple political masters with heterogeneous preferences.

These sociological theories also recognize that organizations develop informal structures and cultures—internal systems of ideologies, values, norms, and ways of interpreting the world—that over time create organizational preferences and behaviors that are quite distinct from those in the external environment.<sup>16</sup> Bureaucratic culture provides stability and meaning to organizational identity and action, enabling the organization to respond predictably and efficiently to environmental uncertainty. Culture is not immutable. But by its nature, culture changes slowly and incrementally, in a path-dependent fashion often at odds with the direction and pace of change in the organization's environment.<sup>17</sup>

Hypocrisy is thus most likely to surface and endure when conflicts arise between institutional pressures and bureaucratic goals. In other words, when the demands imposed by the external material and normative environment conflict with internal structures and culture, organizations will decouple, building gaps between, on one hand, formal structures and “espoused theories” erected for symbolic purposes to obtain external resources and, on the other hand, the informal structures and “theories in use” that drive actual work.<sup>18</sup> To cope with irreconcilable pressures, organizations in fact develop distinct “political” and “action” roles.<sup>19</sup>

With these theories in mind, there is good reason to believe that international organizations, and the Bank specifically, are especially susceptible to hypocrisy.<sup>20</sup> As multilateral governmental agencies, IOs are

<sup>16</sup> Barnett and Finnemore 2004, 19, citing Alvesson 1993.

<sup>17</sup> Brunsson 2003, 212.

<sup>18</sup> Meyer and Rowan 1977; Argyris and Schön 1978.

<sup>19</sup> Brunsson 1989; Lipson 2007.

<sup>20</sup> One key distinction of my approach is the focus on *bureaucratic* hypocrisy. In other accounts, such as the hypocrisy in United Nations peacekeeping (Lipson 2007) and the WTO agricultural trade regime (Bukovansky 2006), hypocrisy is largely behavior exhibited by the member states and institutionalized in the rules of the regime, not the bureaucracies per se. I argue that bureaucratic hypocrisy is more characteristic of large IOs that have sizable bureaucracies with permanent (as opposed to seconded) staff and service-oriented missions. Cox and Jacobson (1973) make this key distinction between service and forum organizations, arguing that service IOs (like the World Bank, other multilateral development banks, and the International Monetary Fund) are more likely to attain higher degrees of autonomy and develop over time distinct organizational cultures that lead the IOs to develop preferences and actions that cannot be directly explained by reference to the interests of their most powerful member states. Therefore, when dis-



particularly dependent upon externally conferred legitimacy, public funding, and demand for services.<sup>21</sup> Their authorizing and task environments are highly politicized, as legitimacy and material resources come from multiple member states as well as other actors (see chapter 3). This environmental complexity increases the likelihood of contradictory expectations and marching orders.<sup>22</sup> Moreover, many large service IOs like the World Bank have developed distinct bureaucratic cultures over their lifetimes. While these cultures reflect in part the IO's dependent relationship with its environment (particularly in the formative years), over time the professionalization and socialization of staff engender organizational preferences and worldviews that are often not easily deduced from the interests of dominant member states.<sup>23</sup> In turn, bureaucratic cultures and the internal battles over ideas and practices play a large part in shaping how the IO behaves and changes over time. Understanding the dichotomy between the external environment and the internal culture of an IO can reveal the tensions that drive hypocrisy.

Underpinning these issues is the argument foreshadowed above: hypocrisy plays a paradoxical role in the life of an IO like the Bank. On the one hand, hypocrisy serves a critical function, shielding the Bank from the inconsistent demands of its political and task environments. It is lip service employed as a strategic tool. On the other hand, hypocrisy can become a liability. As evident in the NGO "whistle-blower" campaigns against the Bank over the past two decades, hypocrisy rarely stays hidden. Instances where the Bank is caught in an act of hypocrisy can become sources of dysfunction, undermining the organization's legitimacy and moral authority, its political and financial support, and ultimately its ability to pursue its mission and to survive.

At such critical junctures, the Bank is called to task and compelled to try to rid itself of hypocrisy through strategic reform, as seen in the

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cussing organized hypocrisy, I make the explicit nonrealist assumption that IOs are actors, rather than merely structures or arenas, whose dynamic preferences and behavior merits explanation.

<sup>21</sup> Barnett 1997 and 2002; Hurd 2002; Bukovansky 2005; Lipson 2007.

<sup>22</sup> This is akin to the principal-agent model argument regarding the problem of multiple and collective principal (member state) preference heterogeneity in the delegation of authority and tasks from member states to IOs. See, e.g., Pollack 1997, 2003; Nielson and Tierney 2003; Lyne and Tierney 2003; Lyne, Nielson, and Tierney 2006; and Hawkins et al. 2006.

<sup>23</sup> On the professionalization and socialization of the staff in the International Monetary Fund, see Babb 2003; Momani 2005, 2007; and Chwioroth 2007. On the general scope conditions and mechanisms of socialization, see Checkel 2005.