

"Illuminating... heartbreaking... a fascinating narrative."—*The New York Times*

THE WORLD'S BANKER

A STORY OF FAILED STATES,
FINANCIAL CRISES, AND THE WEALTH
AND POVERTY OF NATIONS



WITH A
NEW
AFTERWORD



SEBASTIAN MALLABY

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WEALTH AND POVERTY
OF NATIONS

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A Council on Foreign Relations Book



PENGUIN BOOKS

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Praise for *The World's Banker*

"A sophisticated, evenhanded take on the bank's last decade of development efforts. . . . Illuminating . . . Heartbreaking . . . [Mallaby] has produced a book chock-full of affecting vignettes, and that rarest of treats—an informed disquisition about public policy wrapped up in a fascinating narrative."

—*The New York Times*

"*The World's Banker* sets out to be a biography of Mr. Wolfensohn, but it is really as much about the rich world's relations with the poor. Mr. Mallaby writes about this vast topic with vigor and wit, and in a tone so reasonable it makes you want to slap the people who scale office blocks to unfurl banners proclaiming that the 'World Bank Approves China's Genocide in Tibet.' . . . Mr. Wolfensohn comes across as filled with 'a roaring restless hunger to do all the things that man can do, and to succeed at all of them.' On the negative side, he is so vain that he prefers to shout at his subordinates than share credit with them. He probably won't like this book. But anyone else who cares about development will."

—*The Economist*

"Sebastian Mallaby's fascinating book on the World Bank is both timely and an excellent read. . . . [Mallaby] has a talent for brilliant writing and penetrating analysis. . . . He brings to the book . . . an ability to tell his tale engagingly and with copious amount of the kind of 'inside' gossip that enlivens the pages of his newspaper. . . . Whoever succeeds Mr. Wolfensohn needs to read this masterly book."

—Jagdish Bhagwati, *Financial Times*

"A fascinating, lively account of a man and an institution grappling with the mammoth challenges of poverty, development, and global politics. Sebastian Mallaby's finely etched tale is both troubling and inspirational."

—Robert Kagan

"Sebastian Mallaby, one of the most clear-eyed writers of his generation, has done something brilliant with *The World's Banker*. In a book that grips the reader to the last page, he has used the oversized character of World Bank president Jim Wolfensohn to provide a piercing look at world poverty and the West's ceaseless and sometimes contradictory experiments in fighting it."

—David Marannis

"Sebastian Mallaby has done the impossible. He's written a book about global poverty that is an utterly compelling read. Mallaby uses the larger-than-life figure of James Wolfensohn and his presidency of the World Bank to tell the tale. There's intrigue, gossip, color, and humor all mixed in with high intelligence. But throughout there is also a deeply felt desire to do something for the world's three billion people who live on less than two dollars a day. In writing this wonderful book, Mallaby has helped shine a light on what should be the great struggle of our times."

—Fareed Zakaria

"This readable book is much more than a portrait of a contradictory and complex character. It also offers a provocative account of Wolfensohn's two five-year terms . . . that bookmark an intense period of change in the World Bank's sixty-year history. . . . *The World's Banker* is an engrossing story. At its heart is a fasci-

nating character and a lively retelling of the tortured history of an important institution that almost no one understands.” —*BusinessWeek*

“*The World’s Banker* is a riveting portrait of the World Bank and its mercurial president of the past ten years, James Wolfensohn. . . . Mallaby’s book may well be the most hilarious depiction of a big organization and its controversial boss since Michael Lewis’s *Liars’ Poker*.”

—Rahul Jacob, *Financial Times Weekend Magazine*

“With a bright, breezy . . . and assured style that reflects his years at *The Economist*, the author takes the complex and (let’s admit it) potentially excruciating topic of the World Bank and makes it accessible to the general reader. . . . It is to Mr. Mallaby’s credit that his readers, like the developing countries the World Bank was designed to assist, will be left asking for more.” —*The New York Sun*

“I wonder if Sebastian Mallaby had Stevenson[’s *Dr. Jekyll and Mr. Hyde*] in the back of his mind when he was writing this book, for the World Bank President James Wolfensohn he portrays here appears to be almost exactly 50 percent Jekyll and 50 percent Hyde. Wolfensohn/Jekyll is the irresistible charmer seen at his vacation home in Jackson Hole, Wyoming, who can turn bitter foes into best friends (or at least ‘frenemies’) with a single shot of his charisma. Wolfensohn/Hyde is the intolerable monster seen on Wall Street and in Washington, whose egocentric tantrums have just the opposite effect. The moral of Mallaby’s story is that Wolfensohn’s presidency of the World Bank would have been more successful had Dr. Jekyll been in sole charge. But that may underestimate the usefulness of Mr. Hyde. . . . Wolfensohn’s career is an astonishing story in its own right, and Mallaby, an accomplished British journalist who is now a *Washington Post* editorial writer, tells it well.” —Niall Ferguson, *The Washington Post Book World*

“A well-researched piece of reportage . . . *The World’s Banker* is a dishy account of the intramural struggles of Wolfensohn and the other demigods of global development upon whose efforts the fate of millions may depend.”

—*San Francisco Chronicle*

“What the author accomplishes in *The World’s Banker* is extraordinary: Mallaby has transformed the recent history of the World Bank into a page turner.”

—Richard Adams, *The Guardian*

“A swiftly moving tale of what goes on behind the vaults at the World Bank, an institution led by a vigorous, cantankerous and polarizing boss. . . . Mallaby takes a breezy, human-interest approach to all of this, as seems fitting with such a larger-than-life ‘outsized character pitted against outsized problems.’ But what is best about this very good work is not its high-flying characters, well handled though they are, but its enthusiastic effort to personify the World Bank. . . . A worthy essay in institutional dynamics as much as financial history and international development.”

—*Kirkus Reviews* (starred review)

PREFACE

THE PRISONER OF LILLIPUT

I DIDN'T WRITE THIS BOOK to pick an argument. I wrote it for the romantic match between the two main characters. On one side there is Jim Wolfensohn—screamer, schemer, seducer; Olympian, musician, multimillionaire; by no means a saint but by any standards a fantastic force of nature. On the other side there is “development,” an umbrella term for humanity’s most intractable headaches—ignorance, illiteracy, malnutrition, AIDS—the toughest challenges of globalization. As president of the World Bank since 1995, Jim Wolfensohn has grappled with these challenges, an outsized character pitted against outsized problems. I wanted to write a book that followed Wolfensohn through the villages and capitals where he fought his battles, and to see what larger truths those battles illuminated.

The persistence of extreme poverty has fair claim to being the greatest outrage of our times, and the World Bank is the main instrument that rich nations have to fight it. We live in an age when millions of people die because they were born in the wrong place: one section of humanity enjoys \$2 lattes and disposable cameras; the other section lives on \$2 a day and appears itself to be disposable. It costs \$2.50 to buy a bed net to keep out malarial mosquitoes, but the United States, which spends more than \$9 billion on movie tickets annually and lands rockets

on Mars, somehow can't get bed nets to the African children who die from malaria at a rate of roughly two per minute.¹ What struggle is more noble than the battle against this waste of human lives? Jim Wolfensohn feels this with a consuming passion: "It's all I think about," he said, early in his tenure; "I wake up in the morning thinking about it and I go to bed thinking about it." And yet, what struggle is more difficult either? More than any other institution, the World Bank has strived to understand the challenge of development: to create a delivery mechanism that can turn a sliver of the rich world's wealth into progress against poverty.

The World Bank was conceived six decades ago, along with the International Monetary Fund, when Franklin Delano Roosevelt and his allies were engaged in mortal combat with Germany and Japan. The founders' purpose was twofold: to relieve human suffering, certainly, but at the same time to control the economic chaos that threatened the rich world's security. The hyperinflation and mass unemployment of the interwar period had fueled the rise of fascism and communism in Europe: desperation had led to desperate *isms*. The International Monetary Fund was meant to head off a repetition by fighting currency crises; the World Bank had a broader mandate to develop broken-down economies. As the world changed, the Bank's functions evolved, but its role in international-security strategy has persisted. With the onset of the cold war, the Bank's mission was to prevent Latin Americans and Africans and Asians from joining the Soviet column. In the new age of terror, the Bank's efforts in the poor world offer the best chance of preventing the proliferation of failed states that serve as havens for terror. Meanwhile poverty is the vector for other threats to our security—global diseases, drug trafficking, and environmental degradation—which can thrive unchecked in desperate countries. In Kosovo, in East Timor, in Afghanistan, and to a lesser extent in Iraq, the World Bank has also emerged as a key player in the nation-building efforts that have become a feature of the past decade.

The World Bank is a strange kind of a bank, extremely good and frustratingly bad, not unlike its president. It lends money to poor countries—some \$20 billion a year—but its real importance lies in its influence over the developing world's policies. In the words of one critical account, the Bank has “more to say about state policy than many states,”² and while that goes a little far, the general point is valid. The Bank's ten thousand professionals form the brightest concentration of development thinkers anywhere, and they combine brain power with practical experience; they spend years in the toughest corners of the earth, fighting to get children into schools or water into villages. In many poor countries, World Bank economists drive government strategy on everything from AIDS to civil-service reform to macroeconomic policy. Other big aid donors—the United States, Japan, and the leading European powers—can be influential, too. But the Bank is almost always in the lead, partly because a multilateral institution is best placed to coordinate rival flag-waving programs, but mostly because the Bank's analytical machine has more intellectual juice in it.

Jim Wolfensohn came to the Bank with his own kind of juice, and the mix has been explosive. He grew up in Australia, represented his country at the 1956 Olympics, then went to Harvard Business School. He became a master deal maker in the City of London and on Wall Street, leading the rescue of the Chrysler car company in 1979 and amassing a fortune of well over \$100 million. He chaired New York's Carnegie Hall and Washington's Kennedy Center for the Performing Arts while running his own firm, and he performed concerts himself alongside the world's best musicians. He had a swashbuckling energy that took the World Bank by storm, lifting it out of a dark time when it was surrounded by critics of both left and right who called for its abolition. But the Bank is a proud institution, and its formidable technocrats did not always take kindly to Wolfensohn's high-voltage style. And so there followed a titanic clash: in one corner, a plutocratic financier who

always got his way; in the other, a phalanx of superqualified experts with years of development experience. It was unstoppable force versus immovable object, and both sides finished up in unexpected places.

There could scarcely be a better time to tell this story, for however excellent the Bank's professionals, and however vital their mission, the World Bank shares the fragility common to most multilateral institutions. We veer between contempt for international bodies—the United Nations, the International Monetary Fund, and likewise the World Bank—and unrealistic pronouncements on what they ought to do: forge peace, banish financial instability, lift every person out of poverty. It has become commonplace to say that our global institutions are not up to the challenge of our unprecedented global interdependence. But the reason for this mismatch lies partly in our schizophrenia. Sometimes we pour scorn on the Bank and other international bodies, and starve them of resources. Sometimes we talk as though they must have superhuman strength, and we lumber them with impossible objectives.

When President George W. Bush took office, it was the contempt that seemed most threatening. In 2001 and 2002, the Bush Treasury assailed the Bank with a mixture of aggression and plain ignorance, as this book will describe later. In early 2003, the Bank was left out of the planning for Iraqi reconstruction by the Pentagon, even though it had valuable experience from other nation-building exercises. The Pentagon's attitude did not prevent the Treasury from attacking the Bank for doing too little in Iraq; days after Jim Wolfensohn visited Baghdad in the summer of 2003, and days before a World Bank expert was killed by Iraqi insurgents, *The Wall Street Journal* published an editorial broadside about the Bank's lack of involvement in the country. Throughout this period, the very idea of the international system was called into question; some parts of the administration believed we lived in a *unipolar* world—that the United States *was* the international system. The unipolar fantasy is a trap, for it is only in military matters that American power is overwhelming. In the economic realm, the United States is the

leading power, but it is not the only power; it depends on foreigners to open up trade, to prime the pump of global growth, and to provide the savings that pay for the federal government's spending habits. In other fields—the ones that occupy this book—the limits to American dominion are even more pronounced. You cannot fight AIDS or migration or environmental challenges unilaterally.

By 2004, the setbacks in Iraq had made the limits to American power obvious, and the contempt for international institutions had faded. In the meantime, however, multilateralists sometimes made the opposite mistake, insisting that the World Bank should tackle poverty as though by magic. The roots of this magical unrealism are understandable: When you know that Africans die for want of \$2.50 bed nets, you want to yell and scream that the problem must be fixed; surely all you need is will and money? But those ingredients are sadly not enough. To get bed nets to children, you need a distribution network run by competent people; you need systems for handling the finances involved; you need peace where the children are living; and it helps if parents and health workers have not been carried off by AIDS or war or famine. The World Bank can make advances against poverty, as this book will describe; anybody tempted to dismiss development as hopeless should remember that between 1990 and 2015, the world is likely to halve the proportion of people who live below the \$1-a-day line. But it doesn't help to set ambitious humanitarian targets if meeting them is going to be impossible. The world has committed itself, for example, to reaching a set of targets known as the Millennium Development Goals, which include universal primary school enrollment and a two-thirds cut in child mortality. When those goals are not met, the World Bank and other development agencies will be branded as failures. The critics of the multilateral system will be back, their contempt more poisonous than ever.

The Bank is large, lavish, and has lasted sixty years; it may seem outlandish to suggest that it is vulnerable. Yet it is not just our schizophrenia

that threatens its future; the Bank is under constant attack from feisty nongovernmental organizations (NGOs) that ought to be its natural allies. At first sight this is paradoxical: the Bank's combination of powerful minds and noble motives is glorious, or at least ought to be; this book will introduce you to the dedicated pros who flew into war-torn Bosnia on military transports, who battled poverty amid Indonesia's revolution, who thought up new ways of combating human suffering in Africa. And yet, if the World Bank is unpopular, it is not difficult to see why. In large parts of the world it has promised heaven and left people in hell: 3 billion people, or half of all humanity, continue to live on less than \$2 daily. Its intellectual dominance has made it arrogant, fueling the resentment of NGOs that feel locked out of the big decisions on development. Encased in their palatial headquarters in Washington, observed at their annual meetings hobnobbing with global finance's A-list, World Bankers have been too easily portrayed as pin-striped pointy heads, cut off from the real problems of the world's poorest people.

The clash between the Bank and NGOs ought to concern all of us, because the Bank may not survive it. Over the past decade—the first Internet decade—it has been fashionable to predict upheaval in the business world: noisy, nimble, entrepreneurial upstarts, with flat structures and low overheads, would destroy the lumbering hierarchies of the old era. But the triumph of the nimble is actually more a public-sector thing, and I believe it is a worry. In many of the world's rich capitals, and especially in Washington, public policy is decided by a bewildering array of lobbies and interest groups and advertising sneak attacks, and generally by people who campaign single-mindedly for narrow goals: benefits for veterans, subsidies for farmers, tax loopholes for businesses. A similar army of advocates pounds upon the World Bank's doors, demanding that Bank projects bend to particular concerns: no damage to indigenous peoples, no harm to rain forests, nothing that might hurt human rights, or Tibet, or democratic values. These constant NGO offensives tie up the World Bank, frequently disabling its efforts to

fight poverty; despite their diminutive stature, the Lilliputians are winning. Unless we wake up to this danger, we will lose the potential for good that big organizations offer: to rise above the single-issue advocacy that small groups tend to pursue, and to square off against the world's grandest problems in all their hideous complexity.

So if the first threat to the multilateral system lies in our alternating bouts of millenarianism and contempt, a second one hides in the cacophony of our advanced democracies. I encountered this problem in May 2003, on a visit to East Africa. The World Bank was promoting a dam near the source of the river Nile, at a beautiful spot called Bujagali. Western NGOs were in revolt: the International Rivers Network, based in Berkeley, California, proclaimed that the Ugandan environmental movement was outraged at the likely damage to the Bujagali waterfalls, and that the poor people near the site would be uprooted from their land and livelihood. The activists' resistance had tied up the Bank for several years, delaying a project that would get electricity to clinics and schoolrooms that lacked lights and to industries whose productivity was wrecked by a lack of reliable energy. It is true that the Bank has a bad history with dams, backing schemes that have harmed both people and the environment, so journalists based in America or Europe often believe the NGOs' charges without being able to check them. But now I was in Uganda, a few hours' drive from the proposed dam, so I called up the Berkeley activists and asked for some advice. Who ran this Ugandan environmental movement that was so outraged? Where were these villagers who would be cruelly dislocated?

Lori Pottinger, the International Rivers activist who led the Bujagali campaign, was not exactly forthcoming. Her local counterparts were preoccupied, she said; and snooping around the villages at the Bujagali site would get me into trouble with the Ugandan authorities. I tracked down the environmental group that she worked with anyway, and telephoned the office; I was invited to come over straight away, and the group's young director sat me down in his office and plied me with

leaflets and reports, which gratefully acknowledged the sponsorship of a group called the Swedish Society for Nature Conservation. After half an hour of conversation, I asked the question that really concerned me: What kind of organization was this?

"This is a membership organization," I was told.

"How many members?" I asked. My host kindly got up and rummaged about in his desk, returning with a blue notebook.

"Here is the list," he said triumphantly. I looked. Uganda's National Association of Professional Environmentalists had all of twenty-five members—not exactly a broad platform from which to oppose electricity for millions.

My next move was to visit Bujagali. I hooked up with a Ugandan sociologist who knew the region well, and who promised to translate for me. At a little cluster of buildings on the edge of the dam site, she stopped and checked in with the local government representative; far from threatening to call the cops, he grinned and climbed into the car with us. For the next three hours, we interviewed villager after villager, and found the same story; the dam people had come and promised generous financial terms, and the villagers were happy to accept them and relocate. My sociologist companion said maybe we had sample bias; we were interviewing men, who might be only too willing to spend cash compensation on booze, leaving their families with nothing. So we interviewed some women, too, and they offered the same pro-project line. The only people who objected to the dam were the ones living just outside its perimeter. They were angry because the project was *not* going to affect them. They had been offered no generous payout, and they were jealous of their neighbors.

This story is a tragedy for Uganda, since millions of Ugandans are being deprived of electricity—deprived by Californians whose idea of an electricity "crisis" is a handful of summer blackouts. But it is also a tragedy for the antipoverty fight worldwide, since projects in dozens of countries are being held up for fear of activist resistance. This would not

happen if American and European politicians could tell good NGOs apart from unreasonable ones, and could close their ears to unjustified complaints. But this apparently is hard: time after time, malicious Internet-enabled groups make scary claims about the iniquities of Bank projects, and the government officials who sit on the Bank's board believe them. In the face of this pressure, the Bank is often forced to go to absurd lengths to prove that its projects will do no harm—even commissioning, in the case of one project I will describe, an environmental and anthropological study that ran to nineteen volumes. Small wonder that the Bank is attacked for being maddeningly slow. It is indeed slow, but the reasons lie mainly outside it.

With great fireworks shows of energy, Jim Wolfensohn has fought to rejuvenate the Bank; the battle has been messy. He has shaken the institution by the hair, booting almost every senior manager out of the door, and recasting the Bank's structure and mission. He would stroll down the Bank's corridors in the early days and accost a random official—"I'm surprised you're still here!" he'd say, leaving the unfortunate target to wonder whether it was time to start clearing out his office. And yet, under Wolfensohn, the Bank has made headway. In the Balkans, it has demonstrated that it can be a marvelous tool of Western strategy; in Uganda, despite the frustrations of the Bujagali dam, it has helped to lift one in five people out of poverty; all over the world, the Wolfensohn Bank has opened up the development agenda to new players and subjects. But for all Wolfensohn's ferocious personality, there are limits to what he can achieve. He cannot succeed—nobody can succeed—unless the rest of us wake up to the Lilliputian menace and contain our tendency to oscillate between contempt for multilateral outfits and excessive expectations. I have recounted Wolfensohn's struggles mostly for the joy of the story, but also to show why, if the World Bank is worth criticizing, that's because it's so well worth defending.

Jim Wolfensohn is the most ambitious man I know, and the Bank is the most ambitious institution. A dreamer who wants to do everything

in the world stands atop an organization that wants to change everything within it. We live in an era of technologists who shrink the globe and biologists who clone species and a superpower that seeks to remake the Middle East in its own image. Surely Wolfensohn's story is a sort of saga of our times? It is a tale of ambition multiplied by ambition, and of ambition's limits.

CHAPTER THIRTEEN

BACK TO THE FUTURE

IN 1976, a young idealist called John Briscoe arrived in Bangladesh. He had left the oppressive atmosphere of his native South Africa; he had earned a PhD at Harvard; now he was coming to live in a village. He chose a place called Fatepur, which was perched upon an island that was surrounded by the tentacles of the world's second-largest river system. Life in Fatepur was miserable. For four months of each year, the village was under several meters of water. The houses were perched on mud plinths, and even in the dry season the nearest market was an hour away by boat. The people survived by working in the teams of human mules that pulled barges up the river; they planted a special breed of floating rice in their submerged paddy fields, which looked wonderfully exotic but which yielded little to eat. Malnutrition and disease were present constantly. The average person in Fatepur died before age fifty.¹

For a young white South African, radicalized already by the abomination of apartheid, Fatepur was enough to confirm Marxist sympathies. Observing life in the village "was like reading Marx and Engels on nineteenth-century Europe," Briscoe wrote later; the dominant families practiced the "naked, shameless and direct exploitation of the market," forcing the poor to sell their meager plots of land at knifepoint, driving their families below the margin of subsistence. When Briscoe

heard of a proposal to build an embankment around Fatepur, he was convinced no good would come of it. In theory, the wall would protect homes from the annual flood tide and capture water to supply an irrigation system. But Briscoe interviewed families from all social strata; he concluded that the rising value of land resulting from the embankment would merely encourage powerful families to grab it. In the absence of revolutionary political and social change, the project would entrench the misery of the majority.

Two decades later, Briscoe was working for the World Bank in Washington. The Bank, in a strange way, had caught up with his youthful radicalism. It no longer believed that infrastructure was the route to human betterment. In the 1960s and 1970s, it had moved from building physical capital to building human capital, and now it was moving from human capital to social capital—which was another way of saying that it was promoting the revolutionary political and social change that Briscoe had hoped for in his youth. In the new Bank of the 1990s, Scott Guggenheim was out in Indonesia working to change village power structures under the feet of a dictator; and Hans Binswanger was preaching the gospel of Community Driven Development, getting money into the hands of the humblest villagers in Mexico. Jim Wolfensohn himself spoke the language of solidarity with the least fortunate: he wanted the Bank to focus on the human aspects of development; he did not care about concrete. To promote a sense of identification with the poorest, Wolfensohn was sending his ivory-tower professionals off to spend a week in a village.

John Briscoe was glad to take this opportunity, and in 1998, he went to Fatepur again. What he saw amazed him. The villagers who had always struggled with disease now looked radiantly healthy. They wore clothes instead of rags, and their children were in school. Bustling markets had sprung up, and women were newly independent. Life expectancy had jumped by nearly two decades. It was a transformation that had taken centuries in many places; here it had happened in a

single generation. Briscoe went back to the families he had known in the 1970s and asked them to explain their progress. They looked at him as though he might be soft in the head. "The embankment!" they exclaimed.

A bit of investigation confirmed how true this was. The embankment had been built, despite Briscoe's misgivings, during the 1980s; and the transformation had been wonderful. Moreover, the poor had shared in this progress, despite what the young Briscoe had predicted. As landowners had become richer, they had stopped working their land themselves and started running businesses. The poorest residents of Fatepur, who once had starved for lack of economic opportunity, now found jobs as farm laborers; compared to their peers in a nearby area outside the embankment, they felt themselves lucky. They had a third more income than their neighbors, according to the local government's statistics. They consumed 50 percent more calories. They enrolled three times as many of their children in school.

Before returning to his village, Briscoe had followed Bangladesh only from a distance. The country was known among World Bankers mainly for its impressive nongovernmental organizations. There was the Grameen Bank, which spawned the microcredit movement by pioneering small loans to poor women; there was the Bangladesh Rural Advancement Committee (BRAC), which has enriched the countryside with some fifty thousand teachers. When Briscoe went back to Fatepur, he asked the villagers about these NGO heroes. The way he recounts these conversations, they went something like this:

"So what made a difference to your life here?"

"Obviously the embankment!"

"Well yeah, anything else?"

"Yes, the bridges."

That made sense, since bridges had greatly cut the time it took to get to the local market town, but still Briscoe persisted.

"What about Grameen?"

“What?”

“The Grameen Bank. Microcredit.”

“Oh, yes, that helps,” the villagers responded, not wanting to seem ungrateful. Briscoe then asked about BRAC, the NGO famous for rural education. The response was again appreciative—BRAC’s schools were part of the reason why enrollment had tripled—but it was clear that, in the minds of villagers anyway, having your kids in class mattered considerably less than having food to feed them.²

After his year in Fatepur in the 1970s, John Briscoe had emerged more radical than ever. He left Bangladesh to spend several years as a solidarity worker in the newly independent Marxist republic of Mozambique. After his second stay in Fatepur, Briscoe emerged no less indignant, but this time his wrath was directed at the politically correct nostrums of the development business. The good people of the North thought that health and education were what mattered; they favored universal schooling, not construction projects. But the people of the South had different priorities. If they lived knee-deep in water, they wanted an embankment to protect their homes and fields from flooding. If they lived eight hours from a market, they craved roads and bridges. Shortly before Briscoe’s return to Fatepur, the Bank had produced a report on Bangladeshi poverty, and the executive summary mentioned education, health, microcredit, and NGOs thirty-seven times. Infrastructure had merited just one mention. To Briscoe’s way of thinking, there could be no better illustration of his institution’s identification with its northern stakeholders—nor of its deafness to its real clients.

The World Bank under Jim Wolfensohn had indeed moved away from infrastructure, continuing the long pilgrimage begun in the 1960s. Infrastructure-investment projects had accounted for 36 percent of the Bank’s lending when Wolfensohn took office; five years later it accounted for 29 percent.³ In the meantime, social-sector lending had grown over the same period, from under a fifth of the Bank’s portfolio

to fully a quarter.⁴ The World Bank—Wolfensohn's Bank—wanted to focus directly on poor people. It did not want to be guilty of harming the environment, and it wanted to make peace with NGOs. Everything pushed it to stay out of controversial infrastructure projects, and it was incidentally convenient that a huge tide of private capital was headed for emerging markets, suggesting that the Bank no longer needed to finance water systems or telephones. Before Wolfensohn's arrival, the Bank had withdrawn from the Narmada dam project in India after NGOs denounced it.⁵ Wolfensohn quickly built upon that precedent, withdrawing from Nepal's Arun III dam project in August 1995.

The way John Briscoe saw things, this was a mistake. Nepal had almost no resources apart from water and gravity; if you refused to build a dam there, you condemned its people. In other countries, where the Bank had stopped short of a flat refusal, its social and environmental requirements were prohibitive. In Laos, Briscoe reckoned, the environmental standards that the Bank proposed for a megadam project matched those of a country like Sweden; this was like telling the Laotians that they must not travel in motorized vehicles unless they purchased brand-new Volvos with passenger-side air bags. Laos, with a per capita income of \$280 annually, had a hard time complying, and the intended dam had been delayed interminably; indeed, during Wolfensohn's first five years in office, no big new dam projects got off the ground. But the Bank appeared unbothered. It was encircled, after all, by NGO critics, who filed dams under the same heading as structural adjustment and torture. Delay in Laos was a public-relations bonanza. Us? Build dams? You must be mistaken!

If this was the tone of Wolfensohn's first five years in office, the pendulum swung back a little in his second term. The turning point came with the upsurge in antiglobalization radicalism in 2000, coinciding with the Bank's battle against the Tibet lobby over its project in Qinghai. These shocks showed that placating NGOs was just not possible. After five years of energetic outreach, the Bank remained a favorite

object of attack. On the other hand, the attempt to placate NGOs rendered the Bank onerous to its borrowers. The Bank demanded too many conditions, both social and environmental, to the point that big clients preferred to borrow for infrastructure projects elsewhere.⁶ You could see this in the decline of the Bank's infrastructure lending; and, even more worrying, you could see it in the decline of its overall lending. After a spike during the emerging-market crisis, the Bank suddenly found that demand for its market-based loans evaporated. In the year ending June 2000, the Bank's commercial operation lent less than half of what it had the year before.

It took the Bank a little while to react to that astonishing collapse. But over the next two years the Bank's commercial lending failed to recover, and the Bank's non-IDA clients seemed to have settled down to borrowing around 50 percent less than they had before the Asian crisis. There was no way the Bank could ignore this rebuke forever. The old specter that haunted the Bank—that it would become more and more an IDA institution, and that it would suffer a UN-type dependency on its rich donors—returned now with a vengeance. Clearly the Bank needed to shake itself. It must not allow NGO attacks to chase it out of areas like infrastructure. It must no longer shy away from risky projects.

By a curious coincidence, an extremely risky project was in the works just as the battle with the Tibet activists was raging. It was a project that involved infrastructure. It involved outraged NGOs and rain forests. And it involved one of the diceiest countries in the Bank's portfolio.

THE DICEY COUNTRY was Chad, a vast landlocked slab of territory in central Africa. Nobody knows how many people live there—the World Bank says 7 million, the CIA says 9 million—but everyone agrees that Chad is among the poorest countries in the world. The life expectancy is less than fifty; the average daily income is two-thirds of a dollar; fully

80 percent of the people live in poverty. Most Chadians have no access to a banking system, or postal system, or electricity; in 1999, the country reportedly had ninety-seven thousand telephones, fewer than the World Bank Group. The one world-class institution in the country is the Gala brewery, which has consistently stayed open despite civil wars and Libyan invasions, heroically producing the best beer in the Sahel.

Chad, you may have guessed, is not much of a democracy. The country is divided between nomadic Arab northerners, whose political thinking resembles that of Afghan warlords, and Christian and animist Africans, who cultivate the South. In the French colonial period, the Jesuit teachers steered clear of warlike northerners, so southerners got most of the education, and the country's first independent government was drawn from the South. The northerners resented this, and not without reason: at one point the southern dictator executed members of his civil service who refused to undergo his tribe's initiation rites. In 1982, France switched its allegiance, and French soldiers installed a northern president, and then it was southerners' turn to feel left out. Chad's current northern strongman is a tall slim warrior called Idriss Deby, who reserves a remarkable number of key government positions for his own kinsmen.

The one thing Chad does have going for it is oil. There are reckoned to be about 900 million barrels of recoverable oil in the southern Doba Basin, a trifle by Saudi Arabian standards, but still a veritable treasure for a country with a per capita income of \$230 a year. Western oil firms had been visiting Chad off and on since the 1970s: they were keen to start drilling, but they faced enormous obstacles. For one thing, you couldn't export the oil unless you built a pipeline, and the pipeline would have to travel through a wild stretch of Africa. It would begin near the southern towns of Doba and Moundou, scene of periodic uprisings against the northern government; and it would travel one thousand kilometers southwestward to the coast of Cameroon. On the way, it would pass through rain forests inhabited by Pygmies. The

combination of rain forests, oil drilling, and Pygmies seemed sure to conjure up a furious swarm of NGOs.

Moreover, the oil companies faced another obstacle. Chad's government was neither reliable nor stable. A Western company might pour in millions of investment capital to drill the wells and build the pipeline, only to find itself the victim of nationalization, civil war, or other man-made shock. Because of these risks, the oil firms found that no bank wanted to finance a Chadian venture. And so they came up with a solution: persuade the World Bank to come into the project. The Bank could vet the developmental impact of the pipeline, and its seal of approval would protect the oil companies from NGO attackers. Moreover, the Bank's involvement would raise the cost to the Chadians of expropriating the oil firms, and so transform commercial lenders' attitude, even if the Bank's own financial stake in it was minimal.

The lead oil company in Chad was Exxon,⁷ and its officials first broached the idea of a joint effort with the Bank in the early 1990s. From the Bank's point of view, there were good reasons to say no to the oilmen. The prospect of acting as their shield against NGO critics was not especially attractive, and the prospect of guaranteeing the good behavior of Chad's government was daunting, since the Bank had poured nearly \$1 billion of IDA money into Chad since the 1960s and seen much of it wasted. Even so, it was hard to say no to Exxon. Oil might change Chad from a no-hope country into one that actually deserved the term "developing." How could the Bank denounce the evil of poverty, and then inform the Chadians that their oil must stay forever underground?⁸

If Exxon had approached the Bank early in the era of Jim Wolfensohn, perhaps it would have been rebuffed.⁹ But this was the early 1990s—a time before the Fifty Years Is Enough campaign, and before the disastrous 1994 Madrid annual meetings, and before a new and energetic president set out to woo the NGOs. And so the Bank hedged its bets and told Exxon it would move forward, consoling itself in its

nervous moments that a full-blown project was a long way off.¹⁰ Once the Bank stepped aboard, however, it found the train was shoving forward. The usual obstacles that hold up tricky projects were being blown aside.

There are few things more awesome than the power of a vast company that alights in a small country. The constants of life there—that there are no roads to get about on, that the government is hopeless—melt suddenly away. Over the next few years, Exxon created its own private air service to link the oil field to the capital; it created its own electricity system, with six times as much generating capacity as existed for the rest of the country; it built a road that bisected the oil region, and surfaced it with molasses that baked hard in the sun. The compound that housed the oil workers came to resemble a small piece of Texas; it was as though porta-cabins and oil derricks and beefy men with twanging accents had been minding their business somewhere outside Houston, and then a magic carpet hidden underneath them had whisked them to another continent.¹¹ When it came to the development impact of its project, Exxon applied the same bulldozing determination. It was not going to allow the usual rules of Chad to stop it. It needed the World Bank's allegiance, and it was out to show NGOs from Berlin to Berkeley what a good citizen it was.

The spearhead of Exxon's development effort was a small and feisty American anthropologist named Ellen Brown. She had come to southern Chad in 1968, as a volunteer with the Peace Corps; she remained in the region to do fieldwork for a thesis, and later earned a doctorate in anthropology from Cambridge University. For much of the 1970s and 1980s, through Libyan incursions and French military interventions, Ellen Brown stayed on in the country, working as a consultant to various NGOs and aid agencies, deepening her knowledge of the people and customs. In 1995, Exxon officials heard of her and set their hearts on hiring her to run their community outreach efforts. A Peace Corps veteran who spoke Chad's southern dialects? That ought to impress the Bank!

Over the next few years, as Exxon's geologists scoped out the scrubby landscape, Brown was duly reaching out. She assembled a team of sixty people to work with her, and she began by making a baseline study of the area around the project site. She found that fully half the people had no access to wells or piped water, that nobody at all had electricity, that only one in ten had access to latrines. She surveyed the local farming techniques, which were astonishingly simple. Animal traction was a novelty, with humans doing much of the plowing unaided; almost no vegetables were cultivated; women fed their families with wild leaves and vegetables gathered in the bush. Farmers abandoned worn-out fields and cleared new ones; there was no effort to conserve soil. Having completed her survey, Brown calculated the likely disruption to this way of life as a result of the oil project, and weighed in on subjects like gravel, chicken, and land.

Exxon's first instinct had been to dig its gravel out of a quarry, which seemed like a reasonable way to get it, but Ellen Brown proposed a different route. By local tradition, widowed mothers earned their living by sifting gravel from the local rivers, so Exxon bought from them instead of quarrying it, boosting the income of a disadvantaged local group. Similarly, Exxon was planning to hire locals to do some of the less-skilled construction work, but it had not thought about the consequences for local prices. The new band of wage earners would drive up the price of luxuries like chickens, leaving the rest of the population worse off. Ellen Brown organized a team of villagers to check chicken prices in the markets weekly. If the Chicken Price Index—a variant on the CPI that American economists follow—spiked up a bit, Brown had chickens brought in from other parts of the country, so that supply balanced demand.

Brown's biggest challenge was to figure compensation for lost land. The farmers around the oil site were in some ways well placed to sustain losses. In the slash-and-burn system of the region, they were used to moving on. Still, moving was costly: a farmer might lose a year of crops

in the transition, and clearing scrub from a new plot involved back-breaking labor. Ellen Brown calculated the value of the lost crops and the labor, and then she considered how to pay compensation for it. There were no banks in the villages, so nowhere for villagers to store cash. Brown stomped around the countryside, asking people what they might prefer instead of money: farm carts, bicycles, and sewing machines were the most popular choices.

Exxon was right to be proud of Ellen Brown's efforts; the World Bank itself was only beginning to embrace participatory development in the mid-1990s, and here was Exxon, doing something that looked rather like a participatory oil project. For Exxon, moreover, gestures of good citizenship were something of a novelty. The firm had sucked much of its oil out of offshore boreholes, where there were no local farmers to worry about; in places like Indonesia and Angola, its reputation was mixed, to be polite. But now here was Exxon being represented by this ex-Peace Corp aidnik, half outdoorswoman and half hippy in appearance, clad in tough boots and floppy tunics as she set off to consult villagers. On issue after issue, Ellen Brown challenged the oil company's usual way of doing business. And the company was usually prepared to listen. If the oil men did not do right by the local people, the World Bank might walk out.¹²

Brown's work in the oil region was matched up and down the route of the proposed pipeline. Exxon sought the advice of primate experts so that the pipeline could avoid gorillas; it consulted Cameroonian anthropologists about the Pygmies in the rain forests. The World Bank had said there must be a "Category A" environmental assessment—the meticulous sort that the Inspection Panel believed appropriate for Qinghai—and Exxon promptly commissioned one; the Bank said the assessment's verdict wasn't positive enough, and Exxon agreed to re-route the pipeline. The Bank also wanted the firm to invite NGO input, and Exxon assigned Miles Shaw, a perpetually sunny executive, to globe-trot around North America and Europe, visiting every outfit that

Pretty soon northern NGOs were putting out the theory that oil was fueling human rights abuses by the northern military. Although there was no proof of a connection, it was a plausible thesis. Chad's military did indeed have an appalling human rights record, and oil gave the northern government new reason to subjugate the South.

This pattern was repeated the following summer. In June 1998, Exxon released a lengthy plan showing how it would mitigate the project's environmental and social impact; it was a monument to the company's determination to placate the World Bank. But the following month the government's behavior raised fresh questions about any project that might bolster it. Chad's most prominent southern leader was jailed after accusing a minister of corruption, and two journalists who had reported on his allegations were jailed as well.¹⁵ Meanwhile reports of another skirmish trickled in from Moundou. Was this sort of country really going to translate oil revenues into development?

The fighting and imprisonments brought down the wrath of NGOs. German activists circulated a resolution in the Bundestag, demanding that human rights abuses cease before the oil project went forward. Soon there was a similar resolution in the European Parliament, and Miles Shaw was scampering around Western capitals, greeting people with his cheery handshake, often passing NGO adversaries who were tracking down the same officials in the hallways of the European Parliament. In the United States, the Environmental Defense Fund was getting other NGOs fired up about the Chad issue, and the Sierra Club and Amnesty International joined it, and this coalition printed up some prewritten protest postcards, and pretty soon Exxon fielded letters from a thousand outraged citizens. At the Bank's annual meetings in the fall of 1998, the activists signaled their displeasure in typical fashion. The iniquities of Chad's oil scheme became the subject of a protest puppet show.

If China's Qinghai project was defeated at the hands of activists, there was no way the Chad project should have made it through. The

might take an interest in a central African pipeline. However high the Bank set the bar, the oilmen jumped over it—even when the Bank repeatedly moved the bar higher as the project went ahead.¹³ The tentative decision to keep options open was leading the Bank inexorably to a position that was unusual in the cautious mid-to-late 1990s. To its own surprise as well as everybody else's, the World Bank was supporting an audacious oil project in a dicey country. It was risk and risk combined.

JIM WOLFENSOHN was aware of this locomotive's gradual advance. In February 1996, he had dinner with the Bank's critics from the Environmental Defense Fund in Washington; they raised concerns about the Chad project, and he invited them to call him personally if things were going wrong. Wolfensohn also spoke occasionally to Lee Raymond, Exxon's chief executive; and from time to time the French government would pester him on behalf of Elf, the French oil company that was partnering with Exxon. So long as Wolfensohn could talk to both sides, he saw no great cause to worry. He could assure the Environmental Defense Fund that he would come down hard on abuses, and he could assure Exxon's chief executive of his support at the same time.

Yet there was no way that the Bank could escape controversy indefinitely. African oil projects had an appalling record—from Congo-Brazzaville and Equatorial Guinea to Gabon and Angola, oil revenues have financed corrupt dictators, bringing no perceptible benefits to their people—and in October 1997 the Chadian adventure started heating up. Ellen Brown went with Miles Shaw, Exxon's sunny community-relations expert, to discuss their firm's environmental and social impact assessment with local-government officials in Moundou, the main town in Chad's south. A few days later, however, this outreach effort was buried by Chad's government, which attacked a southern rebel group that was hiding out in Moundou, killing forty of its fighters.¹⁴

Qinghai scheme came after a series of relocation projects in China, all of which had reduced poverty; the Chad scheme came after a series of oil projects in Africa, all of which had failed to do so. But the Chad scheme did have one large advantage. The World Bank's most visible partner in this instance was not a mistrusted communist government but an astute American multinational. In late 1998 and 1999, as the project's moment in front of the Bank's board grew nearer, Exxon was lobbying assiduously. Its boss was checking in with Wolfensohn, and President Chirac called to lobby on behalf of the consortium, and Exxon was rolling out its secret weapon: a small and feisty anthropologist.

In July 1999, Ellen Brown made the pilgrimage from southern Chad to Washington, where she briefed officials from the World Bank's board representing half a dozen or so of the big shareholders. One of the board members had heard from NGOs that Chad's government was moving thousands of northerners to displace local people in the oil region. Ellen Brown had demographic data to disprove that. The board members were worried that land compensation might be inadequate. Ellen Brown explained the underlying math. The board members were especially exercised about mangoes. Well, Ellen Brown had calculated the average yield of a mango tree, multiplied it by the average price of mangoes in the market, and multiplied the result by eight. It could take eight years, she explained, for a mango seed to grow into a mature fruit bearer, so Exxon was paying out enough to compensate the farmers for all fruit lost in those years.

The more Exxon focused the discussion on the environmental and social aspects of its project, the stronger its position looked. In June 1999, the company released the final version of its plan to mitigate the impact of the pipeline, and by now any reasonable critic had to admit it was impressive. It was fully six years since Exxon first set out to do a Category A environmental assessment, and the latest compendium of good-guy promises ran to an extraordinary nineteen volumes; it did everything imaginable to comply with the World Bank's Volvo-style

safeguards. Experts from the company, the Bank, and the Chadian and Cameroonian governments had walked the thousand-kilometer route of the pipeline, double-checking data from aerial surveys. They had agreed that, for the whole thousand kilometers, the pipeline would be buried, reducing the risk that sabotage would spill black waste on the ground. For most of its length, it would follow existing infrastructure, so minimizing the disruption to virgin territory. Only about fifteen square kilometers of rain forest would be destroyed; and by way of compensation Exxon promised to help establish two nature reserves many times larger.

Two years later, in 2001, the Bank's fearsome Inspection Panel came to Chad and raked through the project. It toured the region and took testimony from the project's critics; and in the end it found rather little to complain about, proving that Exxon had been better at complying with the Bank's environmental and social safeguards than most of the Bank's partners. But the diciest part of the project actually lay elsewhere, beyond the scope of the Inspection Panel's remit. It lay in a revolutionary attempt to rescue Africa from its sorry experience with oil.

THE CURSE OF OIL in Africa is a subset of a wider problem, diagnosed originally in a small country that has contributed unselfishly to economics textbooks. The small country is Holland, which in the seventeenth century succumbed to speculation in tulip bulbs, providing a colorful case study in financial mania for economics students ever since.¹⁶ Three centuries later, Holland succumbed to a malady that came to be known as Dutch disease. In 1959, the discovery of gas in Holland's territorial waters seemed to promise national riches. But gas exports drove up the value of the Dutch currency, rendering other Dutch enterprises uncompetitive and destroying thousands of jobs.

There is nothing inevitable about Dutch disease: having learned from Holland's experience, countries like Norway pretty much avoided

it. The defenses are commonsensical. You relieve the upward pressure on your currency by saving part of the windfall in a foreign-currency account for future generations; you invest your petrodollars in things that boost productivity so that firms remain competitive despite a stronger exchange rate. But Dutch disease, although avoidable, strikes countries with compromised immune systems—countries where the government is corrupt and unaccountable and where institutions are weak. Iran, Nigeria, and Venezuela have seen their GNP per person fall since the mid-1970s, despite enormous oil riches. Chad's government is a family enterprise run by a warlord. It seemed almost guaranteed to waste its petrodollars.

Early in its Chad adventure, the World Bank began to struggle with the Dutch disease problem. It could hardly regard it as unbeatable, since that would be embarrassing. Foreign aid is a bit like an oil windfall—it can push up the exchange rate and therefore harm exporters—so the Bank is almost bound to argue that this problem can be solved. And yet it had to admit that Chad's lousy government rendered the challenge enormous. In the studies leading up to its famous *Assessing Aid* volume, the Bank's research department demonstrated that aid in poorly managed countries achieved nothing, and that imposing conditions on bad governments could not be expected to alter their behavior.¹⁷ If this was true for aid, it had to be true for oil windfalls. In poorly managed countries, oil money would be damaging: it would provide fresh incentives for corruption, and would weaken governance. There was no use pretending that a few World Bank conditions could save Chad from this fate.

Confronted with this probability, the World Bank's Chad team came up with a novel trick. In philosophical moments, they waxed almost Hegelian about it. The Bank's old-style conditionality was Thesis; the anticonditionality findings of *Assessing Aid* constituted Antithesis; and now the Chad model had brought the Bank to Synthesis. The synthesis consisted of accepting the insight of the 1990s—that institutions rather

than donor conditions determine a country's policies—and then collapsing the dichotomy: What if the donor condition was that good institutions should be built? Instead of merely asking countries to put their names to promises, the Bank would ask countries to build government departments to implement those promises. A promise was just a piece of paper with a signature. An institution was a posse of living, breathing officials.

The shift to institutions-as-conditions was not confined to Chad. The AIDS group in the Africa region demanded that countries set up high-level National AIDS Councils, though with limited success. But the Chad effort was perhaps the most elaborate. To save Chad from the errors of its neighbors, the Bank devised an oil-revenue plan: a proportion of the revenue would be kept offshore in a fund for future generations, and the balance would be spent on health, education, and other areas that would have a poverty-fighting impact. There would be published audits of the petroleum accounts to deter corruption, and regular checks to ensure that the money was going to the approved areas of health, education, and so on. All of this would be enshrined in a law, endorsed by both president and Parliament. And, most ambitiously, there would be a new institution to oversee this regimen. A special oversight committee—consisting of representatives from Chadian NGOs as well as the supreme court, the government, and Parliament—would be created, with powers to enforce audits and transparency and to veto inappropriate disbursements of oil funds.

At the end of 1998, Chad's Parliament duly embraced the Bank's Hegelian synthesis. The Bank set about planning the new oversight committee and lined up an IDA credit to pay for the training of committee members, which was approved by the Bank's board in January 2000.¹⁸ And yet, however readily Chad went along with the Bank's formula, there was no denying this was risky. Can strong institutions be created by external donors, without the benefit of an insider like Uganda's Tumusiime? What if Chad's ruler set up the oversight college

and equipped it with offices and secretaries and fancy new computers, and then, once the oil money was safely flowing, dispatched a handful of soldiers to close the whole operation?

In the fall of 1999, as the battle over the project grew heated, the critics seized this argument. The Environmental Defense Fund produced a pamphlet that cunningly quoted Wolfensohn saying that development was impossible in a corrupt environment and then drew attention to Chad's lousy human rights record. Yet the Environmental Defense Fund, like many of the Bank's most vociferous critics, is first and foremost an environmental outfit, and so the pamphlet muddied its powerful governance objection with weaker ones. It claimed that the project threatened the rain forests, despite Exxon's nineteen-volume environmental management plan; it feared the worst for the Pygmies; it raised the specter of spilled oil. The flamboyant Rainforest Action Network was no different. In August, it took out a full-page ad in *The New York Times* attacking the project, and posted WANTED signs in Jackson Hole with Wolfensohn's face on them; in September, it stuck a pipeline-protest banner to the façade of the Bank's headquarters; and in November, it staged a protest outside Shell's offices in Washington, because the Anglo-Dutch company was part of Exxon's consortium. Much like the Environmental Defense Fund, the Rainforest Action Network emphasized the environmental risks in the Chad project. It denounced the "rain forest pipeline," charging that it would destroy pristine habitats that were home to threatened species and disturb native tribes.

The muddying of the critics' message gave the Bank and Exxon an easy out. They rebutted the social and environmental charges easily: they had the facts, they had Ellen Brown and all her data, and many of the NGO screamers had never been to Chad. Winning on those points made it easier to slide past the tougher question about Chad's governance. The project was, according to the Bank's press chief, not an oil project but a poverty project—but that only begged the question of whether poverty would go down. To be sure, the Bank's revenue-management scheme

was impressive, but who knew whether the transplant of a new institution into a rotten body politic was possible? If you believed Wolfensohn's past pronouncements on corruption and governance, optimism on Chad was difficult. And yet, with a few exceptions like the Environmental Defense Fund's pamphlet, his critics often failed to point this out.

Despite the critics' intellectual clumsiness, the fate of the project remained uncertain.¹⁹ After all, utter intellectual flakiness had not prevented the Tibet activists from burying the Qinghai loan. When the WANTED posters appeared in Jackson Hole, Wolfensohn's latent suspicions of his staff—his tendency to believe what outside critics said of them—bubbled to the surface, and he demanded that the Chad project team double-check its compliance with the Bank's safeguards. His skittishness was compounded by the pressure he was feeling on Qinghai, and his feeling that the China team had let him down by ordering up a Category B environmental assessment instead of a Category A one. Then, toward the end of 1999, Exxon's two partners, Shell and Elf, pulled out of the consortium, possibly because of NGO pressure.²⁰ Some Bank officials greeted this news eagerly. Perhaps this risky venture would now die of natural causes?

The withdrawal of Shell and Elf had a paradoxical effect on Wolfensohn. The boss insisted on yet another review of the project's soundness, this time conducted by managers with no previous involvement, and later a war-room meeting took place at nine o'clock each morning to examine the project's potential pitfalls from every angle.²¹ But at the same time Wolfensohn rallied behind the venture. The collapse of Exxon's consortium brought out his investment banking instincts: a deal was falling through and it had to be rescued. Wolfensohn got on the phone with Exxon's boss, Lee Raymond, and urged him to go out and find new partners, assuring him that the Bank would not back out of the deal if he could assemble a new consortium; then he followed up with calls to oil firms that Exxon was courting. By early 2000, Exxon had lined up Malaysia's Petronas and America's Chevron, and the

project had been saved.²² Just as important, Wolfensohn had assumed a personal stake in it. In a way that mirrored his broader transformation around this time—the time of antiglobalization attacks on the Bank and the battle with the Tibet activists—the boss's allegiances shifted. He was now aligned firmly with his staff, and against the outside critics.

There was one remaining obstacle, however. The Bank's board of directors needed to approve the \$190 million in loans to the pipeline.²³ The Environmental Defense Fund was pulling out all the stops to block the Bank's participation; it flew an elegant Chadian human rights leader to Washington and introduced her to people who might rally Congress against the project.²⁴ For a while Nancy Pelosi, the California congresswoman who had sunk the Qinghai project, looked as though she would fight the Chad one also.²⁵ For a while, too, the Congressional Black Caucus seemed hostile, and Wolfensohn took the extraordinary step of asking the Bank's African staff members to press black Congressmen to change their minds, a request that breached the Bank's rules against lobbying.²⁶ The African staff duly produced a position paper railing that the continent would be left in a "state of nature" if the environmentalists got their way; eventually the Black Caucus came out in favor of the pipeline. The situation was so tense that Wolfensohn refused to submit the project to a board vote on the appointed date, much to the fury of his project team. Instead, the board was invited merely to discuss the project, and the argument boiled on for eight and a half hours. After two more weeks of consensus building, on June 6, 2000, Wolfensohn finally presented the Chad venture to his shareholders. The project team was anxious: if the board members raised tough questions, perhaps Wolfensohn would desert them. But the boss defended the project through more than four hours of debate and argument. When the vote was finally taken, not a single board member opposed the project, and only Italy abstained from voting.

It was a strange contrast with the fate of the Qinghai project. But the Bank had shown that, with some help from the might and muscle

of an oil company, it could stand up to its critics; it could defy the Rainforesters and the Environmental Defense Fund and all the other antis, and it could do so despite the rising tide of antiglobalization protests. Having been branded an environmental criminal by the Rainforest Action Network's WANTED posters, Wolfensohn derived some satisfaction from this victory. "I think it's important that we have a proper balance between the Berkeley mafia and the Chadians," he observed a few weeks later. "And I, for my part, am more interested in the Chadians."

WOLFENSOHN'S PRONOUNCEMENT could have been a manifesto for that second vision of the Bank: the vision that placed the Bank on the side of its poor borrowers rather than its northern stakeholders. It could have been a manifesto, too, for John Briscoe, who argued that the Bank needed to deliver infrastructure if it wanted to fight poverty, and that it should not let NGOs dissuade it; or a manifesto for the Bank's big non-IDA borrowers, who argued that the Bank needed to take risks—to abandon Volvo-style perfectionism—if it was going to remain relevant. To be sure, the Chad project was an anomaly that fitted some of these arguments imperfectly. It involved an oil pipeline rather than a dam or water system, and so the effect on poverty was less certain; Chad was a poor IDA borrower, rather than a big middle-income client.²⁷ But the Bank's withdrawal from dams in places like Brazil or China was so complete that Chad acquired a special status. If you wanted to cite a case where the Bank had taken risks in defiance of the NGO chorus, Chad was your best candidate.

In the years after Chad made it through the board battle, the Bank grew hungry for examples of this kind. The fall in the Bank's market-based lending was becoming alarming, threatening the Bank's financial stability and political independence. At the same time, big middle-income clients were growing more assertive in the wake of the Qinghai experience, and were demanding that the Bank pay more attention to

their interests. The push from the middle-income group was backed by rich shareholders that had been reluctant members of the pro-NGO consensus. Japan had long believed that infrastructure was a key part of development, and besides, its ruling party depended upon campaign cash from big construction firms, which stood to win a lot of World Bank contracts. The French favored infrastructure, too, not least because their powerful water companies also stood to profit. All these forces came together, affording proponents of infrastructure within the Bank's bureaucracy a new chance to push their arguments. One of these proponents, needless to say, was none other than John Briscoe.

Briscoe's sense of mission had steadily grown stronger since his trip to Bangladesh. In the two years or so that followed, he had been involved in a body called the World Commission on Dams, which published a set of guidelines on how dam building should be done. Because the commission appeared broad-based and respectable, the recommendations were greeted as a sane compromise by polite commentators.²⁸ But the truth was that the guidelines were appalling: they demanded so many precautions and perambulations that they amounted to a virtual ban. Some time later, the chief antidam campaigner published an article explaining how he had secured this outcome. Because the World Bank had been anxious to include his group in the commission, he had enjoyed enormous leverage; he had used this to ensure that developing-country governments were kept out of the deliberations. The upshot was that a self-appointed activist from Berkeley had more say than the elected government of India. No wonder that the Berkeley mafia triumphed.²⁹

This was the perfect illustration of Briscoe's contention: in an effort to reach out to NGO critics, the Bank had accorded them excessive influence at the expense of real clients. But by late 2000, Briscoe was working on his counterpunch. He was preparing a new version of the Bank's official water strategy. He was traveling the world, visiting the governments that the Berkeley mafia had pointedly excluded, and

figuring out what they most wanted from the Bank. The answer was much as he expected. Countries like Brazil or India did not particularly need the Bank's assistance to perform simple tasks like building schools; but when it came to complex infrastructure, they wanted the Bank's input. Indeed, big infrastructure projects seemed almost tailor-made to fit the Bank's comparative advantage. They involved tough judgments across a range of subjects—engineering, finance, social impact, and the environment—which suited the Bank's multidisciplinary nature; they often involved more than one country, which suited the Bank's international makeup; they were the sort of capital-intensive, long-term ventures for which long-term World Bank loans were designed in the first place. Countries like Brazil and India would be delighted to have the Bank as a partner—provided it stopped pressing Volvo-style standards.

By January 2002, Briscoe had completed a first draft of his water strategy. It pointed out that 1.3 billion people lacked access to clean drinking water, and that some of the world's poorest people were farmers whose lives could be transformed by irrigation. The strategy duly called for a renewed push into water infrastructure. Briscoe circulated it to board members, taking care to reach out to developing-country shareholders; he visited the Chinese, the Brazilian, the African, and the Indian directors, and encouraged them to work together. Outside the Bank, the antidam radicals were denouncing him, but Briscoe responded firmly. He had consulted them at the outset, and promised that their views would be considered; but he never promised them the effective veto that they had enjoyed over the World Commission on Dams. To defend his tough line with the activists, Briscoe produced a document analyzing what everybody thought of his water proposals. This showed that governments, the private sector, and academics in developing countries all liked them; and that, rather revealingly, NGOs in developing countries were broadly onboard as well. The two groups that bitterly opposed Briscoe were the international donors and international NGOs.³⁰ In the first vision of the Bank, these were the groups

that Wolfensohn should be responding to. But in the second vision—Briscoe's vision—neither NGOs nor fellow donors had a special entitlement to be heard.

In the first part of 2002, Briscoe waged a lonely battle. There was little enthusiasm for his approach among his superiors, so Briscoe cobbled together a committee of allies, people who had battled to mount big projects in the field and shared his impatience with excessive safeguards. The chair of his group was called Praful Patel, a manager who played an important role in the Chad project; and Patel and Briscoe and their friends brainstormed about the bind the Bank found itself in. More and more, the Bank was fleeing projects that involved high risk, yet some high-risk projects offer high rewards as well. If the balance of risk and reward was attractive, the Bank should go forward. The Laotian economy, for example, could be transformed by a big dam, and Laotians had few other routes out of backbreaking poverty. The brainstorming sessions came up with a way to make risk taking more possible—they proposed a mechanism for taking high-risk, high-reward projects to the Bank's top management early on, so that people lower down would not be left to stick their necks out by themselves—and the mechanism was duly incorporated into Briscoe's water strategy.

Toward the end of 2002, the reformers' fortunes started to look up. Praful Patel's efforts had started to win people over, and the rising star in Wolfensohn's entourage was a deft operator called Shengman Zhang, who had learned the art of bureaucratic infighting in China's Ministry of Finance. Perhaps because he was Chinese, Zhang had a keen sense of what big clients wanted; and he could see the threat to the Bank's own balance sheet from its declining market-based lending. At a management retreat in November 2002, Zhang gave the floor to Jim Adams, the former country director for Uganda who was now a headquarters vice president, and Adams presented a set of slides on the Bank's sorry outlook.³¹ Project-based investment lending, as distinct from policy-linked program lending, was declining precipitously. In

each of the three previous years it had been lower than in any of the previous twenty. Why was this happening? “Bank requirements that impose costs and delays on borrowers,” Adams’s slide declared. And why did it matter? Because policy-based lending was hugely volatile; it had run into the billions during the Asian crisis, then suddenly dried up. The Bank needed a steady flow of project loans to stay financially healthy.

Shengman Zhang’s influence was formidable: with the departure of Sven Sandstrom, he had become the dominant figure among Wolfensohn’s four managing directors. But Zhang’s influence was reinforced by the shareholders with whom he was most in tune: the Chinese, most obviously, but also the Brazilians and Indians. Around the same time as Zhang and Jim Adams sounded the alarm on declining investment lending, big middle-income countries were starting to assert themselves in other international forums. In world trade talks, for example, the Indians and Brazilians and South Africans were protesting the absurd intellectual property rules imposed by rich countries, which restricted poor patients’ access to AIDS drugs. It was only natural in this climate that middle-income countries should assert themselves within the World Bank.

At the end of 2002, all these forces came together: Shengman Zhang’s emergence and Praful Patel’s alliance with John Briscoe and the stirring of the Bank’s big borrowers. In December, the board met again to consider Briscoe’s water strategy, and the day before the meeting, the Nordic director called him. “This strategy is about doing away with safeguards, right?” he asked him.

“That depends,” said Briscoe. “If you mean commitment to sensible environmental and social standards, then every borrower and every Bank staff member supports those. But if you mean an inflexible set of standards that nobody can meet, then yes, that is incompatible with what we’re doing.”³²

At the board meeting the next day, the Nordic director was the first to take the floor. As in any meeting, the starting speaker sets the tone of the discussion, and Briscoe could feel his year-long effort crashing to defeat. But the Norseman delivered a surprising message. The Bank, he suggested, might consider moving to “materiality.” Immaterial breaches of the Bank’s safeguards would not trigger persecution; although the safeguards should not be watered down, there was a case for a sense of proportion. This was a sea change coming from a Scandinavian, and it signaled victory for Briscoe. He knew he could count on the support of the big borrowers: the Chinese director had come up to Briscoe and hugged him, declaring that his strategy was about far more than water, it was about changing the Bank’s governance. But now the mood among rich countries seemed to be changing. They had received the usual mass e-mails from furious NGOs, but this time they seemed to take that in their stride. Briscoe’s analysis earlier in the year had shown how northern NGOs did not speak for people in poor countries. A point that had been true in countless battles before now was finally being recognized.

Briscoe’s water strategy was approved unanimously by the Bank’s board that day, and more advances followed rapidly. The Chinese and Indian board directors built on the progress in the water sector by demanding that the Bank’s staff prepare a reassessment of its standoffish posture toward all infrastructure. When the management presented a cautious response on February 13, 2003, the Chinese and Indian board members went ballistic. Together they issued their first-ever joint statement, denouncing the management’s response for merely “tinkering at the margins,” pointing out the contrast with the bold water strategy, and noting that between the two of them they spoke for more than 2 billion people, or one in three members of the human race. The Chinese and Indians e-mailed their joint rebuke of the Bank’s managers to all staff members who worked on infrastructure. Soon the people in the

trenches were replying to the board members, heartily agreeing that their sector needed to respond more energetically to their poor clients.³³

IN THE SPRING OF 2003, when the Bank's big borrowers were finally making their views heard, Wolfensohn was distracted once again by relations with his rich shareholders. In March, the United States invaded Iraq, throwing the multilateral system into crisis. However much he may have wanted to focus on long-term development, Wolfensohn had no choice but to manage the immediate threat to his own institution.

The transatlantic rift caused by Iraq dwarfed the worst fights between Europe and the United States over the Balkans. At the Bosnia peace talks eight years earlier, Richard Holbrooke's strong-arm diplomacy had infuriated the French and even the British; but the Clintonites had gone out of their way to repair the damage, allowing the Dayton peace deal to be named the Treaty of Paris, and leaving the Bank and the European Union to cochair the fund-raising effort for reconstruction. But the Bush team was less interested in mollifying allies; some parts of the administration, notably the Pentagon and Vice President Dick Cheney, preferred to act alone in order to demonstrate American willpower, on the theory that this would force other countries to accept American objectives. Because of the Pentagon-Cheney preference, the Bush team was of two minds as to whether diplomacy was a good idea. It was divided on whether to seek the blessing of the United Nations Security Council in late 2002; then, after a first UN resolution was secured, it flipped and flopped over whether to seek a second and more explicit authorization for invasion.³⁴ In the end, it did try for a second resolution, but without success; and although this failure owed much to the unreasonable intransigence of the French, the administration's halfhearted efforts doomed its chances of winning over persuadable members of the Security Council. The contrast to the coalition

building before the first Gulf War was stark. In the prelude to the war of 1991, the then secretary of state, James Baker, made forty-one international visits. But in the lead-up to the Gulf War of 2003, Secretary of State Colin Powell did not even visit Moscow, even though Russia's president, Vladimir Putin, could probably have been won over.³⁵

Having tried and failed for a second resolution, the administration went to war with the implicit disapproval of the UN Security Council.³⁶ The resulting tension was bound to spill over into other multilateral institutions, including the World Bank. In the first week of the war, France, Germany, and other critics of the invasion let it be known that they would punish the United States diplomatically; Germany's development minister declared that "those that do the damage carry the main burden for reconstruction"—a statement that did not bode well for American attempts to enlist help from the World Bank and other potential contributors to reconstruction. Moreover, it was not even clear that the Bush administration wanted to enlist the Bank's advice. The task of postwar planning had been assigned to the Pentagon, and the planners sought no input from the Bank, despite its reconstruction experience in Afghanistan as well as in the Balkans. The contrast with the Clinton team's early alliance with Kemal Dervis and Christine Wallich on Bosnia was striking. The Clintonites had proved masterful at marshaling the Bank and the IMF as foreign-policy allies. On Bosnia and during the emerging-market crises, they had mined the Bretton Woods institutions for money, technical advice, and international legitimacy. But the Bank and the IMF do not supply these things spontaneously. They can be useful only to administrations that know how to use them.

By the time of the invasion of Iraq, the Bush administration's clumsy attitude toward international outfits was concentrated largely in the Pentagon. Paul O'Neill, Wolfensohn's old antagonist, had been fired from the Treasury at the end of 2002, not least for his incompetence in marshaling the IMF during currency crises in Brazil and Argentina.

His successor, John Snow, was canner, and while the Pentagon persisted in planning for reconstruction without tapping into the World Bank's expertise, Snow made a belated push to compensate for this error. As American and British forces advanced into Iraqi territory, both the Treasury Department and the State Department began to round up international contributions for the postwar effort. They put out an appeal for peacekeepers, police officers, engineers, doctors, and nurses. And they let it be known that they expected the World Bank's assistance.

Iraq's capital fell to U.S. troops on April 9, three days before the Bank's spring meetings in Washington. In the run-up to the meetings, Snow announced that the World Bank should conduct an assessment of Iraq's postwar needs, much as it had done in Bosnia, and that it should prepare to lend for reconstruction. This put Wolfensohn in a nasty position. He hated to say no to his biggest shareholder, particularly since he was anxious to establish better relations with Bush's second treasury secretary than he had enjoyed with the previous one, and also because he wanted to hold open the possibility of a third term as World Bank president—a possibility that he floated in a *Washington Post* interview two months later. Yet there was no way Wolfensohn could send the World Bank into Iraq on the back of American tanks. He had to respect the feelings of his other board members.³⁷ Besides, big loans to Iraq might damage the Bank's finances. If the Bank lent soft IDA money, it would do so at the expense of other IDA borrowers. If it lent market-based money, it had to worry about Iraq's ability to repay. The Iraqis were already mired in debt, and they would need substantial relief before they could qualify as creditworthy.

As U.S. troops struggled to control looters in Baghdad, the Bank was in a quandary. If the Bush administration pressed its demand for help in Iraq, the Bank's board would be split; Wolfensohn would be forced to take sides; and he would alienate one of them. The Americans and British, who wanted the Bank's help, resented the fact that the

Bank's Middle East specialists leaned toward the Franco-German view that the invasion had been ill advised, and Wolfensohn himself did not always disguise his own reservations. When Wolfensohn declared that the Bank could not lend to Iraq until the country had a legitimate government, and that that would require a UN Security Council resolution, John Snow pronounced himself "baffled" at Wolfensohn's response—which was Washingtonspeak for "furious." "We are prepared to go in if we have an authorizing environment from our board," Wolfensohn told a press conference on April 10. "I hope he rethinks that," Snow retorted tartly.³⁸

Luckily for the World Bank, Snow was better than O'Neill at knowing where to compromise. On the eve of the spring meetings, the Bank and its shareholders worked out a deal. The Americans accepted that the Bank could not lend to Iraq without a government that had been formally blessed by a UN resolution. But the Bank agreed that in the meantime it could begin to assess Iraq's reconstruction needs.³⁹ The understanding kept the fight over the legitimacy of the Iraq invasion squarely at the United Nations, sparing the Bank from a divisive row. Bank officials soon visited Iraq to begin work on the needs assessment.

Through the summer and early fall of 2003, Wolfensohn struggled to keep the tensions among his shareholders from flaring up again. He visited Baghdad at the end of July, flying in on a jet lent to him by Jordan's king; he visited the Bank's offices in the Canal Hotel, wanting to show solidarity with World Bankers working in harm's way; and he met Paul Bremer, the American proconsul, and Iraq's provisional governing council. At a press conference afterward Wolfensohn was asked when the Bank would begin lending to Iraq, and he repeated the understanding that there must be a recognized government to lend to. On his return he reaped a whirlwind. The *Wall Street Journal* editorial page, which was reliably hostile to the Bretton Woods sisters, accused him of gratuitous foot-dragging, and suggested he remove the Bank from Washington to a

capital that fitted his worldview, like Paris.⁴⁰ On the day of that broadside, Wolfensohn got a call from John Taylor, the international point man at the Bush Treasury. Taylor demanded that the Bank pledge billions in loans to support Iraq's budget, undoing the deal reached at the spring meetings four months earlier; when Wolfensohn demurred, Taylor grew angry. Pressure from Congress to raise money for reconstruction from sources other than the U.S. taxpayer was driving the Treasury to change its position, and Wolfensohn suspected that Taylor had conspired with the *Journal* to soften his defenses.⁴¹

This time Wolfensohn was saved not by John Snow's tact but by Iraqi tragedy. Two weeks after Taylor's call, a gleaming new cement mixer drove up to the Canal Hotel, which housed the UN operation as well as the World Bank's; it was packed full of explosives. The ensuing blast destroyed the three-story building and killed seventeen people, including the UN chief Sergio Vieira de Mello, my Council on Foreign Relations colleague Arthur Helton, and a member of the World Bank delegation.⁴² The Bank, like the United Nations, withdrew its staff after the attack, and the escalation of bombings over the next weeks deterred both organizations from returning. The U.S. Treasury carried on pressing the Bank to pledge money even so, but it ultimately settled for a commitment that was partly symbolic. In order to persuade Congress to come up with reconstruction funds, the Bush team wanted the Bank to announce an impressive-sounding headline number for its Iraq lending. But it was content to let the lending be mainly in the far future, meaning that nobody could know whether it would ever happen.

In the end, the Bush administration also got the Bosnia-type needs assessment that it wanted. The Bank's staff put a document together, even though the work was conducted mostly from outside Iraq, and the assessment was used to drum up pledges of financial aid at a donor conference in October. But the World Bank's potential as an arm of Western policy had not been fully realized: whereas it had funneled money into Bosnia within three months of the Dayton accords, and had done

its early work there while the Serb part of Sarajevo was going up in flames, World Bank money had yet to reach Iraq a year after the fall of Baghdad. Development banks were to the new world order what security organizations were to the old, Lawrence Summers had remarked in the wake of the Bank's early work in Bosnia. But the Bush administration, even after the departure of Paul O'Neill, did not see things that way. It had gone into Iraq without many of America's traditional allies, and it had paid the price. Hobbled by the divisions on its board, the Bank has been slow to assist the reconstruction.

Meanwhile, inside the Bank, a new consensus was gelling. As he dodged the bullets from his major shareholders, Wolfensohn did not lose sight of the pressure from his borrowers. On April 22, 2003, in the wake of the Bank's spring meetings, he sent out an e-mail to all staff, finally addressing his need for a strong deputy by putting Shengman Zhang in charge of all the Bank's lending operations. The same e-mail confessed to a "need to sharpen our focus. . . . Infrastructure is a major example," and it announced the creation of a new vice presidency dedicated solely to infrastructure. In July, this department responded to the Indian and Chinese pressure by presenting the board with a brand-new Infrastructure Action Plan. Wolfensohn expanded the budget to support the development of infrastructure projects by \$8 million, and Praful Patel, the champion of the high-risk, high-reward approach, was promoted to vice president for South Asia.

At the annual meetings in the fall of 2003, the Bank's governing Development Committee endorsed this march back to the Bank's origins in the 1950s, when the bread and butter of its business was roads and dams and other things involving tons of concrete. In many corners of the Bank, the call for "high-risk, high-reward projects" became the new mantra. The Bank must reengage with infrastructure, the mantra maintained; it must not allow itself to be deterred by NGO critics. And whenever that mantra was heard, you could bet that one model project would be cited in support. The model, of course, was Chad's oil pipeline.

. . .

IN OCTOBER 2003, soon after the Bank's annual meetings, I took a trip to Chad. My Air France jet touched down late on a Monday evening. There was just one other plane in the airport, and I walked across the tarmac into a scruffy low-slung building. Up in front there stood a wide table inviting Exxon staff to show their passports, but for everybody else the route to the passport officers lay through a crazy scrum of passengers, all heaving and shoving and mixing with the gray shadows cast by a low-watt neon light. I squeezed my way in, and a small man in a white robe confronted me.

"Your health form?" he demanded.

"What health form?"

"Give me that," he answered, grabbing my passport. "You pay two thousand."

I experimented with charm, aggression, and all the usual tricks of hapless travelers confronted with bald cons. It occurred to me that this might be a sign of the Bank's prospects in the country, and I protested loudly that Chad's representatives in Washington had said nothing about health forms. Then a U.S. embassy official happened to come by. We made eye contact, just long enough for my adversary to worry that I knew somebody important, and I snatched back my passport and bolted.

I had lived as a foreign correspondent in Zimbabwe and had traveled around Africa: I'd bribed my way onto planes in Nigeria and visited Mozambique's war-encircled capital and been deported from Sudan. But Chad still managed to shock me: the fact that big provincial towns had no electricity, that I could scour a commercial street for fruit stalls and find that no fruit was available, that I could see the road through a gaping hole in the floor of one of N'djamena's cabs. The sheer remoteness of the country was impressive. I spent part of the trip with journalists who had come in from Nairobi and Johannesburg. To get from Africa to Africa, they had been obliged to fly through France.

Three years had passed since the Bank's board had approved the oil project, and the pipeline was already done. There were modest signs of progress in the capital, albeit the sort that mainly affect visitors. An international hotel had recently been renovated, more foreigners were passing through, and there was a boom in the security-guard business. Strange electronic tunes chimed from the pockets of eminent people, signaling that cell phones were starting to make up for the near absence of fixed telephone lines; the cars in N'djamena may have been rickety, but at least there were cars, and Exxon's boss in Chad was proud to report that he had even spotted traffic jams. But none of this was going to be much help to ordinary Chadians. At the height of the construction, the pipeline had generated jobs for fewer than five thousand locals; now that the construction was completed, most of the new employment was gone. So it is with oil projects—big revenues, few jobs.

If the signs of progress were tentative, what of the project's downside? Throughout the pipeline's construction, the NGOs had maintained their critical chorus, but most of their objections looked empty. Exxon's new molasses-capped road, they said, was insufferably dusty. Actually, it was less dusty than a government road I also traveled on. Exxon was burning gas flares, creating air pollution. Well, there was one flare, and it was temporary, and Chadians seemed proud of it. The flare was a symbol of their new status as an oil state, and it was displayed prominently in the propaganda posters produced to celebrate the pipeline's completion. The pipeline construction, said the NGOs, had disturbed the people of the Cameroonian rain forest. But according to a Cameroon-based BBC journalist I talked to, the forest dwellers were pleased with the construction because it had brought new roads and bridges. Indeed, the one big disturbance had occurred when Exxon explained that, to comply with its environmental promises, it would dismantle some bridges once construction finished. The villagers threatened violent resistance. Like most people everywhere, they like access to transport.

Like the northern NGOs, the northern press coverage had tended to be critical. It was easy to see why. I made the rounds of various government officials and ministers, and they were mostly off-putting; the prize went to the prime minister, who convened a press conference at his residence and batted away questions arrogantly while a panoply of flunkies looked on obsequiously. In contrast, the Chadian nongovernmental groups were impressive and open, and they tended to oppose the pipeline. They were mostly southerners, and they disliked the idea of oil revenues in the hands of a northerner. Visiting the oil field, the negative press coverage grew even easier to understand. Exxon's pristine portacabins and oil derricks, deposited as if by magic carpet, cast the grim poverty just beyond the fortified perimeter in sharp relief.

One afternoon I went to Kome Atan, a village that had sprung up just outside the oil base. It was a standard stop for journalists looking for a graphic contrast: on one side of the high wire fence, a strange slice of Texas; on the other side, Africa. Kome Atan felt like a wild boomtown. Some people were drunk; some were aggressive; and my colleague Amelia Branczik got talking to some made-up women who probably were prostitutes. And yet you had to ask yourself: Had oil made people's lives here worse, as the NGOs and press coverage often insisted? Kome Atan looked more affluent than other villages in the region. People were dressed better, and the stalls sold a wider choice of products, and the tailor at the Atelier Couture Non-Violence was doing a brisk trade.

I chatted with a tall man lounging on a chair in the tailor's thatched cottage.

Did he resent the wealth behind the tall perimeter?

No, he responded. His people had been poor anyway before the oilmen came.

Did Exxon cause his community problems?

No again, came back the answer. The company had provided the village with water wells, and it was nice that the security floodlights allowed villagers to see their way around at night.

Above my companion's head, the thatched roof of the tailor's workshop had been lined with thick plastic discarded from the oil base. Disused Exxon packing cases had provided the tailor with the raw materials to make his furniture. Why did the workshop's name refer to non-violence? Well, the tailor said, looking up from behind his sewing machine, customers could be impatient sometimes, what with all the orders coming in these days. He didn't want fights breaking out when they discovered that there'd be a wait for their new clothes.

That evening I rejoined the press group I was traveling with and had dinner with some local NGOs.⁴³ The NGOs rolled out a string of grievances. They complained that the compensation price for mango trees had taken lengthy wrangling, even though a deal had eventually been agreed on before the trees had been cut down; they worried that villagers had wasted their compensation money, even though Exxon had offered in-kind compensation to those who wanted it. But questions of compensation or environmental damage were not their main message. Their chief concern was that oil money would flow into the hands of a northern government that had long mistreated southerners. Did the foreign journalists really suppose that northerners would help the people of the oil region?

This was indeed a reasonable question. I had a long conversation with Mahamat Mustapha, the head of the new institution for overseeing oil revenues that had been set up with the World Bank's help. He was certainly impressive: he had studied in France and the United States, and had worked at the IMF in Washington before returning home to Chad. He was clever and forthright and insisted that the president would back him. It was in Chad's interests to see that the oil money was spent right, and the president himself had said as much; besides, the whole international community was watching. The World Bank was in touch with Mustapha all the time, giving him whatever help he requested; he had seen Shengman Zhang in Washington not long ago, and Zhang had even come all the way to Chad to express his

support for his revenue-monitoring mission. With that kind of backing, surely his new institution stood a good chance of succeeding? But then again, who knew really? The World Bank had embarked on a grand experiment in central Africa, a test case for its high-risk, high-reward mantra, and an attempt to operate in a new way, building institutions rather than proclaiming conditions that were ignored too easily. And yet the outcome of this experiment would not be determined by the Bank, or anyone it had control over. It would depend on the political culture of this slice of central Africa, and particularly on a tall, slim warrior called Idriss Deby.

On October 10, 2003, the warrior appeared at a ceremony to celebrate the completion of the pipeline. It was held inside Exxon's oil base, in a huge hangar equipped with powerful amplifiers and a big overhead screen. Some six hundred people sat on plastic chairs, a sea of military hats and Muslim skullcaps and brightly colored headscarves. The heads of Africa's oil states had been invited along, and a Ghanaian journalist summed up each of them: "Former soldier, instigator of civil war, killer, dictator." A warm-up speaker declared that Deby "provides rays of sun to light the way ahead for all the sons of Chad," and executives from Exxon and its consortium partners followed on in similar fashion; President Deby had "graciously consented to honor us with his presence here," according to the bootlicker from the Malaysian firm, Petronas. The heat in the hangar was throbbing, and the guests in the audience were sweating and fanning themselves, and after an uncomfortably long time the gracious Idriss Deby took his turn at the podium. He spoke pompously and emptily, and then he led his fellow statesmen outside, where a marching band struck up a tune and Deby accepted a ceremonial spanner. With some fumbling, the spanner was applied to a ceremonial valve on a ceremonial glass section of the pipeline; the president applied a presidential twist, and oil gushed into the glass pipe. The audience watching on a video hookup inside the hangar applauded dutifully.

Was this a triumph, or was this a disaster? The World Bank officials looking on honestly weren't sure.⁴⁴ They had shepherded the pipeline to its completion point, and defied the NGO predictions about its terrible social and environmental consequences. They had weighed the dangers that the oil money would be misspent. They had admitted openly that it might be, and they had rightly decided that if the Bank always shunned risks of this kind there would be no point in having it. Yet it was not enough in this game to be three-quarters successful. If the oil revenues were stolen and Chad's poverty persisted, the safe installation of a high-risk pipeline would count for nothing. And if the project went wrong, the world was sure to know about it. The critics were always out there, watching and waiting for the time when they could assail the Bank all over again.

Now it was time for lunch, though. The World Bankers followed their fellow guests out of the hangar and into the pounding heat of Africa. Then they boarded a yellow school bus that Exxon had trucked in for their convenience, all the way from Texas.

CHAPTER FOURTEEN
A LION AT CARNEGIE

ON DECEMBER 1, 2003, at six-thirty in the evening, vehicles on West Fifty-seventh Street in Manhattan faced more obstacles than usual. Outside the grand edifice of Carnegie Hall, the police had put up barriers that cut off one lane of the road; cabs and limousines were stopping in the middle of the traffic flow to disgorge distinguished passengers. The passengers proceeded in their tuxedos and furs up the steps of the Carnegie entrance, past paramilitary policemen holding stubby automatic guns, past the footmen in red livery who awaited them inside, and into a room filled with conversation and champagne and a busybody photographer. There, in that reception room, stood figures from Jim Wolfensohn's full life: Paul Volcker and Alan Greenspan, who between them had run the Fed for the past twenty-four years; Barbara Walters and Peter Jennings; Queen Beatrix of Holland and Queen Noor of Jordan. There, too, was Vernon Jordan, the old friend of Bill Clinton who had helped Wolfensohn get the World Bank job. Sandy Berger and Strobe Talbott, Clinton's national security adviser and deputy secretary of state, were exchanging views about Taiwan; Joe Stiglitz the Nobel laureate was holding court; Al Gore smiled a politician's smile; then Talbott was introduced to a small man with large guards, who turned out to be the president of the Kirgiz Republic.

Half an hour later, the guests filed out of the reception room and into the Isaac Stern concert hall. There was a murmuring and a whispering as the programs were opened: What would Wolfensohn play? How long would he go on for? The first piece was a Mozart quartet, and if you looked carefully at the lineup you noticed something strange: three pianists, all famous, would take turns at the piano, so that Wolfensohn would get a chance to play with all of them. The guests waited and whispered. One lady was asking how a World Bank president had time to practice the cello, and a man next to her was wondering how late dinner would be served, and up and down the auditorium there was a mute conspiracy of understanding. This extraordinary birthday party was at once so human and so monstrous. After seventy years of life and seven hundred achievements, Jim Wolfensohn still wanted to get up on the stage, to show off to five hundred friends, to lay himself open. There was something adorably brave in this, and something preposterously vain at the same time. *You gotta love Jim Wolfensohn*, the guests seemed to be laughing. *So absurdly exhibitionist. So humanly in need of adulation.*

Wolfensohn walked onto the stage and sat down with his cello. His unruly mane of hair had been tamed for the evening, and the creases on his heavy face were thrown into relief by the stage lights; he looked his full seventy years, but splendidly. When the first movement was finished, he smiled for the first time and wiped his bow hand on a handkerchief. The first pianist was replaced by a second one, and the quartet began to play again; and after three-quarters of an hour, the Mozart was finished and Wolfensohn stood up with a microphone.

"We'd like to welcome you to this rather exotic and egocentric birthday party," he declared, and you could almost feel the current of relief running through the audience. The slight squirming sensation—the queasy feeling that this whole evening was an egomaniac's folly—seemed to evaporate at Wolfensohn's remark, leaving only admiration and affection. So what if Jim Wolfensohn was egocentric? He admitted

it quite openly! It was as though the guests had been given permission to acknowledge their friend's vanity and enjoy the evening anyway. And so they settled into their seats and drank in the music: the performances by Yo-Yo Ma, Pinchas Zukerman, and a special Peace Orchestra with members from ten countries. It was glittering and soothing all at the same time. *You gotta love Jim Wolfensohn!*

When the music was over, the stage was arranged with dinner tables, and the guests took their places. There was some eating and some schmoozing, and a soprano sang "Happy Birthday," and there were mini-cakes garnished with chocolate cellos, and Wolfensohn's son, Adam, called upon the most distinguished friends of Jim to say a few words. Vernon Jordan spoke, and Senator Edward Kennedy spoke, and UN Secretary General Kofi Annan spoke, and New York's mayor, Michael Bloomberg, spoke, and so did Queen Beatrix. But the best speech of the evening came from Wolfensohn's daughter Sara.

Not many people, Sara said, have a father who calls up and announces he's just met three presidents, two chiefs of staff, and a finance minister; and then sounds annoyingly surprised that you are not doing much yourself because it's eight-thirty in the morning. But then not many people have a father who calls in a wave of excitement to announce the selling of his firm, calling it a glorious chance to expand the family's philanthropy. Wolfensohn, said his daughter, never forgets where he comes from. The memory of little Jimmy, growing up in a modest apartment in Australia, has stayed with him always; and despite seventy years and seven hundred achievements, he remains surprised by what he has and is instinctively charitable.

PEOPLE ASK BIOGRAPHERS whether they like their subject, and my answer is two-sided. A friend who read parts of my manuscript said he couldn't figure out which character was dominant: the noble Wol-

fensohn or the manic one? Ben Kingsley or Danny DeVito? Well, Wolfensohn is both, as his daughter suggested; yet there is something delightful in a person who is so transparently honest about wanting to know everyone, outshine everyone, and be the best at everything, who is constantly reaching higher and frequently falling, only to leap up again. It is as though Jim Wolfensohn were born with a triple dose of all the contradictory energies that animate our lopsided progress: avarice and generosity, egocentricity and compassion, curiosity and insecurity, and most of all a roaring restless hunger to do all the things that man can do, and to succeed at all of them.

Is James Wolfensohn a good World Bank president? That is the more important and difficult question. He came to office with three connected goals: to sharpen the Bank's management, to escape from the dead end represented by structural adjustment, and to rebuild the Bank's relations with three key stakeholders—shareholders, NGOs, and borrowers. To judge Wolfensohn's presidency, one has to judge him against each of those goals in turn, and then to ask whether those goals were the right ones.

The managerial goal is the one that Wolfensohn scores worst on—not so much because of the ultimate result, but because of the costs of getting there. The Bank when he arrived was in need of a shake-up, but its troubles did not justify the hand-grenade treatment he administered. Wolfensohn formed an exaggerated view of the challenge partly because the demon inside him was blind to the accomplishments of those who came before, and partly because in the mid-to-late 1990s all public-sector institutions suffered from comparison with supposed private-sector excellence. To an extent that is clear perhaps only in hindsight, the stock market bubble of the times created a reputational bubble for corporate America as well, and Wolfensohn fell prey to it. He was right to look to the private sector for management ideas, but wrong to suppose that he could ever match the inflated managerial reputations

of hot private-sector CEOs, many of whom were turfed out in disgrace when the bubble burst a few years later.

The truth is that the Bank will never match the managerial prowess of private firms, even postbubble deflated ones. The World Bank's management is not at liberty to fire people; it has to put up with a resident board that breathes down its neck at biweekly meetings; it has a complex set of stakeholders, ranging from shareholders to borrowers to advocacy NGOs, who muddle the Bank with contradictory objectives. To an extent that Wolfensohn did not appreciate at first, even hand-grenade reformism is not enough to blow away these shortcomings. They are imprinted on the Bank's DNA, and nothing can erase them. Consider, for example, the Bank's clannish nature, which Wolfensohn sought to change by imposing meritocratic personnel practices imported from the private sector. If you are a Pakistani or Nigerian water specialist with twenty years' experience at the Bank, losing your job means losing both your income and your U.S. visa, and uprooting your baseball-playing kids from the culture they grew up in. The DNA of the Bank is therefore fixed: people are desperate to protect their jobs, and clan structures that afford some measure of security will spring up almost inevitably.¹ Wolfensohn's meritocratic personnel system may have weakened the clans a bit, but it could not blow them clean away. A survey of the Bank in 2003 found that only 51 percent of the staff believed that promotions were made on an objective basis.²

Given the limits to what the management shake-up could achieve, Wolfensohn was wrong to burn up so much time and energy on it. He came to the Bank never having run a large outfit, and he was in awe of those who had; he convened buddy groups of CEOs to tell him what to do, and like many novices he tried too hard, forfeiting goodwill in the process. Wolfensohn's battle over the Strategic Compact—his bid for a temporary budget expansion of a quarter of a billion dollars—alienated the Bank's board for several years; the subsequent implementation of the compact caused a near revolution among staff, which bubbled up at

the start of 2001, just as the Bush administration arrived in office. This friction would have been easier to justify if Wolfensohn's management reforms had been lifting the Bank to a whole new level. But, despite Wolfensohn's inspirational speeches, the expectation of a quantum leap was naïve in retrospect.

This is not to say that the management reforms achieved nothing. The two clear benefits were the decentralization of country directors and their staff and the related upgrading of the Bank's technology. It would have been harder to push decision makers out into the field if they had not been newly linked to the head office via computers and video-conferencing facilities. As of 2003, 71 percent of country directors were based outside Washington, up from nothing eight years earlier; for reasons to which I will return, this is an important development. Moreover, by 2003 Wolfensohn's early grenade throwing was long past, as was the extravagance of the Strategic Compact. The Bank's budget had fallen to a level lower than it had been at the time of Wolfensohn's arrival, in inflation-adjusted terms;³ and two-thirds of the staff felt good about their jobs, up from a mere two-fifths in the early hand-grenade era.⁴ With the belated appointment of a single deputy, Wolfensohn had found his footing in the end. His failure lay in the disruption that he caused along the way, not all of which was necessary.

WHAT OF WOLFENSOHN'S ATTEMPT to break away from structural adjustment? From his first months on the job, when he absorbed the criticisms of the Fifty Years Is Enough campaign and made his early trip to Africa, Wolfensohn understood this challenge right: the macro-economic prescriptions of structural adjustment were correct; but they were also too narrow, and they were politically toxic. The way forward lay in ramping up the rhetorical focus on poverty, in broadening the Bank's agenda beyond macroeconomic policy to challenges such as corruption, and in retreating from some especially unpopular stances,

such as the refusal to countenance debt relief. All these changes improved the Bank's image, a pressing task in the wake of the Madrid annual meetings. But they were correct substantively, too. Wolfensohn was right to see that the macroeconomic prescriptions of structural adjustment were not enough to deliver growth; he was right to put corruption on the Bank's agenda; and he was right to tackle debt relief. By the mid-1990s, the refusal to countenance debt relief had locked the Bank into defensive lending of the sort Wolfensohn confronted in Côte d'Ivoire, and debt payments to the Bank constituted an impossible drag on countries like Uganda.

On corruption and debt relief especially, Wolfensohn's instincts were ahead of his peers'. Since the early 1990s, the Bank had produced research papers on "governance," but it had never confronted corruption in a direct, high-profile way; indeed, the Bank's chief counsel insisted fiercely that denouncing corruption would violate the Bank's apolitical charter. Since the early 1990s, equally, the Bank had been coming under pressure to relieve debt. But before Wolfensohn's arrival, the Bank's staff was wedded to the traditional argument that multilateral debt relief was wrong; moreover, the Bank's shareholders and the International Monetary Fund opposed debt relief firmly. On both corruption and debt relief, Wolfensohn took on fights that his predecessor had ducked. The result was that the Bank reformed its policies faster than it would have done without him.

Thanks to Wolfensohn's early leadership, therefore, the Bank largely succeeded in moving beyond structural adjustment by stressing poverty, embracing debt relief, and speaking out against corruption. The question, however, is what to make of Wolfensohn's second phase: the period from 1999 when he and the wider development community went beyond a tweaking of structural adjustment and offered a replacement. The new vision of development did not repudiate the orthodox economics of the old approach. But it did replace donor conditionality with the idea of "country ownership"; and it called upon aid recipients to

draw up comprehensive development programs ranging far beyond the macroeconomic framework, and to do so through a participatory process involving NGOs as well as government. In Wolfensohn's mind, the new vision was the one laid out in the Comprehensive Development Framework; in the mind of the Bank's staff and shareholders, it was encapsulated in the Poverty Reduction Strategy Papers that were required of poor countries from the time of the 1999 annual meetings. Both replacements were essentially the same: in this case Wolfensohn was not championing anything that the Bank would not have done without him.

Was the new approach a good idea? Perhaps its most criticized aspect is the call for comprehensiveness. Even if development is multifaceted, it's impossible to fight on all fronts at once, or so the critics charge; remember the lesson from Mao Tse Tung, as retold by Uganda's president, Museveni.⁵ The attack on comprehensiveness achieved great currency in 2001, when the multiplication of mandates was listed among the causes of the Bank's management malaise, and when "mission creep" was attacked in Jessica Einhorn's *Foreign Affairs* article. But the problem with the argument for selectivity is that, at least when you're talking in grand global terms, nobody knows what to select. There is no robust body of economic research showing that particular development interventions—dam building or malaria fighting or civil-service reform—consistently relieve more poverty than other ones. It is hard enough to measure poverty, and economists vary widely on its extent.⁶ It is even harder, and probably impossible, to measure the relative impact of dozens of interrelated strategies to relieve poverty across scores of countries.

The impossibility of showing which interventions trump the rest is easily forgotten, because development advocates generate a steady stream of claims to the contrary: The key to kick-starting development is said to lie in microfinance, or population control, or greater rights for women, or various other worthwhile challenges. Perhaps the most

impressive recent claim of this genre comes from Hernando de Soto, a Peruvian economist, who points out that the poor often lack legal title to their land. Change that, de Soto says, and you give them collateral, and therefore a chance to borrow money and start small businesses.⁷ But although de Soto's insight is important, land tenure is not a silver bullet. If the poor gain land title but women remain downtrodden, for example, half of all adults will not actually gain access to capital, and population pressure will not abate either.

There are similar problems with another kind of selectivity proposal. In a *Foreign Affairs* article published in 1997, Steven Radelet and Jeffrey Sachs of the Harvard Institute for International Development agreed that a lot of things have to go right simultaneously for development to take off; but they suggested it might be a mistake to try to achieve this on a national level. Rather than address that impossibly vast challenge, Radelet and Sachs argued, it would be better to follow Asia's strategy of creating enclaves of efficiency. Most of the East Asian Tigers created export-processing zones in which corruption and red tape were eliminated, security was reliable, and electricity and transport links were excellent. These enclaves attracted investment, and prosperity radiated gradually outward. China, for example, set up several special economic zones along its coastline, starting in 1980. Within a few years, one of the world's greatest export booms created millions of new jobs, despite the fact that China's national institutions were frequently rotten with corruption.⁸ Yet the enclave argument, for all its persuasiveness, raises its own set of questions. What good are export zones if corrupt national institutions lay you open to financial meltdown? And if national institutions are corrupt, won't national politicians be tempted to extract bribes from supposedly uncorrupt enclaves? Rather like Hernando de Soto's land tenure idea, enclaves might start you down the road toward development. But in the end you can't duck the question of national governance, however daunting it might be.

Because neither the kick-start theories nor the enclave arguments are fully convincing, Wolfensohn was right that the Bank should be comprehensive. He was wrong in other ways, however. He introduced his development framework clumsily, claiming too much originality and alienating the Bank's board. He insisted that a comprehensive vision of development had to include some subjects that in truth were marginal, such as cultural heritage, and some subjects that were bitterly divisive on the board, such as religion. Most important, however, Wolfensohn's grand global development strategy tinted his perception of humbler national plans, blinding him to the fact that *at the national level* selectivity is crucial. Even if you can't get all the way to prosperity without a comprehensive approach, and even if you can't generalize globally about which type of development effort works best, countries have to make choices. Particularly in poor places where trained administrators are scarce, comprehensiveness can be disastrous.

Wolfensohn will not concede this. In one of our discussions, he assured me that successful developing countries do everything at once, and challenged me to name one intervention—education? health? electricity? roads?—that I would be happy to call unimportant.⁹ But if you're thinking about a country, rather than the whole world, you *can* choose priorities. If literacy is already widespread and most people have electricity, you let the schools and the power sector coast along while you try to fix the roads; if AIDS is destroying the country, you drop other distractions and focus on containing it. The point here is that development investments, like most investments, have diminishing marginal returns: if you build a new power plant in a country that is so starved of electricity that even vital factories can't get what they need, then you'll get a huge payoff; if you build the same power plant in a country where emergency needs are already covered, the payoff will be less impressive. The right development strategy depends on what a country has already.

Because of this law of diminishing returns, it makes eminent sense for *countries* to ask themselves what their development priorities are, even if global generalizations on this subject are nonsense. Yet poor countries with scarce manpower constantly fail to absorb this point: they do not set priorities. Instead, they launch into banking reform or some other difficult venture because a donor has offered to fund it, and the result is that they dissipate the energy that should have been directed at a first-order challenge. Moreover, World Bank project teams sometimes encourage this error. After five years as the Bank's head of economic research, spanning 1997 to 2002, Paul Collier of Oxford singled out this failure to prioritize in weak countries as one of the Bank's chief problems.¹⁰

The irony is that the Bank is perfectly suited to helping poor countries set priorities. As a friendly multidisciplinary brain trust, it understands most of the development options that confront national planners; its chief role should be to advise on which will be most fruitful. Up to a point, this is what the Bank's country directors already do, and moving them out into the field has encouraged them to see the trade-offs that face borrowers. But the country directors remain less effective than they ought to be, because they are locked in a struggle with the Bank's technical specialists—the education people, the environmental people, and so on. The managers of each specialist unit want to foist their own particular type of project on as many countries as possible; in the view of many country directors, they are little more than trade-union leaders, bent on ensuring a steady flow of work for their departments. One of the jobs of a World Bank president is to restrain the technical departments from pressing this supply-driven lending. But because he believes in comprehensiveness, Wolfensohn has played this role reluctantly. He has boosted the technical departments' budgets in some cases, increasing their ability to push projects on clients. He has subscribed to the Millennium Development Goal outlook, which imagines that all countries should aspire to meet all seven millennium targets—and never mind about their priorities.

In sum, the comprehensive development vision was right for the Bank as a whole, and right as a grand theory of human progress. After more than a decade of macroeconomic adjustment, it was time to broaden the development agenda. But the comprehensive vision was wrong at the level of individual countries, where greater selectivity is necessary.

WHAT OF THE OTHER ASPECTS of the post-structural-adjustment formula? Its best feature is the shift away from old-style conditionality and toward "country ownership." The experience with structural adjustment taught that conditions simply don't work: Remember Pakistan, which signed twenty-two loan agreements between 1970 and 1997 promising to cut its budget deficit, then failed to do any cutting at all throughout the entire period. The better approach, which the Bank rightly adopted under Wolfensohn, is to ask borrowers to select their own development targets and say when they'll reach them. If a country's targets look sensible—if they reflect important development priorities, as tested against the law of diminishing returns—then the Bank should back them with a loan, reviewing the country's progress against its own benchmarks at regular intervals. By shifting from Bank-imposed conditions to country-adopted targets, the Bank has a better chance that its money will be soundly used, and that poor people will benefit.

Another part of the Bank's post-structural-adjustment formula was the shift toward participatory planning of the sort pioneered in Uganda. This innovation turned out less well than the shift away from conditions. From the time of his first trip to Africa, Wolfensohn grasped how the development dialogue needed to be broadened. Part of the reason why structural-adjustment programs were seldom implemented was that they lacked popular legitimacy. Uganda-style participatory planning is one way of building legitimacy for a national

development strategy, just as consulting farmers on rural projects boosts the chances of the projects' working. But participation is no magic elixir. When it first became fashionable, consultations and discussions were seen as a chance for the Bank and governments and NGOs to bury their old arguments. But the truth is that consensus often remains as elusive as ever. In Bolivia, Jorge Quiroga's participatory efforts did not save his country from violent political unrest in the years that followed.

The elusive nature of consensus has been equally visible in Washington. By 2002, John Briscoe was telling NGOs bluntly that, although they might have participated in forging the Bank's new water strategy, their views would not necessarily prevail. NGOs, for their part, were denouncing the Bank for inviting discussion but then ignoring their opinions. A new version of this argument bubbled up again at the start of 2004. The Bank had commissioned a review of the extractive industries, and the NGO participants had dominated the proceedings. The review recommended that the Bank withdraw from all oil projects. Not surprisingly, the Bank rejected this advice—if rich countries consume oil, why shouldn't poor ones aspire to produce it?—triggering a furious outcry from NGOs. The Third Way hope was that by consulting everybody, hearing everybody, the Bank could escape the discord of the past. But this hope, like the hope of a quantum leap in managerial prowess, looks naïve in retrospect.

The truth is that participation can be constructive, but you can't expect it to work consistently. Wolfensohn was right to foster discussion with NGOs, but the Bank should have been more selective in its choice of interlocutors—discussions with the screamers from the Berkeley mafia will not get you anywhere. Equally, participatory development planning may work well in Uganda. But it may be unnecessary or unworkable elsewhere. Brazil, for example, is justifiably proud of its electoral process. Its government has a democratic mandate, so why

should it convene forums of unelected NGOs to hash out its national policies? On the other hand, the idea of participation in authoritarian Zimbabwe is a nonstarter—and it's not just participation that won't work there. The idea of country ownership makes no sense either: Imagine the folly of writing condition-free blank checks to the odious President Robert Mugabe.

In some countries, in other words, the Bank's new post-structural-adjustment outlook holds out little hope. In the past, the old faith in conditions allowed you to believe that undemocratic, corrupt countries could be reformed: bribe them with a massive loan, and they will put their house in order. But if conditions don't work, you have to accept that such countries perhaps can't be helped: aid is better spent on countries that will use it wisely. The implication is that the Bank needs to give aid more selectively.

Has the Bank absorbed that lesson? Without much fanfare, it has. In the first half of the 1990s, there was no relationship between the quality of a country's institutions—measured by rule of law, democratic accountability, and so on—and the amount of IDA lending it received. But from 1995 on, countries with better governance got significantly more soft loans, whereas those without the capacity to “own” their development got significantly less money.¹¹ Even apparent counterexamples suggest that the Bank has learned its lesson. The Bank's loans to Chad for its oil pipeline, for example, went ahead despite Chad's poor development record. But rather than imposing conditions and praying that they would be met, the Bank helped to create a new Chadian institution to oversee the oil revenues. Equally, Scott Guggenheim's Kecamatan Development Project in Indonesia was part of this pattern. Indonesia had proved too corrupt to merit traditional lending, and there was no way that Bank conditions could change that. So Guggenheim built new institutions in the countryside that could absorb aid usefully.

THE GOOD PARTS of Wolfensohn's managerial and development reforms fit together logically. His chief managerial achievement—the decentralization of country directors—is important because it supports the chief contribution to the development agenda during his tenure—the idea of “country ownership.” Thanks to decentralization, the Bank is spending less time at head office and more time listening to the real owners of development. Rather than handing down inflexible conditions from Washington, the new, decentralized Bank aims to be out there with its borrowers, figuring out how it can help. This is a humbler, less hectoring vision of the Bank: a Bank, in the end, like Linda McGinnis, the feisty country rep in Mali.

Which brings us to the third goal that Wolfensohn set himself: to shore up the Bank's relations with shareholders, NGOs, and borrowers. One could discuss each category in turn. On NGOs, as I have argued, Wolfensohn did as much as any Bank president could do; yet he found that some campaigning anti-Bank outfits do not have an off switch. On the shareholders, particularly the biggest one, Wolfensohn got off to a good start with Bosnia; he later squandered it by allowing the Stankist Joe Stiglitz to throw rocks at the U.S. Treasury; and still later he was faced with Paul O'Neill, a sort of right-wing Stankist. But the big point about the Bank's relations with its stakeholders is the one that animates the last part of this book, and it relates to a goal that Wolfensohn *failed* to set himself initially. Rather than trying to rebuild the Bank's relationship with all three categories of stakeholder—shareholders, NGOs, and borrowers—Wolfensohn should have been more sensitive to the trade-offs among them. And he should have put the borrowers' interests a clear first. That was what the promise of managerial decentralization and country ownership demanded.

Sixty years after Bretton Woods, the trade-offs between the Bank's competing stakeholders constitute the institution's main challenge. The

rich countries that dominate the Bank's board, together with the NGOs that lobby rich Parliaments so well, want to make the Bank an agent of their own values: protect rain forests, preserve Pygmies in their "natural" habitats, send signals to China. The Bank's clients, on the other hand, have a different agenda. They want money and advice; they want the fast road to modernity. The Bank's fundamental problem is that the northerners who set its rules have no reason to exercise restraint, since they will never borrow from the Bank themselves; the borrowers, to whom the rules do unfortunately apply, have little power to change them. To respond to its clients—to fulfill the promise of "country ownership" and its new decentralized structure—the Bank needs to hold the northern rule setters at bay. Otherwise its best clients will abandon it, and the Bank's financial foundations will be in jeopardy.¹²

The northerners, to be fair, have a right to be heard. Part of the Bank's function is to further their enlightened policies. The Clinton administration was right to make the most of the Bank's help in Bosnia, and it's a pity that the Bush team did not learn from that model when it was planning Iraq's reconstruction. Equally, NGOs raise legitimate issues, and in the 1980s the pressure that the environmental movement exerted on the Bank was largely constructive. But since the 1990s, especially, the northerners have overplayed their hand. The shareholders have used the triennial IDA replenishment discussions to foist their values on the Bank's borrowers. In the IDA round concluded in 2002, for example, the donors imposed twenty-three "objectives" on the Bank and sixty-two "recommendations"—one of which was "increasing selectivity."¹³ The NGOs, for their part, have presumed to tell the Bank what its policies on dams or oil investment should be, and their recommendations have been at odds with poor countries' priorities. Because of the combined pressure from northern NGOs and shareholders, the Bank's project managers labor under "safeguard" rules covering ten sensitive issues, from forestry to dam safety, from pest management to "cultural resources." No other development lender is hamstrung in this way.

The Inter-American Development Bank has safeguards in just four of these ten areas. The European Bank for Reconstruction and Development has rules in just one of them.

The northern rules, moreover, are enforced in an overbearing way, and the result is to slow the Bank's efforts to fight poverty. The Inspection Panel, which the Tibet activists used to great effect, has sometimes lost sight of the fact that the goal of the Bank is to relieve terrible suffering—and that expensive delays over technical infringements do not further that objective. The Bank's board, similarly, is too intrusive and rule bound: no private-sector institution could possibly function with such pedantic oversight. The combination of the Inspection Panel, the board, and the fear of NGO assault combine to breed a sluggish caution at the Bank, especially since there's no profit-seeking drive pushing in the opposite direction. As a result, the institution is festooned with rules that are absurd but difficult to change, because changing would require a complex bureaucratic fight, perhaps involving board approval. If a project manager decides, for example, that a project could usefully absorb more money than originally planned, it can take nine months to gain approval from on high—so most project managers don't bother.

Looking back over some of Wolfensohn's battles, they seem like distractions from this central issue. The premise of the management reforms—that the Bank could deliver faster if only it were managed well—missed part of the point. The root cause of the Bank's slowness lies outside its doors, with the northerners who insist upon all kinds of rules, driving the Bank to tie itself up in its infernal safeguards. Equally, the early drive to encourage the Bank's managers to share their knowledge better missed the point. The lack of knowledge sharing reflected externally imposed red tape, which left little time for creativity. Other battles of the Wolfensohn era look in retrospect like disguised attempts to escape the tyranny of northern rules. The Bolivia experiment, which aimed to dilute the oversight of the Bank's board, was one such effort to

escape; the Africa region's AIDS initiative, which streamlined the board's involvement by asking it to preauthorize programs, was a second one. But for much of Wolfensohn's tenure, the need to push back against northern rule setters was not clearly acknowledged. The northerners, after all, had to be charmed into replenishing IDA—and into giving Wolfensohn the second five-year term he wanted.

By late 2002, with the fight over John Briscoe's water strategy, the tension between northern stakeholders and borrowers had burst out into the open. In that episode, and in the broader push for infrastructure lending that followed in 2003, the borrowers won; and meanwhile, the Bank launched an effort to simplify its rules and stem the flight of its strong emerging-market clients. Yet the pendulum swung back only partway: the new focus on the needs of borrowers rubbed shoulders with the old efforts to please northerners. Throughout 2003 and into 2004, Jim Wolfensohn continued to talk the Millennium Development Goal talk. He burnished the Bank's image by convening one conference on the Roma people (Gypsies) and a second one on "youth" (whatever that meant). These grandiose initiatives fit with the vision of the Bank as a secretariat for the North's global ambitions. But they distract from the more important vision of the Bank, which is that it should focus its energies as much as possible on its poor clients.

To lead the Bank through its next decade, Wolfensohn and his successors must push forward with the simplification of the Bank's rules, preserving core values like environmental protection and anticorruption financial oversight, but discarding the Byzantine excess that contributes nothing to those objectives. They must consider reforming the Inspection Panel, unless it can demonstrate that the Tibet episode will never be repeated. They must push for longer-term donor commitments to IDA—the existing process of passing the hat every three years puts the Bank constantly at risk of shareholder pressure. They must ask sensitive questions about the board: Do the shareholders need permanent representatives who pester and delay the staff? What are the costs and

benefits of this suffocating oversight? All these reforms would have the effect of freeing the Bank to move faster, take more risks, and deliver for the world's poorest people. The Bank's northern paymasters, who intersperse their oppressive meddling with complaints about the Bank's slowness, need to experience a Pogo moment. "We have met the enemy and he is us!" said the character in Walt Kelly's comic strip.

After sixty years of development experiments, it is time for humility among donors. The prescriptions of northerners have often failed to reverse poverty, and the most startling development successes (communist China, most notably) have come in countries that have taken donors' advice selectively. The factors that drive progress—strong institutions, stable societies, the presence of technocrats of Tumusiime's ilk—cannot be conjured up by aid donors; despite its portentous name, the World Bank is not a proxy for world government. Instead, it is a small institution relative to the problems it faces; its lending represents a fraction of total investment in its client countries; and its ten-thousand-strong staff is dwarfed by the government payrolls of major borrowers. Even though the Bank remains the world's premier development institution, and even though it is one of the rich world's best instruments for fighting economic chaos, there is a limit to what it can do, and its shareholders and NGO critics need to accept that. The Bank can play an important role in poor countries, as we have seen in Uganda. But it cannot be a magic wand for G7 summiteers, who love to gather every year and proclaim development targets.

Despite his early enthusiasm for Linda McGinnis, and despite his relationship-banker's affinity for clients, Wolfensohn could never quite embrace the idea that the Bank needed to be humble. His model and inspiration was the messianic Bank of Robert McNamara, and his response to challenges of every kind was usually to think bigger. He perceived a management problem: he threw a quarter of a billion dollars at it. He confronted the dead end of structural adjustment: he broadened the development agenda. He faced critical shareholders: he

cranked up the ambitious rhetoric. He was hounded by NGOs: he promised them all kinds of partnerships. The World Bank's next president will need above all to have three qualities: managerial experience, communications flair, and fluency in the issues of development. But Wolfensohn's successor *might also gain from considering his record and leaning toward the opposite approach. Think humbler. Talk smaller. Reduce the expectations of those northern stakeholders.*

Is that politically possible? It will be difficult, for sure. The northern stakeholders don't want a humbler institution, just as they don't want to pay for an ambitious one. They like calling on the Bank to act on this and that; they like denouncing it for failing to deliver. But so long as they veer schizophrenically between exhortation and contempt, it will be hard for the World Bank to be what it should be—the best source of development lending and advice there is for the world's neediest people.