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CHAIRMAN JIM SAXTON

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WORLD BANK CLAIMS MET WITH SKEPTICISM

-- Credibility of World Bank Self-Appraisal in Question --

WASHINGTON, D.C. – The World Bank’s claims of success based on its own review of its activities lack objectivity and will be closely scrutinized by the U.S. Congress, Joint Economic Committee (JEC) Chairman Jim Saxton said today. The World Bank’s summary of its record in promoting international development has been released amidst a closely related campaign to increase international aid resources.

“The World Bank cannot perform an objective review of its activities any more than a private company could be expected to do so,” Saxton said. “Policymakers cannot regard such self-serving appraisals as a reliable basis for international aid or economic policy. It seems to be more than a coincidence that the World Bank is touting its own effectiveness at the same time its President pushes for more resources.

“Given the low standing of the World Bank in the Congress, its claims will be subject to skeptical examination. Only last week, I released a study that demonstrated why World Bank claims of effectiveness were very dubious. A JEC hearing last week also examined some of these same issues.

“Fortunately, the Congress already has a wealth of alternative research available to draw on. For example, the report of the Meltzer Commission contains a large section on the World Bank and other development banks. As the report points out, most of the funds lent by the World Bank are not provided to the poorest countries, but to countries that already have access to private capital markets. Of the projects financed for the poorest nations, the failure rates are alarmingly high.

“This is also consistent with the findings of one of the World Bank’s former top economists, William Easterly, who noted, ‘Consider the facts and it soon becomes evident that the \$1,000 billion spent on aid since the 1960’s, with the efforts of advisers, foreign aid givers, the International Monetary Fund, and the World Bank, have all failed to attain the desired results. ...in the 1980s and 1990s, the IMF and World Bank made 958 conditional loans; during the past decade alone these institutions gave 10 or more conditional loans each to 36 poor countries. Yet with notable exceptions, government mismanagement usually continued in these countries. The growth rate of income per person of the typical member of this group during the past two decades was zero.’ Unfortunately, the World Bank’s management subsequently has spent more time and energy hectoring Easterly than in improving World Bank operations. At least in part, the new World Bank study may be viewed as a response to such criticism.

“In any event, the Congress will examine the dismal record of the World Bank, and its reform, before any increase in appropriated resources for its programs can be considered. Moreover, the World Bank should focus its efforts on the poorest nations, and not on nations that have ready access to a much larger pool of private capital,” Saxton concluded.

For a copy of the report, *Are World Bank Claims of Success Credible?*, and more information on World Bank reform, please visit the JEC website at www.house.gov/jec.

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