EXAMINING RESULTS AND ACCOUNTABILITY AT THE WORLD BANK

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BEFORE THE

SUBCOMMITTEE ON MONETARY POLICY AND TRADE

OF THE

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EXAMINING RESULTS AND ACCOUNTABILITY AT THE WORLD BANK

Wednesday, March 22, 2017

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MONETARY
POLICY AND TRADE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:02 a.m., in room 2128, Rayburn House Office Building, Hon. Andy Barr [chairman of the subcommittee] presiding.

Members present: Representatives Barr, Williams, Pittenger, Love, Hill, Emmer, Tenney, Hollingsworth; Moore, Sherman, Heck, and Vargas.

Ex officio present: Representatives Hensarling and Waters.

Chairman BARR. The Subcommittee on Monetary Policy and Trade will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Today's hearing is entitled, "Examining Results and Accountability at the World Bank."

I now recognize myself for 5 minutes to give an opening statement.

I welcome members to our hearing today. This year is especially important for the World Bank as Congress will be considering the 18th replenishment of the International Development Association, or IDA, the Bank's lending mechanism for the world's poorest countries. Since IDA replenishments occur on a 3-year cycle, 2017 is a rare opportunity for Congress to discuss appropriate resource levels for the Bank as well as any needed reforms.

As the World Bank's largest shareholder, the United States has a leading role in the Bank's governance. If we take that role seriously, we must hold the Bank to the highest standards, demanding accountability for its projects and ensuring that it remains focused on poverty alleviation.

I am concerned, however, that internal incentives at the Bank may prioritize lending over producing real results. Such incentives have been criticized for literally decades, yet the Bank's own evaluation office has indicated little has changed.

Let us be clear. No one claims that the Bank's officials will always get things right. But its incentives appear designed to elevate lending at the expense of learning from past mistakes. As the

Bank's Independent Evaluation Group, or IEG, concluded in a 2014 report, "This continuing push to lend increases the opportunity costs of dedicating time and effort to learning and knowledge-sharing and distorts the metrics of performance in favor of inputs and short-term outputs rather than on results and development solutions."

The evaluation office added, "IEG interviewees indicated that senior management should give knowledge the same status as lending in management attention, monitoring, and promotion."

Well-designed incentives should focus our attention more on the lives of Bank beneficiaries, not on loan amounts approved by the board. Such incentives will place more value on the poors' rights and freedoms without which long-term economic growth is unlikely. As Nobel Prize-winning economist Angus Deaton has written, "World Bank officials have long moved on to other things by the time the effects of their handiwork become visible. There is no responsibility of member-country shareholders to the recipients of their aid."

Indeed, the Bank's projects in IDA countries have, at times, harmed their intended beneficiaries or emboldened regimes that are more committed to personal enrichment than they are to their citizens' futures.

Today, we will learn about some of those projects, and how their failures, some of which reflect lapses in basic project management, can spur improvements at the Bank. Of course, the Bank is not new to reform initiatives. Its recent history has seen the introduction of matrices, scorecards, frameworks, task forces, and other well-intentioned ideas. In the end, however, this committee expects to see genuine reform, not the branding of reform.

Such reform will, of course, hinge on the Bank's own leadership. I am therefore concerned by reports from within the Bank that senior officials may not appreciate what is at stake. In the Bank's 2015 employee engagement survey, a mere 38 percent of respondents indicated that senior management clearly communicates strategic priorities, while only 26 percent responded that management "creates a culture of openness and trust." Only 34 percent of respondents had any confidence that the Bank would take action on these findings.

The Executive Committee of the World Bank's Staff Group Association called these results, "sobering, humbling, embarrassing, humiliating, appalling, and a number of other adjectives that could be added to the list."

If the Bank is to be successful in its goal to eliminate poverty, then business as usual is not enough. The World Bank may have the best of intentions, but we must call on the Bank to deliver results, not simply look for new ways to push money out the door.

In addition, the Bank is involved in a number of countries whose economic prospects are key for U.S. security interests. If the Bank cannot design and execute projects effectively, then not only could the world be less well off, it could be less safe.

I want to thank the witnesses again for testifying today. And I look forward to hearing their thoughts on how we can make the World Bank more accountable and more results-driven.

The Chair now recognizes the ranking member of the subcommittee, the gentlelady from Wisconsin, Gwen Moore, for 3 minutes for an opening statement.

Ms. MOORE. Thank you so much, Mr. Chairman. And good morning, colleagues.

I want to welcome our very distinguished panel and thank them for their time.

I do see a familiar face, a former staffer of this committee, Mr. Morris. You are proof that there is life after Congress and you inspire me.

Let me jump right into it. The World Bank is the flagship development bank in the world. And it is my intention to keep it that way. As a matter of fact, as we were going over material last night, we saw testimony from former Representative John Kasich, now the Governor of Ohio, who was the ranking member of the Budget Committee, and spoke passionately on behalf of the World Bank.

I consider myself as well to be a staunch advocate of the Bank, its mission, and I do believe that the moral authority and the involvement of the United States has led to a safer and more just world. And I am also aware of areas where the Bank has fallen short.

I pushed hard to get the best, most comprehensive safeguards in place for exactly the reasons that we have seen in Uganda. Doing development in economically depressed areas means almost by definition that you will operate in areas with limited judicial capacity, questionable rule of law, and a desire to get the job done that could lead to a certain kind of myopia of money. It is why a strong social and moral grounding is very critically important.

I sent a letter with then-Subcommittee Chairman Huizenga—and without objection, I ask unanimous consent to place it in the record—that made quite clear my disgust for what happened surrounding the Bank projects in Uganda.

I have met with the Bank about it since. And I get the sense that lessons learned have been lessons applied. Now, we have stronger safeguards, and I am happy about that. And I hope my Republican colleagues are pleased about that as well.

In fact, I would love for our private U.S.-based institutions to mimic some of the social and environmental impacts of projects. I wish that more financial institutions were as responsive to this body as the Bank has been. And even as we fund the World Bank, we back our banks as taxpayers found that we did in 2008 and 2009.

If there is something that comes out of Uganda at this hearing, I hope it is that safeguards are not only important, but meticulously observed, even in the difficult position of when the pressure to finish the project is on.

I yield back my 2 seconds.

Chairman BARR. Thank you. The gentlelady yields back.

And we will reserve the opportunity for the ranking member of the full Financial Services Committee, Ms. Waters, to give a 2-minute opening statement, but for now, I am going to go ahead and introduce the witnesses here.

First, we welcome the testimony of Mr. Sasha Chavkin, who is the lead reporter for the International Consortium of Investigative

Journalists (ICIJ's) "Evicted and Abandoned" investigation, which analyzed Bank projects across the world and their unintended impact on the poor. He has previously written for ProPublica, Columbia Journalism Review, and The New York World. Mr. Chavkin has reported from countries including Ethiopia, South Sudan, Honduras, and Sri Lanka, and his work has been recognized by the Society of Professional Journalists, the Society of Environmental Journalists, and the Sidney Hillman Foundation.

Second, Dr. Jean Ensminger is the Edie and Lew Wasserman Professor of Social Science at the California Institute of Technology, and is a past president of the Society for Economic Anthropology. Dr. Ensminger has conducted several decades of research on Africa, and her current research focuses on corruption in development and decentralized government.

Third, Mr. Scott Morris is a senior fellow at the Center for Global Development, and a director of the U.S. Development Policy Initiative. Mr. Morris also served as Deputy Assistant Secretary for Development Finance and the Debt at the U.S. Treasury Department during the first term of the Obama Administration.

And finally, Ms. Elana Berger is the Child Rights Program manager at the Bank Information Center. She is a human rights lawyer with significant experience working on education and childrens' rights at the international level.

Each of you will be recognized for 5 minutes to give an oral presentation of your testimony.

But before we turn to our witnesses, I would like to give the ranking member of the Full Financial Services Committee, the gentlewoman from California, Ms. Waters, an opportunity for a 2-minute opening statement. The Chair now recognizes Ranking Member Waters for 2 minutes.

Ms. WATERS. Thank you very much.

I would like to welcome our witnesses here today to discuss one of the very important issues within our jurisdiction, which is oversight of U.S. participation in the multilateral development banks, including the World Bank.

There is by now widespread agreement that poverty in the developing world is one of the major challenges facing the world today. While the success of some countries over the past 50 years has shown that development is possible, the failures elsewhere have shown that it is not inevitable.

I believe that the criticism of the World Bank that you will hear today should be understood within a context that also recognizes the great deal of progress the Bank has made in many areas over the past few decades, in large part due to pressure from civil society, from individual governments, from parliaments, including the U.S. Congress, and in particular from this committee itself.

Over the years, this committee has successfully insisted upon much more transparency and disclosure of information from the World Bank. Many years ago, we conditioned U.S. support for the Bank on the creation of the Inspection Panel, an independent accountability mechanism that would investigate allegations by citizens of the Bank's failure to follow its own policies and procedures.

Working in a bipartisan fashion, we successfully pushed for debt relief, and then for better and more effective debt relief for impoverished countries. We have also pushed for less burdensome conditionality and more attention to the social dimension that must be present when decisions about development assistance are made.

I welcome both the criticism and the recommendations that our witnesses will make today, which, in my view, means that you will also be making the case for strong U.S. leadership within the Bank, and for more vigorous congressional oversight, and for this committee, in particular, to take a more active role in helping to shape the development policies that have helped make the World Bank the preeminent development institution that it has become.

I would like to thank the Chair, as well as Ms. Moore, for all of the work that she has done to help us make sure that we give the kind of support to the World Bank that is needed.

Chairman BARR. Thank you. The gentlelady's time has expired.

Each of the witnesses will now be recognized for 5 minutes to give an oral presentation of their testimony. And without objection, each of your written statements will be made a part of the record.

Mr. Chavkin, you are now recognized for 5 minutes.

STATEMENT OF SASHA CHAVKIN, REPORTER, INTERNATIONAL CONSORTIUM OF INVESTIGATIVE JOURNALISTS

Mr. CHAVKIN. Chairman Barr, Ranking Member Moore, and members of the subcommittee, thank you for inviting me to testify about the World Bank.

I am a reporter for the International Consortium of Investigative Journalists, or ICIJ, a nonprofit news organization that conducts investigative reporting on global issues of public interest. We work through large collaborations with media outlets around the world, such as our project last year, "The Panama Papers."

I was the lead reporter in a global ICIJ investigation entitled, "Evicted and Abandoned," which was published in April 2015, and examined forced displacement caused by projects financed by the World Bank. Our team included more than 50 reporters from outlets in 21 countries. We reported on the ground in 14 countries in Africa, Asia, and Latin America.

And we analyzed more than 6,600 World Bank documents that tracked what the Bank calls involuntary resettlement associated with projects. We found that over a decade, spanning from 2004 through 2013, projects financed by the World Bank physically or economically displaced an estimated 3.4 million people around the world. That means that these people either lost their homes, their livelihoods were damaged, or they lost some or all of their land.

The figure was drawn from the Bank's own documents tracking resettlement and includes projects funded by the IDA and IBRD, but not the Bank's business lending arm, the IFC.

We also found that the Bank regularly failed to follow its own safeguards for protecting displaced communities. These commitments include resettling communities in equal or better conditions than they lived in before, restoring lost livelihoods, and avoiding violent evictions.

We found instead that the Bank repeatedly funded governments that not only failed to adequately resettle communities, but in some cases were accused of human rights abuses such as rape, murder, and violent evictions associated with Bank projects. We found in several cases that the World Bank continued to bankroll these borrowers even after evidence of these abuses came to light.

One of the most significant cases we examined was the Bank's support for a health and education initiative in Ethiopia called the Protection of Basic Services Project. We investigated allegations that some of this money was diverted to an Ethiopian government program called Villagization which violently evicted a minority tribe called the Anuak from their traditional farmlands which were then turned over to investors.

I met with Anuak refugees from Ethiopia in a camp in South Sudan. I encountered a devoutly Christian community whose members described being beaten, raped, and seeing family members killed by Ethiopian soldiers who were driving them from their land. I also spoke to the former Ethiopian governor who was in charge at the time of the evictions, now living in exile in the Philippines, who described to me how he personally diverted $10 million in World Bank funds to the Villagization program.

Despite the evidence presented by refugees, human rights groups, and others, the World Bank refused to acknowledge that their funding had supported these evictions. Last year, the Bank announced an extension of a similar initiative in Ethiopia under a different lending mechanism that now makes it impossible for communities to file complaints to the World Bank ombudsman.

There are three findings from our reporting that seem most relevant to the work of the committee today. One is that the World Bank has serious problems with enforcing its safeguards and holding its borrowers accountable for following its rules. The second point is that the Bank can be responsive to pressure in the form of negative publicity and the influence of donor countries, particularly the United States.

Shortly after ICIJ shared its findings with the Bank, the Bank announced a resettlement action plan that boosted funding for safeguards enforcement by 15 percent and hired 11 new safeguard specialists. The resettlement documents and ombudsman report that allowed ICIJ to conduct our investigation existed because the Bank had previously adopted an open-records policy and created an ombudsman, the Inspection Panel, at the insistence of the United States and members of this committee.

Finally, the failures in safeguard enforcement do not negate the fact that the same projects may also have positive effects on development. In Ethiopia, for example, the Bank said that its investments helped slash child mortality in half in less than a decade.

Thank you.

[The prepared statement of Mr. Chavkin can be found on page 33 of the appendix.]

Chairman BARR. Thank you. The gentleman's time has expired.

Dr. Jean Ensminger, you are now recognized for 5 minutes.

STATEMENT OF JEAN ENSMINGER, EDIE AND LEW WASSERMAN PROFESSOR OF SOCIAL SCIENCE, CALIFORNIA INSTITUTE OF TECHNOLOGY

Ms. ENSMINGER. Chairman Barr, Ranking Member Moore, and distinguished members of the subcommittee, it is an honor to have been invited here to testify.

In 2007, based upon my research experience in Kenya, I asked the World Bank to investigate corruption in the Kenya Arid Lands Project. INT is the World Bank's integrity vice presidency and it has sole responsibility for investigating corruption in World Bank projects. In its investigation of 28,000 financial transactions from the Arid Lands Project, INT concluded that 62 percent were suspected fraudulent or questionable. The Arid Lands Project was then shut down.

The Arid Lands case tells us something about the effectiveness of routine monitoring systems at the World Bank. For 14 years, this project was rated "satisfactory," despite the monitoring of the World Bank's task team leader, external supervision missions, regular financial management reviews, and audits. In 2007, it was even referred to as "exemplary" and served as a model for a new project.

Two of Arid Land's biggest problems were lack of transparency and excessive staff discretion over the selection of project recipients. Control of future funding provided leverage to silence beneficiaries who complained about project corruption. Most troubling to me is that I see the same patterns on the ground today in World Bank projects.

Recently, a villager asked the regional head of a current World Bank project in his area how much money his region was budgeted to receive from the project. The head of the project refused to tell him. Two weeks ago, I made the same request of that project's two World Bank task team leaders. I have received no response.

Fortunately, not all World Bank projects are as poorly designed and implemented as Arid Land's. The original Indonesian Community-Driven Development Project is deservedly often cited as the great success story.

The Indonesian project was specifically designed to bypass the major centers of government corruption. Private firms were used to hire many project staff rather than seconding them from corrupt government ministries. The tone at the top of the project was inspiring and this attracted reform-minded job applicants.

The Indonesian project used a democratic and competitive selection process controlled by beneficiaries to allocate funds. In striking contrast to the secretive nature of Kenyan projects, the Indonesian project also aggressively encouraged uncensored media coverage and academic research by third parties to shine a spotlight on problems like corruption.

What the Indonesian case teaches us is that development aid can work to better the lives of the poor. But when projects don't work well, as was the case with Arid Lands, sanctions are necessary. This is where INT comes in. My concern is that INT has moved away from intensive forensic audits in favor of a concentration on debarment cases.

Since the Arid Lands forensic audit 5½ years ago, INT has posted 48 investigation reports on its website; 45 of the 48 are investigations of companies. The vast majority of these cases involved one company that was found guilty of fabricating documents in order to qualify to bid on a contract.

Company debarment is important work. The problem is that corruption in many World Bank projects is not limited to a few rogue contractors. In systemically corrupt countries like Kenya, it is common for World Bank projects to be captured by the government ministry cartels from which the project staff is seconded. Failure to undertake these investigations leaves a vast segment of the World Bank's portfolio exposed.

There is an inherent conflict of interest between the mandate of INT to fight corruption and operations' goals to keep the money flowing and client states happy. INT is in the political crosshairs.

In my written testimony, I list some specific recommendations for reforming INT and transparency policy. The first is to move INT's direct report out of operations and over to the Audit Committee of the Board of Directors.

Regarding transparency, while the new disclosure policies of 2010 are laudable, they specifically exclude access to project financial data. These are precisely the data that beneficiaries and third parties need to fight corruption.

Thank you for your time, and I welcome your questions.

[The prepared statement of Dr. Ensminger can be found on page 69 of the appendix.]

Chairman BARR. Thank you.

Mr. Morris, you are recognized for 5 minutes.

STATEMENT OF SCOTT A. MORRIS, SENIOR FELLOW, CENTER FOR GLOBAL DEVELOPMENT

Mr. MORRIS. Chairman Barr, Ranking Member Moore, thank you for the opportunity to testify this morning on the World Bank's work in low-income countries.

The World Bank is a leading provider of development assistance in the world, working in nearly 150 countries globally. But by "leader," I don't just mean that the Bank is the largest. The World Bank consistently appears as the most or one of the most effective development institutions globally on key measures of cost efficiency, project outcomes and policy influence.

These were the findings of aid reviews conducted by governments like the U.K., Australia, and the Netherlands; by independent organizations like mine; and by an extensive survey of developing country leaders conducted by Aid Data, a U.S.-based research organization.

This broader context is important for considering questions of World Bank reform and instances of project-level failures. I would like to briefly address how to think about cases of failure in the Bank, three areas of reform I think deserve consideration, and finally the degree to which the United States can continue to exercise effective oversight in this multilateral institution. I elaborate further in each of these areas in my written testimony.

Risk of failure is inherent in the work that the World Bank does, particularly operating in difficult environments, whether in very poor countries like Uganda, or countries beset by conflict like Afghanistan. Zero risk would essentially mean zero activity for the institution.

The key questions are, how does the Bank manage risk and promote effectiveness? And how well does it learn from its failures when they do occur, as they clearly did in the three cases highlighted by the other witnesses this morning?

The Bank has multiple areas of monitoring and checks aimed at promoting effectiveness and guarding against corruption. The Bank's investigative arm, the INT, typically finds that substantiated cases of fraud and wrongdoing are associated with about 3 percent of the Bank's active projects.

In these cases, the INT office uses measures such as debarment of firms, and works with local authorities to pursue prosecutions. Separate from the INT, the Bank also has an independent complaints mechanism, the Inspection Panel, as we heard, with origins in this committee.

There is broader evidence that the World Bank does learn from its failures, but let me point to two examples that followed directly from the Uganda case.

The Bank's Board of Directors just recently approved a $230 million road project in Bolivia in which risks similar to the Uganda project, associated with a large influx of labor, were actively identified and mitigated as part of the project design.

More systematically, the Bank has also launched a Gender-Based Violence Task Force which should, in part, help to address a long-standing problem within the institution in the sense that lessons learned in one region or sector are overly siloed and are not readily taken up in other regions.

But how can the Bank do better? I offer three ideas aimed at promoting effectiveness and guarding against corruption. First, greater reliance on results-based mechanisms, like the Program for Results. Under the program, the Bank and the country agree at the outset on appropriate standards of oversight and a set of desired outcomes, such as an increase in literacy rates in an education program. And the Bank only disburses money if the outcomes are achieved, rather than simply disbursing money to pay for project inputs.

Second, we would have a stronger overall evidence base for the Bank's performance if INT had the capacity to conduct randomized audits of Bank projects each year, so not just responding to signs of corruption, but proactively reviewing a random selection of projects.

Third, the Bank could move more aggressively toward adopting new technologies to improve project accountability and performance. For example, recognizing the remarkable degree of smartphone coverage, even in the poorest countries, the Bank could be deploying apps that enable whistleblower-type reporting as well as more transparent, community-level rating of Bank projects.

The last point I would like to make relates to the role that you play. As the largest cumulative donor to the World Bank's IDA since its founding, the United States, and particularly the U.S. Congress, has effectively leveraged these resources to set policy in the institution. U.S. commitments also enable the World Bank to engage effectively in situations that are critical to our interests, such as supporting Jordan's hosting of a massive influx of refugees from Syria, efforts to contain Ebola in West Africa, and just this week a $1.6 billion commitment to address unprecedented famine in countries like South Sudan and Yemen.

With recent financial reforms to IDA, every dollar the United States contributes now leverages nearly $25 in assistance to low-income countries each year. But steering the Bank's work requires active engagement, which in turn continues to rely on a strong U.S. pledge to IDA and a commitment to honoring that pledge.

Finally, my time is up, but I do want to encourage you as a committee to consider participating in some kind of process that is looking broadly at our aid toolkit through a formal review process, whether a multilateral aid review or one that encompasses the bilateral programs, too.

Thank you.

[The prepared statement of Mr. Morris can be found on page 77 of the appendix.]

Chairman BARR. Thank you, Mr. Morris.

And now, Ms. Berger, you are now recognized for 5 minutes.

STATEMENT OF ELANA BERGER, SOCIAL INCLUSION AND ACCOUNTABILITY PROGRAM MANAGER, BANK INFORMATION CENTER

Ms. BERGER. Chairman Barr, Ranking Member Moore, thank you for inviting me to testify this morning.

I manage the Social Inclusion and Accountability Program at the Bank Information Center, or BIC. BIC is an independent, nongovernmental organization that works to ensure that projects implemented by multilateral development banks work for the communities they are meant to serve. BIC became involved in advocacy around the Kamwenge-Kabarole roadway, part of the World Bank-funded Uganda Transport Sector Development Project in the summer of 2014.

Joy for Children, a Ugandan civil society organization, alerted us to the fact that the project was leading to sexual exploitation of young girls along the roadway construction. The project had created a boom-town effect, where there was a large influx of construction workers into what had been a somewhat isolated, rural community. These workers were sexually harassing, exploiting, and raping teenage girls. Higher rates of teenage pregnancy, HIV/AIDS, and girls dropping out of school soon followed.

The residents had wanted this roadway to be built and recognized the significant economic benefits that would result from its construction. Even when the project started resulting in harm, the residents supported its continuation. They simply wanted the harm to their families and communities to be addressed.

Months of attempts to convince the contractor carrying out the project to take measures to prevent the harm was fruitless as the contractor made clear that they did not see the community's problems as their responsibility. Efforts to seek assistance from the Ugandan government were similarly unsuccessful.

When the community first brought their concerns around this project to the World Bank, the immediate response was denial. It was only when the community filed a request with the Inspection Panel, the Bank's independent accountability mechanism, that the Bank took the communities' concerns seriously, ultimately taking the extraordinary step of canceling the project.

However, the significant delay between the community raising concerns and the Bank addressing this harm meant that there was a 9-month period during which several additional girls reportedly became pregnant, dropped out of school, or contracted HIV.

In our experience, it is profound failures at the Bank that lead to the most significant reforms. And we are seeing that now.

After the Inspection Panel released its report from the investigation, Bank management took the unusual step of putting together a document analyzing lessons learned to look at the broader institutional failures behind the harm suffered by this community.

In this document, the Bank noted several critical gaps that allowed these failures to occur, including the lack of expertise within project teams to properly assess, prevent, and monitor gender-based violence (GBV), and a failure to adequately listen to communities and civil society. To remedy these issues, the Bank established a GBV Task Force.

The World Bank has also used its considerable influence to seek reform within the Ugandan government. The Bank has provided ongoing capacity-building support to the Uganda National Roads Authority, aimed at strengthening its ability to monitor and supervise contractors' compliance with environmental and social standards and to reduce corruption within that agency.

Going forward, to ensure that the Bank comes out of this experience stronger and more able to prevent and respond to serious negative impacts from Bank projects, it is absolutely essential that the Bank fully implement all of the reforms discussed in the lessons-learned document, along with all of the recommendations made by the GBV Task Force.

The Bank must also improve its social assessments to identify risks to children and other vulnerable groups who are least likely to have a voice in the process.

Additionally, the Bank must prioritize genuine citizen engagement. It must seek out ways to listen more effectively to communities and local civil society organizations. The Bank must be prepared to swiftly address reports of sexual abuse, involving trained experts in any investigation.

In closing, we would like to note that throughout the Bank's history, the U.S. Government has been a critical leader in reforming the institution, which has led to lasting changes across the development finance landscape. In this case specifically, the U.S. Government played a leadership role at the World Bank Board to encourage broad institutional reforms aimed at preventing similar failures in the future.

Today, continued U.S. leadership is needed to ensure that proposed reforms are implemented. We appreciate the committee's interest in this case, and we look forward to working together to advance reform at the World Bank.

[The prepared statement of Ms. Berger can be found on page 28 of the appendix.]

Chairman BARR. Thank you to all the witnesses for your testimony and your recommendations on how to reform and improve the operations at the World Bank.

The Chair now recognizes himself for 5 minutes.

In the past, we have seen U.S. national security officials make a case for the multilateral development banks, arguing that economic support for our allies serves key interests. Given the downsides to some of the Bank's assistance that we have heard about from our witnesses here today, I wanted to ask our panel, particularly Mr. Morris, what effect does support for oppressive regimes have on our national security interests? Are we resigned to working with governments that may help us in the short term, but whose long-term impact on their citizens creates potential security risks further down the road? What are the tradeoffs here?

Mr. MORRIS. Thank you, Mr. Chairman. I think it is really an important question and points to the underlying challenges that an institution like the Bank actually faces, and particularly working on behalf of the interests of the United States as its largest shareholder. The Bank is engaged in some very difficult environments with client-country governments that, in some instances, would not meet our standards of democracy and freedom.

But it is also in those very instances where the United States is pushing the Bank to be engaged because it is often situations where we have troops on the ground and we need the Bank there doing things like road projects that are directly supporting our efforts.

But you are right, there is a broader challenge of the sustainability of that kind of engagement if we don't have a credible client-country government partner. And this is just an ongoing challenge. I think in some instances, the United States has been very good at pushing the Bank to pull back in the face of clear problems of governance. But frankly, in other situations where we have direct strategic interests, we may be pushing in the other direction.

Chairman BARR. Thank you.

And for the other three witnesses, I wonder if we could make or should make the link between the Bank's activities and national security more explicit. For instance, if the World Bank takes on the issue of refugees, what should the Bank be doing to prevent extremism or radicalization within those communities? Alternatively, should the Bank refocus some of its lending to regions and countries where extremism, radical Islam is a particular problem?

Would any of the other witnesses care to chime in on that?

Mr. CHAVKIN. Thank you, Mr. Chairman. I think that what the Bank needs is more of an ability and willingness to walk away from the table when serious abuses are occurring. I am not a national security expert, but what I can say is that there have been a number of cases in recent years where there have been repeated, credible claims and evidence that has emerged of governments and companies that have received support from the World Bank group engaged in human rights abuses or corruption. And that cases like the project in Uganda where the Bank pulls back are vaninshingly rare.

And obviously, lending is an important source of leverage for the United States as well. But it seems that often, as you mentioned before, the desire to lend tends to outweigh an ability to draw a firm line when it comes to governments and companies using Bank projects to commit abuses.

Chairman BARR. And Dr. Ensminger and Ms. Berger, when you answer this question, when the World Bank works with a government or an education system within the government, if the goal of the World Bank is alleviation of poverty and economic growth, what responsibility does the Bank have to work with education systems to undermine ideologies that are incompatible with freedom and growth?

Ms. ENSMINGER. I don't have a ready answer to that question, but I can address your previous question. Would that be all right?

Chairman BARR. Okay, sure.

Ms. ENSMINGER. I think you hit the nail on the head regarding long-term interests versus short-term interests regarding national security issues. And it speaks directly to when and whether we cut off a country. It also speaks directly to corruption.

In the case of Kenya, for example, we cooperate a great deal with Kenya on national security issues regarding fighting Al-Shabaab across the border in Somalia. So it is in our short-term interests to cooperate with Kenya. How much license will we give them in terms of corruption and other abuses before we are in a position to cut that country off? We have undermined our own bargaining power on those issues.

Chairman BARR. And my time has expired. Thank you for your answers.

The Chair now recognizes the ranking member of the subcommittee, Ms. Moore, for 5 minutes.

Ms. MOORE. Thank you so much, Mr. Chairman.

And I have really learned a lot and really appreciated all of your testimony here.

One of the things I really find to be very, very frightening to think about is these young women and young girls who have been raped and taken advantage of in these countries. When I talked with the World Bank, it is so pathetic to think about some of these Ugandan girls—one of these workers would give them 15,000 shillings, worth about $3, and a 14-year-old saw that as evidence that they loved them and cared for them.

I guess one of the things that I want to get clear before I ask some more questions is, I heard correctly, didn't I, that there is nobody on this panel who thinks that the World Bank is not important to engage, that they continue to support the United States paying their dues and being engaged and involved in the World Bank? Am I clear on that, that there is no one who thinks we need to just bow out?

Mr. CHAVKIN. As a reporter, I am not here to make policy recommendations.

Ms. MOORE. Okay, I understand.

Mr. CHAVKIN. But certainly, none of our findings suggested that United States contributions and engagement were a part of the problem.

Ms. MOORE. Okay, thank you.

Ms. BERGER. And in our case, we found that U.S. engagement actually was incredibly important to gaining redress for these girls.

Ms. MOORE. Right.

Ms. BERGER. In fact, the U.S. executive director would go into meetings with Bank staffers bringing representatives of other U.S. agencies like USAID and the State Department. And because the United States was the only board Chair to do that, the United States was able to ask the Bank very specific, nitty-gritty questions about how the Bank was redressing the harm to these girls, and the United States was able to put pressure on the Bank to remediate this harm in ways that other governments did not do. So I think the U.S. contribution and the U.S. leadership was critical there.

Ms. MOORE. Thank you.

Since we talked about counterterrorism, I guess I want to talk a little bit about, not only is it my understanding from all of your testimony that not only was it the corruption of these countrys' governments sometimes or the fact that the governments would not necessarily address the problems, but it was also a problem of the contractors. In the case of Uganda, it was a Chinese contractor who did not do their due diligence.

So I ask this question or maybe just to make a statement: We have just this session, through the Congressional Review Act, eliminated Section 1504 of the Dodd-Frank Act, which requires that there be oversight over extractive industries where American companies are going in, taking the oil and minerals and stuff out of the country, that they disclose these contracts and relationships. And so the potential for corruption will be spawned by this.

Mr. Morris, do you have an opinion on this?

Mr. MORRIS. Sure, Ms. Moore, thank you for that. I would say that one of the mandates of the Bank is, as an institution, to be pressing for transparency in the work that it does and as providing sunlight in these situations, that it does guard against corruption.

If I can make two quick points related to the issues you raised, on the Uganda case, it is also, I think, worth stepping back and recognizing if you don't have the World Bank or institutions like it making the direct connections between road projects being associated with the terrible failings we saw in this case, it is not clear to me that other sources for financing these projects will do that. I think it is a mandate for the Bank to make those connections in ways that—

Ms. MOORE. Reclaiming my time, with others, like the Chinese Development Bank and some of the other banks around the world, there won't necessarily be that accountability and transparency. They will just pick up the slack if we were to disengage.

I'm sorry, Mr. Morris, you can continue.

Mr. MORRIS. Yes, that is absolutely correct. And I think that is also the broader perspective on the financing landscape is that it is no secret that in Sub-Saharan Africa in particular, Chinese financing has become dominant in—

Ms. MOORE. Reclaiming my time, Mr. Chairman, I would like to put three things in the record, without objection: an Ex-Im statement for the record; the letter that I referred to with former Chairman Huizenga; and a third statement from—what did I do with it?

Chairman BARR. Without objection, it is so ordered.

Ms. MOORE. Without objection, those three things will be placed in the record, as soon as I find the third one.

Chairman BARR. Very good, without objection, those will be placed in the record.

And the Chair now recognizes the vice chairman of the subcommittee, the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

At a hearing last Congress, one of our witnesses, Dr. Martin Ravallion from the Center for Global Development, and a former long-time staff member at the World Bank, told us that, "The reality is, bank staffs are assessed by the volume of their lending, dollars of money lent. And that is just a poor indicator of impact on poverty. You have impact on poverty sometimes when you don't lend at all."

Dr. Ravallion echoed an argument that has been made at the Bank for decades. Moreover, a recent report by the World Bank's Independent Evaluation Group confirmed that even after all these years, the pressure to lend that is felt by staff inhibits learning and takes the focus off development outcomes.

So, Mr. Chavkin, I would ask you this question: What has been your experience with the World Bank staff's commitment to project results? And is that a high priority for them, do you think?

Mr. CHAVKIN. I am not in a position to speak to whether projects delivered on development goals.

Mr. WILLIAMS. All right.

Mr. CHAVKIN. If it is helpful, what I can say is that I believe the pressure to lend has been an important factor in failure to follow safeguards. For example, for quite a while, there was actually a system in which safeguards officers would be reporting to project managers whose responsibility was to get loans approved. The Bank has now improved that system to some degree in providing greater budgetary and organizational independence to its safeguards officers.

Mr. WILLIAMS. Okay, thank you.

Ms. Ensminger, is effective management important to staff, do you think? And do they already have the tools to preempt some of the failures we have heard about today, or are they simply in over their heads?

Ms. ENSMINGER. There is tremendous pressure to push money out the door. It has been talked about for decades. It has not been adequately resolved. There are many wonderful team task leaders (TTLs), in the Bank who would like to do their job better. Because of the pressure to move money out the door so quickly, they are stinting on design elements, not out of desire, but because of the pressures on their time, and cutbacks on their budgets. They are not capable of doing adequate supervision.

For the same reasons, we see a conflict of interest regarding aggressive measures on corruption as well as operations interference on INT investigations.

Mr. WILLIAMS. Thank you.

Ms. Berger, what more could the Bank do to incentivize its staff, in your opinion, to care about these elements of a project? How can the United States change the Bank's culture?

Ms. BERGER. One of the things that the United States has already done is, in the lessons-learned document that the Bank put together after this project, it talks about the staffing issue. And it said that there was a need for social and environmental safeguard specialists to be involved in the project throughout the project cycle. And this is something the United States really pushed for in that document.

Because if you have those social specialists involved, not only during the project design, but also during the project's implementation and the monitoring and supervision phase, you have someone with the training to pick up on potential problems like the ones experienced by the girls in this case. And as soon as they see risk factors for sexual exploitation, they can put in place measures to prevent that.

Mr. WILLIAMS. Thank you.

Mr. Morris, why has the critique of Bank incentives endured for so many years, in your opinion? Why can't the Bank get it right when even the staff knows incentives are misaligned?

Mr. MORRIS. I think the pressure to lend is a real issue. And the critique over the years is genuine. On the other hand, it is a bank, and its core model is to lend, so that is going to be with us absent some fundamental restructuring of the institution.

The chairman mentioned the views of Angus Deaton in his opening remarks, and I think Professor Deaton offers a thoughtful critique, that one of the challenges of being overly reliant on lending is it does crowd out other types of activities, doing long-term research and development work. So I think there are ways in which structurally, the Bank could be shifted toward a wider range of activities, which would also have the effect of dampening some of the negative incentives around lending.

Mr. WILLIAMS. Okay, quickly, also to you, what would the Bank have to do to shift staff incentives toward project results and knowledge generation?

Mr. MORRIS. I think the Bank has frankly made a lot of progress in this way. I think we do see much more emphasis on actual project outcomes, not just success being defined by closing the deal. Certainly, there is always more progress that could be made in that area. But I do think we see a more outcomes-oriented institution today than what we saw, say, 20 years ago.

Mr. WILLIAMS. Okay, thank you for your answers.

Mr. Chairman, I yield back.

Chairman BARR. The gentleman yields back.

And now the Chair recognizes the gentleman from Washington, Mr. Heck.

Mr. HECK. Thank you, Mr. Chairman.

For anyone on the panel who knows the answer to this question, is there a more current rating of the quality of official development assessment of the IDA since the one for 2014 in which the IDA was found to rank in the top 10 of all 4 of the metrics of effectiveness and quality?

Mr. MORRIS. Congressman, I will answer that, because actually that work was done by my colleague at the Center for Global Development, Nancy Birdsall, along with colleagues at the Brookings Institution. That is the most current rating that was done through the so-called QuODA exercise. And as I said in my statement, it is consistent with other kinds of reviews which attempt to compare institutions like the World Bank to other development institutions. And it is frankly remarkable how consistently the World Bank appears at the top or among the top in those kinds of ratings.

Mr. HECK. Perhaps for you as well, Mr. Morris, one of the concerns about the IDA that has been expressed is whether or not its role is duplicative in the broader scheme. And I am wondering if you would characterize any way in which the IDA is unique in terms of how it contributes to World Bank mission and that of its corollary partners?

Mr. MORRIS. Certainly from a U.S. perspective, I think—

Mr. HECK. Aside from—pardon the interruption, sir—obvious quality, given the ranking of the assessment, is there any way in which it is unique?

Mr. MORRIS. Sure. And beyond quality, I think for the United States it is hugely complementary actually to our own toolkit. If you look at our bilateral programs, which are almost exclusively grant allocations in areas like humanitarian assistance and global health, what IDA does, again, is lending-based, much more focused on big infrastructure projects. So in that way, it is, as an extension of our own assistance tool kit, a great complement.

And in the face of actors like China, which through their bilateral programs are doing massive amounts of infrastructure investment, I think it is important from a U.S. perspective to see the value in IDA's work in this broader approach to economic development.

Mr. HECK. Mr. Morris, is it generally the case, as I have been led to believe, that when China engages in bilateral development "aid," there are often conditions with respect to continuing economic relationships and concessions given to China with respect to, for example, access to mineral resources and the like?

Mr. MORRIS. Congressman, one of the challenges of evaluating China's investments is that there is not a lot of transparency in the relationships.

Mr. HECK. What is your impression?

Mr. MORRIS. My impression is that the Chinese themselves would not characterize most of these flows as aid. They are doing it for their own direct economic interests, commercial interests. And so I think that certainly affects the kinds of agreements that they strike, both in terms of the sectors they are investing in, and the kinds of concessions that they would get. I think that is a reality of it.

I think it still comes with some benefit for these countries, but it certainly raises concerns of the type to which I think you are alluding.

Mr. HECK. And so, in effect, in the effort to cultivate good relationships, which indirectly if not directly contribute to our security, we come to the world stage offering these loans in a transparent way and without conditions, but are in very real competition with China which seeks to extend its influence as well. Is that an accurate reflection?

Mr. MORRIS. Congressman, I think that is correct. I would say on the question of conditions, I think to the degree that the World Bank does attach conditions in its engagements, they are broadly aimed at an effective relationship. They are certainly not about creating advantages for any one country.

Mr. HECK. Quickly, in my limited time left, I could not find it in the material, are you familiar with the default rate of the IDA, what the default rate of the IDA is and how that compares to its peers?

Mr. MORRIS. As a general matter, countries do not default on the World Bank. And there is the issue that the Bank has so-called preferred creditor status. It is not in the interests of any country to default. There have been countries that have been suspended from Bank assistance because they are in arrears. But over the long term, countries pay back their money, which is evidenced by the AAA rating that the Bank has.

Mr. HECK. I yield back the time I no longer have available, with gratitude for your answer and for the Chair's indulgence.

Chairman BARR. Thank you. The gentleman's time has expired.

And now, the Chair recognizes the gentleman from Indiana, Mr. Hollingsworth.

Mr. HOLLINGSWORTH. Good morning. I am glad that all of you came out today and I really appreciate your testimony this morning.

My question is really about mission creep and better understanding about what we believe the mission of the World Bank to be specifically and to what extent we think they are serving that specific mission.

It is my understanding that the genesis of the World Bank was really to help countries who couldn't access international credit markets to develop in a manner that would enable them to do so.

Certainly, that has changed over time, but something that my constituents continue to worry about, not only with this institution, but with institutions more broadly, is that we are continuing to develop an approach where we try to be all things to all people in all places and we end up not doing any of them exceptionally well.

To what extent do each of you think that perhaps an overly broad mission focused on middle-income countries as well as extreme poverty in low-income countries, focused on health as well as development and infrastructure, has led to some of these failures, and a more specific mission and a clear-cut mission would enable them to do better at what we want them to do?

Left to right.

Mr. CHAVKIN. Thank you. I am not really in a position to comment, particularly if we are looking at IDA replenishment. The performance of IDA seems separate in some ways from the performance of IBRD, which is the middle-income lending arm of the Bank.

I am going to leave it at that.

Ms. ENSMINGER. I will speak again just directly to my experience with IDA and particularly in Kenya, which I suspect is very typical of other African countries. The problem as I see it is not with mission creep, but the way in which the mission is accomplished. So I am not seeing a problem specifically in the IDA funds that have targeted Kenya, but this may also be a function of my limited experience with some of the other area's infrastructure projects, for example.

But from my own perspective, I would not put that down as the number-one problem.

Mr. MORRIS. Congressman, look, I think you are absolutely right. Certainly, defining the origins of the Bank, the evolution, and then pointing to this as a potential challenge of the Bank trying to do too many things in too many places. But I would point out, in the full range of countries, look at a country like India where, number one, the remarkable progress globally in poverty reduction and then where we want to be going forward, you really have to bet on India's success to achieve what we want to achieve when it comes to eliminating extreme poverty.

The Bank is a hugely important partner to India and what the Bank is doing, which I think is entirely appropriate, is not to say you no longer are eligible for IDA, therefore we are done with you, but to shifting the nature of assistance so that it is better leveraged, it is more cost-efficient for countries like the United States that are putting money in.

So the relationship evolves, but the engagement is still critical, I think, from our perspective of what we have in terms of goals around the world.

Ms. BERGER. When we talk about Uganda, I think the thing to keep in mind is sort of the "but for." What if the World Bank hadn't been involved, right? Is the World Bank's involvement in Uganda looking towards reducing poverty constructive? And I think in this case, it really was, because the community really saw this roadway as their way to reduce poverty by allowing them to access markets, and sell their goods.

And so, that roadway was critical. And the World Bank's involvement in that roadway was particularly important because it was through the World Bank that the community was able to get redress for their harms and was able to get changes made to the project so that it was more responsive to the needs of the community.

And I think absent that, if the road was being built without the World Bank, you simply would have had the road, but nobody would ever have addressed these sort of negative repercussions, which means you wouldn't have achieved the aim of reducing poverty because while you would have that access to markets, you would also have all of these families with—teenage mothers who weren't able to finish school and all of these negative impacts that kept people in poverty.

Mr. HOLLINGSWORTH. All right, thank you.

I yield back the rest of my time.

Chairman BARR. Thank you.

Mr. Chavkin offered to introduce into the record three articles, and without objection, those articles will be submitted for the record.

The Chair now recognizes the distinguished ranking member of the full Financial Services Committee, Ms. Waters from California.

Ms. WATERS. Thank you very much, Mr. Chairman.

And again, I would like to thank our witnesses for being here today.

As you know, when we hear some of the kinds of problems that you have identified here today, it is disturbing. And we don't feel good about it. But we really do feel good about the fact that we are major players in these bilateral institutions and that this country is doing its part in the world to deal with poverty, and that we must do everything that we can to support these projects. We must do everything that we can to make sure they are operating in the way that they are supposed to be operating.

And I see that the World Bank in many instances has taken steps to deal with some of these problems. I want to know about the Bank's report entitled, "Lessons Learned and Agenda for Action," which examined the issues and massive failures that arose from the Uganda project. So did they issue a report of some kind entitled, "Lessons Learned and Agenda for Action?"

Ms. BERGER. Yes, absolutely. And this was a unique thing that the Bank did in the Uganda case, recognizing those failures.

The Bank always issues an action plan after an Inspection Panel case. That action plan, though, only addresses the harm to a particular community. What is unique about this lessons-learned document is it looks at failures across the institution and the ways to remedy those failures.

And as I mentioned a moment ago, the U.S. Government, the U.S. executive director's office at the Bank played a really important role in strengthening that document so that the recommendations for reform really hit at the issues that caused problems in this project.

Ms. WATERS. I am very, very pleased to hear that. And I must share with my colleagues that I have visited Uganda and it was for something different, we were looking at HIV and AIDS, and I was so impressed with the will and the desire of people in that country, despite the lack of resources and the poverty, to get something done and to deal with that issue, a lot of determination by folks who have very little. And so, I certainly want us to continue to give support to these poor countries to help eliminate poverty.

And I would like to also ask, what do you think—I don't know how many participating countries visit these projects. What good does that do? And should we take a look at visiting more, showing up so people know that we are interested, that we care about what is going on? What do you think about that?

Mr. CHAVKIN. I would like to say that showing up and seeing what is happening on the ground is one of the most valuable contributions that I believe that the committee and others overseeing the Bank could make.

In reference to the Uganda report, as well as the resettlement plan, I think what they show is that the Bank has the capacity, when it wishes, to address some of these systemic problems that arise.

In the case of the Bank's failures in enforcing its resettlement policies, what we found, however, was that the Bank had actually been looking into this for years and it had issued internal reports. Those reports had essentially sat buried until we began investigating and asking questions about them.

And so what I think the issue for the Bank is, why does it take a Uganda project or an Ethiopia project or a report in the press for these reforms to be enacted? And I think that one way to encourage the Bank to be more proactive and more forthright about addressing the problems with its oversight would be going to the ground and seeing what is happening for yourselves.

Ms. WATERS. Thank you very much.

And I would like to say to Mr. Barr and to Ms. Moore, I think that is a challenge for us to get on the ground and take a look.

Do you think that is a good idea, Ms. Berger?

Ms. BERGER. Definitely. I think going and seeing the context where a project is happening really helps you to understand the problems faced by the community and the ways to address them.

Ms. WATERS. Thank you all so very much.

I yield back the balance of my time.

Chairman BARR. Thank you. The gentlelady yields back.

The Chair now recognizes the gentleman from Arkansas, Mr. Hill.

Mr. HILL. I thank the chairman and the ranking member for hosting this hearing today.

I appreciate the witnesses being here to talk about an important subject, not only to global development, but also to American taxpayers.

I have some experience in my past government service of working with USAID on the design of technical assistance in foreign countries, so I have some personal understanding of the challenges that come in working abroad and designing things that work on the ground. And I also just returned from a trip to the Republic of Congo where the systematic spreading of concrete by the Chinese government across the whole country of Congo was quite evident.

But the issue of corruption was discussed there as well, so I really appreciate the witnesses today talking about the World Bank and its work around the world.

The first question I have is, when we look at the fact that the United States has a little larger percentage, contribution, and ownership in the European Bank and in the Inter-American Bank, are we more effective at guiding policy there versus the World Bank? I would be interested in views on that.

Mr. MORRIS. Congressman, I will take a stab at that, and I should note in answering that I served in the prior Administration representing the United States across these institutions. I guess my judgment would be that shareholding is an important measure of our influence, but it is not the whole picture. And I think we have different degrees of influence within the different institutions.

And frankly, I think the World Bank, for reasons of long history, for reasons of the fact that they reside here in Washington, as many people noted, that the Bank has always had an American president, I think it is pretty well understood that the United States has a high degree of influence within that institution, even though its membership is much broader and our actual shareholding, as you said, is significantly smaller than at the Inter-American Development Bank.

Mr. HILL. In that regard, I would like your views, Mr. Morris and Dr. Ensminger, on—in your testimony, Dr. Ensminger, you say, "Neither Congress nor the USED's office have the power to micromanage the World Bank's policies. Changes of the sort I am suggesting would require significant commitment and a great deal of sustained U.S. leadership to win support of a majority of sympathetic board members."

So how are we, as Members of Congress, who allocate the resources to contribute to these multilateral institutions, supposed to enhance the sustained U.S. leadership to get those sorts of changes?

Dr. Ensminger, this is your testimony, so I will let you start on that.

Ms. ENSMINGER. As I understand it, you do have leverage over the Treasury and the Treasury has leverage over the USED's office. You also have an American president, an American-appointed president, who has recently demoted the reporting status of the vice president for INT. I don't understand the reasoning behind that. I think it sends a very bad message. And as I have suggested in my testimony, I think there is undo influence on the part of operations over INT's investigations.

I experienced this firsthand in the Arid Lands investigation. And I might also add, although it is not directly relevant on this point, I have not been impressed with the follow-through and the lessons learned from the Arid Lands case, in contrast to what is obviously a very different picture here in other arenas.

Corruption continues to be a huge problem. And I think the role of INT is also continuing to be perhaps moving in the wrong direction. So I would hope that you can exercise extreme leverage on that issue because I think it is extremely important.

Mr. HILL. Mr. Morris?

Mr. MORRIS. Congressman, I would just encourage you both to be directly engaged with senior management of the Bank and through senior U.S. Treasury officials. I think both are really important channels of influence that you have.

And I want to correct slightly, because I think it is often mischaracterized that the United States is not in a position to appoint the president of the Bank. The United States nominates a candidate to be president of the World Bank. Through an election process, the outcome has consistently been the American candidate.

Mr. HILL. I think we need to use that leverage to the best of our ability. And it is really hard for Members of Congress on both sides of the aisle to justify continued U.S. financial commitment to institutions that have such a poor track record in many ways, even though they do good around the world. There is no doubt, I am not excusing the good that they do. Because in facing a $20 trillion debt, we have a lot of pressure on us to make sure that taxpayer resources are spent wisely and that we get the best bang for our buck.

I yield back. Thank you, Mr. Chairman.

Chairman BARR. Thank you. The gentleman yields back.

And the Chair now recognizes the gentleman from North Carolina, Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

And I thank each of you for your dedication and work in this important area.

And in the spirit of Congressman Hill's comments and questions, I would like to ask further, as we are all aware, the multilateral development banks are sitting on enormous equity from loan repayments to the tune of hundreds of billions of dollars. And these loans were made initially from appropriations by the Congress.

Do these MDB shareholders have a claim to that equity? And if so, if the loans are repaid back to the banks, should the proceeds go back to the Treasury, especially where the United States does have this $20 trillion debt?

Mr. MORRIS. Congressman, the United States as a shareholder does hold equity in the institution. Frankly, one of the things that has enabled the World Bank to be effective over many years and has lessened the burden on U.S. contributions over the years is that the Bank can retain that equity, that the proceeds on loans have actually allowed it to grow without coming back and asking for more capital on a routine basis.

Mr. PITTENGER. Yes, sir, I respect that. Then if that is true, why should Congress keep appropriating additional dollars?

Mr. MORRIS. That is a fair question. So it is important to recognize there are different channels of financing within the institution. The so-called IDA is the arm of the Bank that is serving the very poorest countries. Because it is serving the poorest countries, the lending that it does is highly subsidized. That subsidy is something that over the years donors to the Bank, with the United States really in the lead, I would say, they agree every 3 years to provide that.

I think it is important. And we are talking about $1.3 billion a year from the United States. I would never say that is an insignificant amount of money.

Mr. PITTENGER. No, sir, it is not.

Mr. MORRIS. It is real money. On the other hand, let us put it in context. In terms of even the overall foreign assistance budget we have of roughly $30 billion a year, I think that $1.3 actually gets us quite a lot in actual IDA programming.

Mr. PITTENGER. I understand that, sir. And if anyone else wants to chime in, they can. But in context then, let us view the Pan African Union. Many of these countries are members of the Pan African Union. I have many ambassadors who come into my office and tell me of the pressure that they have to vote against the interests of the United States in the U.N. and our interests.

How do you bring that into clear focus in terms of our American interests? I appreciate the work that we can do for the needs throughout the world. And I am very sensitive to that. I have traveled extensively back for 40 years when I served with a Christian organization and spent a lot of time in Africa. So I am not unaware of the concerns.

But I do in this job have a responsibility to the American people and the American taxpayer. And in that regard, how do you balance that when time and again, year after year, decade after decade, the Pan African Union as a whole votes against us on a pretty consistent basis in the United Nations?

Anyone who would like to respond to that. I don't blame you. I wouldn't—

Mr. MORRIS. Congressman, if you don't mind, I will come in again. But I would say that it is important to look at each of these countries, and for the United States, its relationship directly with each of the countries.

You are absolutely right. There will be cases where the World Bank is engaging in countries where we have real concerns. I would say even in those situations, I think there is some value in the work that the World Bank is doing without us being directly associated with it, that over the longer term, it is the channel for

U.S. influence, particularly if they find ways to do effective projects.

Mr. PITTENGER. Reclaiming my time, I do think, though, we have a responsibility to this sovereign country to preserve our interests and to make sure that assets that we participate with work in our behalf. And the U.N. certainly has not been a friend of our country for a long time. And the Pan African Union has certainly been part of that.

I would like to ask Mr. Chavkin, if I could, do you see any oversight process that we could have to prevent and deter some of the human rights issues that you convey today? What more could be done and how should that fit into our worldview of the World Bank?

Mr. CHAVKIN. I would point to two areas. One is to ensure closer scrutiny of individual projects as voted on by the United States executive director. Often, when the United States executive director has concerns, they will abstain from a vote.

Chairman BARR. The gentleman's time has expired.

I will let you just finish your thought really quickly.

Mr. CHAVKIN. Okay, thank you. And the second is to ensure independent oversight structures within the World Bank, both safeguards specialists, and the Inspection Panel remaining independent and having direct lines to Bank management without being forced to go through operations or task team leaders and projects.

Chairman BARR. Thank you.

Mr. PITTENGER. Thank you, sir. My time has expired.

Chairman BARR. Thank you. The gentleman's time has expired. The Chair recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. One of the most important things America does with our tax money is our foreign aid program, and particularly in the new Administration we have to make sure that those dollars, which will become even more scarce, are spent in the most effective way. Those claiming that the World Bank is the most effective way always argue for the multiplier effect, "Hey, we put in a dollar and three other dollars, four other dollars from other countries come in."

Of course, other foreign aid programs also have a multiplier effect. If we announce that we will spend another billion dollars on malaria relief and eradication, I believe we could cajole other wealthy countries to put in similar amounts, perhaps just as great a multiplier effect.

So putting aside the multiplier effect or understanding that all of our foreign aid can be used to generate a multiplier effect, I wonder if the witnesses can identify any better use of our foreign aid dollars than a contribution to the World Bank.

I will go through the—yes, go ahead?

Ms. ENSMINGER. Not exactly an answer to your question, but I want to raise the issue—

Mr. SHERMAN. I have a limited amount of time. If somebody doesn't have an answer to my question, I will move on to another question.

Ms. ENSMINGER. It is related to your question, but it has to do with the research department at the Bank, which I believe is one of the finest research departments in development economics.

Mr. SHERMAN. But how do we weight contributing to the Bank as opposed to health programs dealing with malaria? We could put more in the Bank. Does anybody have a comparison?

Ms. ENSMINGER. It is directly relevant to that.

Mr. SHERMAN. Mr. Morris? But I have to go on to another question.

Mr. MORRIS. Yes, Congressman, I think you are—there is a question of tradeoffs and it is a concern right now in the foreign assistance budget broadly is under attack in what we saw coming from the Administration. I think it is important to recognize we have a diverse toolkit. All of the parts of our foreign assistance—

Mr. SHERMAN. I know we have a diverse toolkit.

Mr. MORRIS. The other thing I would say is—

Mr. SHERMAN. I am going to reclaim my time because I want to go on to—

Mr. MORRIS. The World Bank is hugely important—

Mr. SHERMAN. Mr. Morris, I am going to reclaim my time. Because, as the gentleman from North Carolina pointed out, one of the disadvantages of dealing with the Bank is that we don't get to pick which countries get the money. Now, he is concerned with countries that vote against us in the U.N. I am concerned with countries that are developing nuclear weapons for the purpose of destroying millions of Americans' lives.

I have been working on these issues for 20 years. And in 2002, we were told here in Congress that loans would not be made to Iran, and then they were. And then we were told it wouldn't be happening again, and then it happened again. And we were told that the United States had the veto power to prevent such loans, and then we didn't.

And the question here is, can we condition our future contributions to the World Bank on having a U.S. veto power on further loans to Iran? Does anyone have an answer?

Mr. Morris?

Mr. MORRIS. Frankly, I don't think you can legislate that. I think that—

Mr. SHERMAN. Sure we can. We can say no money shall be disbursed to the World Bank until the World Bank changes its rules so that the United States has an absolute veto power on further advances to Iran.

Mr. MORRIS. With the threat of—

Mr. SHERMAN. The question is, should we put that in—

Mr. MORRIS. But you cannot—the rules of the institution do not support the United States.

Mr. SHERMAN. Okay. The question before us here is, should we put that as a condition on the disbursement of American funds?

Mr. MORRIS. I think you are right, it is perfectly legitimate in cases like Iran where the United States has very clear interests, to express those interests very clearly with the Bank and expect—

Mr. SHERMAN. What would be the—does another witness have a comment? What would be the reaction of the Bank if our next tranche of funds was conditioned on a change of Bank rules that would give the United States a veto power on or prevent further loans to Iran? Does any panelist have—what would be the response of the Bank? Would we get the change or would they say keep your money?

Nobody has an answer. Because I know the World Bank is adhering to U.N. sanctions on Iran, but none of those currently prevent further loans to Iran. The World Bank has promised Congress again and again, or the supporters of the World Bank have promised Congress again and again it wouldn't happen and then it happened.

Mr. MORRIS. Congressman, can I—

Mr. SHERMAN. Yes.

Mr. MORRIS. And you can correct me if I am wrong. But I do believe that the last actual lending was—

Mr. SHERMAN. It was several years ago.

Mr. MORRIS. —during the Bush Administration.

Mr. SHERMAN. And you can be sure that such loans will resume in the future unless Congress takes strong action. I am not saying that necessarily happens this year or next year. But if we don't act now, the culture at the World Bank is oblivious to Iran's nuclear weapons program.

I yield back.

Chairman BARR. Thank you. The gentleman's time has expired. And I thank the gentleman for his good line of questioning there.

I would also like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 11:26 a.m., the hearing was adjourned.]

A P P E N D I X

March 22, 2017

House Financial Services Subcommittee on Monetary Policy and Trade Hearing: Examining Results and Accountability at the World Bank

Testimony of Elana Berger

Introduction

Good morning. My name is Elana Berger and I manage the Social Inclusion and Accountability program at the Bank Information Center (BIC). BIC is an independent, non-governmental organization whose mission is to advance social, ecological and economic justice by amplifying community voices and democratizing international development finance.

BIC serves partners around the world by equipping them with information about the intended benefits and identified risks of multilateral investments so that they can exercise more agency in the development decisions that affect their lives. When problems arise, we help communities access decision makers at the Multilateral Development Banks (MDBs) who can take corrective action.

Timeline of Uganda Transport Sector Development Project (TSDP) Case and Inspection Panel Investigation

In the summer of 2014, Joy for Children, a Ugandan civil society organization that works to end child marriage, alerted BIC to a World Bank funded road project in Western Uganda that was associated with an increase in the sexual exploitation of young girls in a local community. The project had created a "boomtown effect" where there was a large influx of construction workers into what had been a somewhat isolated, rural community. Teenage girls were being sexually harassed on their way to school and many were sexually exploited or raped by project workers. Higher rates of teenage pregnancy, HIV/AIDS and girls dropping out of schools soon followed. Additionally, while the "boomtown" created economic opportunities for women and girls in the area, such as selling food and other goods to the workers, these activities also created opportunities for girls to be sexually exploited through increased exposure to project workers in night markets and other risky situations.

Months of attempts to convince the contractor carrying out the project to take measures to prevent this harm had been fruitless. Efforts to seek assistance from the Ugandan government to force the contractor to address this harm was similarly unsuccessful. The local police were unable and unwilling to investigate cases of sexual abuse and the Ugandan National Roads Authority (UNRA), the implementing agency for the project, was riddled with corruption. The capacity of UNRA to prevent and mitigate social and environmental harms resulting from its projects was virtually nill and the agency was completely incapable of complying with the World Bank's social and environmental safeguards, the standards that apply to all of the Bank's investment lending projects to prevent unintended negative consequences from Bank projects.

In December 2014, with support from BIC, Joy for Children alerted the World Bank's country office in Kampala, along with the World Bank Inspection Panel, the Bank's independent accountability mechanism, to the community's concerns around the project. The immediate response by the Bank was denial, with representatives of Bank management arguing that there was no sexual exploitation occurring around the project. Initially, the Bank's DC headquarters responded by sending a communications specialist to Uganda to assist in managing public relations around the case, rather than sending experts in gender issues or sexual violence who could look into the harm being experienced by the children around the construction site.

The Bank continued its denial through the Spring of 2015, at which point it agreed to a joint mission to the community with Joy for Children to look into the allegations made by community members. During this mission, at the end of May 2015, Joy for Children insisted that the Bank speak one on one with affected girls and their families. At this point the Bank staff participating in the mission began to recognize that sexual exploitation was taking place at high rates, and also substantiated other concerns expressed by community members around road safety, insufficient compensation for land, and violations of labor rights of project workers. However, even once the Bank did recognize the legitimacy of these concerns, the response was anemic and slow. Initial remediation measures consisted of things like the placement of road signs and posters about HIV prevention that failed to protect the girls of the community from sexual exploitation.

By September of 2015 the community was fed up with the delays in addressing the most serious issues with the project and the continued failure by the government and the Bank to demonstrate that they cared about the issues facing the community. A formal request was filed with the Bank's Inspection Panel for a full investigation into the harm caused by the Bank's failures to comply with its safeguard policies. Following the filing of this request, the Bank became much more serious about addressing the harms resulting from this project, sending a letter to the Ugandan National Roads Authority (UNRA) expressing grave concern about the sexual exploitation of young girls by project workers, and hiring child protection consultants to advise the Bank in investigating and providing remedial services to the community. On October 22, 2015 the World Bank suspended the disbursement of funds for the project, pending remediation efforts by the government and contractor. Three months later the Bank took the extraordinary step of cancelling the Project, with Bank President Jim Kim stating in a press release that "an early review of the World Bank-financed project found inadequacies in Bank supervision and lack of follow-through after serious issues were identified."

After the Inspection Panel released its full report from the investigation, the Bank also developed an action plan, with input from affected community members, to fully redress the harm suffered as a result of the project. This is standard in Inspection Panel cases which reach this stage. However, the Bank also took the unusual, and welcome, step of putting together a document on "lessons learned and agenda for action" which demonstrated it was committed to learning from its failures and moving forward with institutional reform. This document looked at institutional failures more broadly than the management response discussed above and noted two critical gaps for the Bank. One was the lack of an appropriate skill set on its project teams to address gender based violence (GBV), and a failure to adequately listen to communities and civil society organizations. The Bank committed to remedy these issues in several ways, most prominent among these was the establishment of a GBV task force with several recognized experts on the topic advising the Bank on how to prevent future instances of GBV in its projects.

Aftermath and Ongoing Reform Efforts

Several days before the Bank announced the cancellation of the project, management submitted its official response to the Inspection Panel on the case. It is important to note that, in this document and going forward, the Bank was particularly open about, and accepting of, its responsibility for failures around this project. The primary failures that the Bank acknowledged allowed the harm to young girls to occur included improper risk categorization, poor quality social assessment, the lack of robust prevention and mitigation measures to prevent harm to communities, a blindness to the weak institutional capacity of UNRA, and a complete failure to adequately supervise and monitor the project.

In addition to the considerable influence of the Inspection Panel investigation, the World Bank Board of Directors, led by the U.S. government, played a central role in encouraging institutional reforms in the aftermath of this specific case. In the words of Bank management, the US was the most active Board chair on this case and frequently brought in experts from across the US government to meetings with those in the Bank handling the case. This interagency representation allowed the US to ask detailed questions, backed up with subject area knowledge, to ensure that the Bank was taking appropriate remediation measures.

Representatives of the US Executive Director's office and the Treasury Department also encouraged the Bank to think comprehensively in its examination of the lessons learned from the project and the reforms needed. Specifically, the US insisted that the Bank address the issue of adequate staffing of projects, requiring that environmental and social safeguards specialists have responsibility for project oversight throughout the life cycle of a project. This is critical because the most significant failures to prevent the harm to communities along the Bank funded roadway resulted from a complete lack of appropriate supervision and monitoring of project implementation by Bank staff. There were a number of reasons why supervision was lacking but, chief among those, was the lack of any staff trained in identifying and addressing sexual exploitation and GBV.

This was a project that the residents were excited about; they wanted this roadway to be built and recognized the significant economic benefits that would result from its construction, including increased access to markets. Even once the project started resulting in harm the residents supported the continuation of the project; they simply wanted "someone to care" about the harm that was resulting to their families and communities. Unfortunately, when community members raised their concerns about the harm being caused by the project with the contractor, the Ugandan government, and World Bank personnel who visited the community, these concerns were summarily dismissed.

Our work at BIC centers around the need for local communities and civil society to be considered and engaged in the design and implementation of development projects, and this case demonstrates how the failure to do so can have devastating results. Several key opportunities to do so that were missed included the failure to properly categorize the project as a category A—meaning it posed significant social risks to the local community and required enhanced due diligence and risk mitigation efforts. Instead, despite the well-documented history of boomtown effects occurring alongside road and other infrastructure projects, it was labeled a category B project, meaning it carried far fewer requirements for the engagement of local communities and consideration of social risks. Once these risks became a reality, the Bank failed to respond quickly and appropriately to ensure further girls were not victimized. Its slow response allowed the harm to continue.

In our experience, it is often the profound failures at the Bank that lead to the most significant reforms, and we are seeing that now. The openness the Bank exhibited in accepting responsibility for its failures in the management response to the Inspection Panel was a positive step that allowed the Bank to begin a process of introspection and reform that has the potential to create an institution that is stronger and better able to prevent these types of harms resulting from its projects. Even before the Inspection Panel completed its investigation the Bank took steps to redress the harms to community members and institute systematic reform. For example, in May of 2016 the Bank contracted the CSO BRAC-Uganda to provide six months of life skills and livelihoods training to girls in the affected communities.

The impacts of reforms stemming from this case are starting to reach beyond the World Bank itself. In the wake of the project cancellation the World Bank developed a guidance note on addressing risks around an influx of project workers. This guidance note has been shared with other multilateral development banks in the hope that it will be widely adopted as a common approach across institutions.

At the national level, this case has also led to important changes within the country's own institutions so it can better prevent and mitigate such harms. Beginning with the September 2015 suspension of the project, Bank management used its considerable influence over the government of Uganda to create significant change within UNRA. In part as a result of World Bank engagement and the failures around this project, combined with the fact that corruption was rampant within the agency, a new head of UNRA was appointed and all UNRA staff were fired and required to reapply for their jobs. Additionally, UNRA developed a child protection policy to prevent sexual abuse and other types of violence against children in all future projects implemented by the agency, whether financed by the World Bank or by other multilateral, bilateral, or private sources. Finally, the World Bank has provided ongoing capacity building support to UNRA, and other Ugandan Government agencies aimed at strengthening their financial controls, addressing corruption, and ability to monitor and supervise contractors' compliance with environmental and social standards.

We appreciate the Committee's interest in this case and look forward to working together to push for key reforms at the World Bank. Throughout the Bank's history, the US government has been a critical leader in reforming the institution, which has led to lasting changes across the development finance landscape. Most relevant for this case is the role of the US Congress in the creation of the Inspection Panel, the first Independent Accountability Mechanism, which has now been replicated at almost all of the other MDBs. The Inspection Panel was established in 1993 in the wake of previous failed projects where communities lacked a mechanism for redress. As in this case, it provides redress for harm suffered by communities as a result of Bank projects, and it plays an important role in deterring harms from occurring. But for the US government's leadership, there is no guarantee that some of the most important reforms at the Bank, such as the creation of the Panel, would have ever happened.

Specific Reforms Still Needed

Going forward, to ensure that the Bank does come out of this experience stronger and more able to prevent, and more promptly and effectively respond to, sexual abuse and other serious negative impacts from Bank projects, it is absolutely essential that all of the recommendations made in the Bank's lessons learned document, along with the recommendations made by the GBV Task Force, be fully implemented.

It is also critical that the Bank improve its social assessments to ensure that these assessments identify risks to disadvantaged and vulnerable groups, those most marginalized by society who are least likely to have a voice in the process. As part of the review and update of the World Bank safeguards, management is now required to assess the potential impacts on specific disadvanted and vulnerable groups. This requirement must be accompanied by detailed guidance that will inform Bank staff how best to approach such issues. Once these risks are identified, robust prevention and mitigation measures must be put in place to address the risks to these groups.

Additionally, the Bank must prioritize genuine citizen engagement. It must seek out ways to listen more effectively to affected communities and local civil society organizations in borrowing countries. Consultations must include more than just community leaders who cannot necessarily represent the needs and concerns of marginalized populations, and those most vulnerable to negative impacts from development projects. Improving the consultation process requires including the voices of disadvantaged and vulnerable groups as well as providing regular openings to listen to community voices throughout the project cycle. Gaining meaningful feedback from civil society and affected communities about local context, necessary for maximizing project benefits and minimizing project related harm, also requires the proactive disclosure of expected risks and benefits from a project.

Allegations of sexual abuse must also be addressed swiftly and appropriately, with the involvement of experts and social service providers. The significant delay between the community raising concerns about harm to young girls around the project and the Bank becoming serious about addressing this harm meant that there was a nine month period in which work on the project continued absent appropriate security measures. During this period several additional girls reportedly became pregnant, dropped out of school, or contracted HIV. It is clear that the steps taken by the Bank beginning in late September 2015 were effective at influencing the government and the contractor to implement appropriate measures to prevent the sexual exploitation of children. This makes it all the more devastating that the Bank's initial response was one of denial and delay, but raises the hope that, in future projects when the Bank is better prepared to respond quickly, it can provide the needed interventions to ensure that child sexual abuse and gender based violence are swiftly and comprehensively addressed.

United State House of Representatives
Committee on Financial Services
Subcommittee on Monetary Policy and Trade

Examining Results and Accountability at the World Bank
Wednesday, March 22, 2017

Written Testimony of Sasha Chavkin
Reporter, International Consortium of Investigative Journalists (ICIJ)

Chairman Barr, ranking member Moore, and members of the committee, thank you for inviting me to testify about the World Bank.

I am a reporter for the International Consortium of Investigative Journalists, or ICIJ, a nonprofit news organization that conducts investigative reporting on global issues of public interest. We work through large collaborations with media outlets around the world, such as our project last year The Panama Papers.

I was the lead reporter in a global ICIJ investigation entitled Evicted and Abandoned, published in April 2015, which examined forced displacement caused by projects financed by the World Bank. I began researching this subject when I noticed a series of complaints by communities around the world, recorded in NGO, media and World Bank ombudsman reports, saying that they had been forcibly and sometimes violently evicted, or lost their lands and livelihoods, because of projects funded by the bank.

ICIJ launched an investigation to identify the scale of this problem and the systemic reasons that the same kinds of stories were emerging over and over. Ultimately, we built a team of more than 50 reporters from outlets in 21 countries, we reported on the ground in affected communities in 14 countries in Africa, Asia, Latin America and Eastern Europe, and we analyzed more than 6600 World Bank documents that tracked what the bank calls "involuntary resettlement" associated with projects.

We found that over a decade spanning from 2004 to 2013, projects financed by the World Bank physically or economically displaced an estimated 3.4 million people around the world. This means that these people either lost their homes, their livelihoods were damaged, or they lost some or all of their land. This figure was drawn from the bank's own documents tracking resettlement, and includes projects funded by the IDA and IBRD but not the bank's business-lending arm, the IFC.

We also found that the bank regularly failed to follow its own safeguards for protecting displaced communities. These commitments include resettling communities in equal or better conditions than they lived in before, restoring lost livelihoods and avoiding violent evictions. They are broadly summarized by the principle of "do no harm" toward poor communities living in the path of bank projects.

We found instead that the bank repeatedly funded governments that not only failed to adequately resettle communities, but in some cases were accused of human rights abuses such as rape, murder and violent evictions associated with bank projects. We found in several cases that the World Bank continued to bankroll these borrowers even after evidence of these abuses came to light.

One of the most significant cases we examined was the bank's support for the Protection of Basic Services program in Ethiopia, an initiative known as PBS that supported the provision of education and healthcare across Ethiopia. We investigated allegations that some of this money was diverted to an Ethiopian government program called villagization that violently evicted a minority tribe called the Anuak from their traditional farmlands, which were then turned over to investors.

I met with Anuak refugees from Ethiopia in a camp in South Sudan, where they had fled despite the ongoing civil conflict because it was safer for them there than remaining in their traditional homeland in Gambella State in Ethiopia. I encountered a devoutly Christian community whose members described being beaten, raped and seeing family members killed by Ethiopian soldiers who were driving them from their lands. I also spoke to the former Governor of Gambella who was in charge at the time of the evictions, now living in exile in the Philippines, who described to me how he personally diverted $10 million in World Bank funds to the villagization program.

Despite the evidence presented by refugees, human rights groups and others, the World Bank refused to acknowledge that its funding had supported these evictions. I spoke to the Ethiopia program director at the bank who had met with Anuak refugees face to face, but because their stories did not match the bank's internal assessments, said he had to "agree to disagree" with the refugees' accounts of the abuses they had suffered. The World Bank not only continued to fund the Ethiopian government, but last year announced an extension of a similar initiative under a different lending mechanism that will now make it impossible for communities to file complaints to the World Bank ombudsman.

The Ethiopia case was one of a number of IDA projects that our team investigated – which included the stories of indigenous people in the forests of Kenya whose homes in were burned in a bank-funded conservation project, and slum dwellers in a World Bank redevelopment zone in Lagos, Nigeria who awoke one morning to find bulldozers bearing down on their homes.

There are three findings from our reporting that seem most relevant to the work of the committee today.

One is that the World Bank has serious problems with enforcing its safeguards and holding its borrowers accountable for following its rules. The bank has repeatedly been unwilling to admit errors, responded to negative consequences of its projects with public relations and spin rather than taking responsibility for them, and failed to listen seriously to the voices of the poorest people in the world, whose wellbeing is at the heart of its mission. These shortcomings have real consequences, as large sums of aid flow to regimes and to projects that violate the bank's rules and principles.

I would like to clarify, however, that these failures of safeguard enforcement do not negate the fact that the same projects may also contribute positively to development. For example, in the case of the PBS program in Ethiopia, the bank said its investments had helped slash child mortality in half and increase primary school enrollment by 13 percent in less than a decade.

The second point is that the bank can be responsive to pressure, in the form of negative publicity and the influence of donor countries, particularly the United States. Shortly after ICIJ shared its findings with the bank, the bank announced a resettlement action plan that boosted funding for safeguards enforcement by 15 percent, hired 11 new safeguard specialists and created new oversight procedures for resettlement. The resettlement documents and ombudsman reports that allowed ICIJ to conduct our investigation existed because the bank had previously created an ombudsman called the Inspection Panel and adopted an open records policy at the insistence of the United States.

Finally, despite its shortcomings, the World Bank still has the highest standard of accountability among multinational development banks. It offers greater transparency and oversight than regional development banks in Latin America, Africa and Asia and the new China-backed Asian Infrastructure Investment Bank, which do not keep sufficient records to allow similar investigations of displacement. Similarly, for all of the bank's problems with their enforcement, the World Bank's safeguards remain a benchmark for development banks around the world and the governments and the companies that they finance to do the hard work of development in impoverished countries.

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Peru
India Honduras Kosovo

How The World Bank Broke Its Promise To Protect The Poor

By Sasha Chavkin, Ben Hallman, Michael Hudson, Cécile Schilis-Gallego and Shane Shifflett

With reporting from Musikilu Mojeed, Besar Likmeta, Ciro Barros, Giulia Afiune, Mar Cabra, Anthony Langat, Jacob Kushner, Jeanne Baron, Barry Yeoman, Blaž Zgaga and Friedrich Lindenberg.

Wednesday, April 15, 2015, 8:01 pm EDT

Beneath a gloomy white sky, more than 100 armed police poured into the slum of Badia East in the teeming megacity of Lagos, Nigeria.

As they advanced, they cracked their batons on the unpaved streets and against the ramshackle walls of the shanties.

"If you love your life, move out!" the officers shouted.

Thousands of people grabbed what belongings they could carry and fled.

Then a line of hulking excavators moved in, using their hydraulic claws to smash homes into pieces. Within hours, the neighborhood was a ruin.

Bimbo Omowole Osobe, a former resident of the Badia East slum who was evicted in 2013 when her neighborhood was demolished, sits in the clinic where she now sleeps at night in the reception area. Osobe joined with volunteers from Justice and Empowerment Initiatives, an NGO where she works with other slum dwellers to fight demolitions. A child in the slums of Orisunbare Ijora Badia in Lagos, Nigeria. George Osodi / International Consortium of Investigative Journalists

Bimbo Omowole Osobe briefly lost track of her children in the chaos. When she returned to the community hours later, her concrete-block home and two small shops were gone.

"It's like when a woman goes in for labor, and the baby comes out dead," she said. "That's how it felt to me."

The Lagos state government flattened Badia East in February 2013 to clear land in an urban renewal zone financed by the World Bank, the global lender committed to fighting poverty. The neighborhood's poor residents were cast out without warning or compensation and left to fend for themselves in a crowded, dangerous city.

Evictions like the one in Badia East aren't supposed to happen in the middle of projects backed by the World Bank.

For more than three decades, the lender has maintained a set of "safeguard" policies that it claims have brought about a more humane and democratic system of economic development. Governments that borrow money from the bank can't force people from their homes without warning. Families evicted to make way for dams, power plants or other big projects must be resettled and their livelihoods restored.

Key Findings

- Over the last decade, projects funded by the World Bank have physically or economically displaced an estimated 3.4 million people, forcing them from their homes, taking their land or damaging their livelihoods.
- The World Bank has regularly failed to live up to its own policies for protecting people harmed by projects it finances.

- The World Bank and its private-sector lending arm, the International Finance Corp., have financed governments and companies accused of human rights violations such as rape, murder and torture. In some cases the lenders have continued to bankroll these borrowers after evidence of abuses emerged.
- Ethiopian authorities diverted millions of dollars from a World Bank-supported project to fund a violent campaign of mass evictions, according to former officials who carried out the forced resettlement program.
- From 2009 to 2013, World Bank Group lenders pumped $50 billion into projects graded the highest risk for "irreversible or unprecedented" social or environmental impacts — more than twice as much as the previous five-year span.

The bank's commitment, it says, is to "do no harm" to people or the environment.

The World Bank has broken its promise.

Over the past decade, the bank has regularly failed to enforce its rules, with devastating consequences for some of the poorest and most vulnerable people on the planet, an investigation by the International Consortium of Investigative Journalists, The Huffington Post and other media partners has found.

The World Bank often neglects to properly review projects ahead of time to make sure communities are protected, and frequently has no idea what happens to people after they are removed. In many cases, it has continued to do business with governments that have abused their citizens, sending a signal that borrowers have little to fear if they violate the bank's rules, according to current and former bank employees.

"There was often no intent on the part of the governments to comply — and there was often no intent on the part of the bank's management to enforce," said Navin Rai, a former World Bank official who oversaw the bank's protections for indigenous peoples from 2000 to 2012. "That was how the game was played."

In March, after ICIJ and HuffPost informed World Bank officials that the news outlets had found "systemic gaps" in the institution's protections for displaced families, the bank acknowledged that its oversight has been poor, and promised reforms.

"We took a hard look at ourselves on resettlement and what we found caused me deep concern," Jim Yong Kim, the World Bank's president, said in a statement.

The scope of "involuntary resettlement," as the bank calls it, is vast. From 2004 to 2013, the bank's projects physically or economically displaced an estimated 3.4 million people, forcing them from their homes, taking their land or damaging their livelihoods, ICIJ's analysis of World Bank records reveals.

The true figure is likely higher, because the bank often fails to count or undercounts the number of people affected by its projects.

A team of more than 50 journalists from 21 countries spent nearly a year documenting the bank's failure to protect people moved aside in the name of progress. The reporting partners analyzed thousands of World Bank records, interviewed hundreds of people and reported on the ground in Albania, Brazil, Ethiopia, Honduras, Ghana, Guatemala, India, Kenya, Kosovo, Nigeria, Peru, Serbia, South Sudan and Uganda.

In these countries and others, the investigation found, the bank's lapses have hurt urban slum dwellers, hardscrabble farmers, impoverished fisherfolk, forest dwellers and indigenous groups — leaving them to fight for their homes, their land and their ways of life, sometimes in the face of intimidation and violence.

Between 2004 and 2013, the World Bank and its private-sector lending arm, the International Finance Corp., committed to lend $455 billion to bankroll nearly 7,200 projects in developing countries.

Over the same span, people affected by World Bank and IFC investments lodged dozens of complaints with the lenders' internal review panels, alleging the lenders and their borrowers failed to live up to World Bank and IFC safeguard rules.

In Lagos, the World Bank's ombudsman, the Inspection Panel, said bank management "fell short of protecting the poor and vulnerable communities against forceful evictions." Bank officials should have paid better attention to what was going on in Badia East, the panel said, given Lagos authorities' long history of bulldozing slums and forcing people from their homes.

One year after the evictions, the bank loaned Lagos authorities $200 million to support the state government's budget.

The World Bank said it was "not a party to the demolition" and that it advised the Lagos government to negotiate with displaced people, leading to compensation for most of those who said they'd been harmed.

Cases involving evictions have drawn the most attention, but the most common hardships suffered by people living in the path of World Bank projects involve lost or diminished income.

A fisherman near Mundra, India, prepares the net for an overnight fishing trip. Locals say a World Bank Group-backed project in the area has depleted fish stocks. Sami Siva / International Consortium of Investigative Journalists

On India's northwest coast, members of a historically oppressed Muslim community claim that heated water spewing from a coal-fueled power plant has depleted fish and lobster stocks in the once-fertile gulf where they make their living. The IFC loaned Tata Power, one of India's largest companies, $450 million to help build the plant.

The U.S. and other global powers launched the World Bank at the end of World War II to promote development in countries torn by war and poverty. Member countries finance the bank and vote on whether to approve roughly $65 billion in annual loans, grants and other investments.

In 2014, the bank financed initiatives as varied as training for chicken farmers in Senegal and sewage system upgrades in the West Bank and Gaza Strip.

World Bank President Kim said in March that the demand in struggling regions for infrastructure spending — to provide clean water, electricity, medical care and other vital needs — will mean the bank will finance an increasing number of big projects likely to remove people from their land or disrupt their livelihoods.

The World Bank also put out a 5½-page "action plan" that it said would improve its oversight of resettlement.

"We must and will do better," said David Theis, a World Bank spokesman, in response to the reporting team's questions.

Yet even as it promised reforms to its procedures, the bank has proposed sweeping changes to the policies that underlie them. The bank is now in the middle of a rewrite of its safeguards policy that will set its course for decades to come.

Some current and former World Bank officials warn that the proposed revisions will further undermine the bank's commitment to protecting the people it was created to serve. The latest draft of the new policy, released in July 2014, would give governments more room to sidestep the bank's standards and make decisions about whether local populations need protecting, they say.

"I am saddened to see now that pioneering policy achievements of the bank are being dismantled and downgraded," said Michael Cernea, a former high-ranking bank official who oversaw the bank resettlement protections for nearly two decades. "The poorest and most powerless will pay the price."

The bank says it has listened to the feedback and will release a revised draft with "the strongest, most state-of-the-art environmental and social safeguards."

Unsettled History

A man-made disaster in eastern Brazil in the late 1970s helped prompt the World Bank to adopt its first systematic protections for people living in the footprint of big projects.

Rising waters upstream from the Sobradinho Dam, built with World Bank financing, forced more than 60,000 people from their homes. Their relocation was poorly planned and chaotic. Some families fled their villages as water began pouring into their homes and fields, leaving behind herds of animals to drown.

The fiasco gave Cernea, the World Bank's first in-house sociologist, leverage to convince the bank to approve its first comprehensive policy for protecting people whose lives are upended by the bank's projects. Cernea based the new rules, approved by the bank in 1980, on a simple premise: People who lose their land, their homes or their jobs should get enough help to restore, or exceed, their old standard of living.

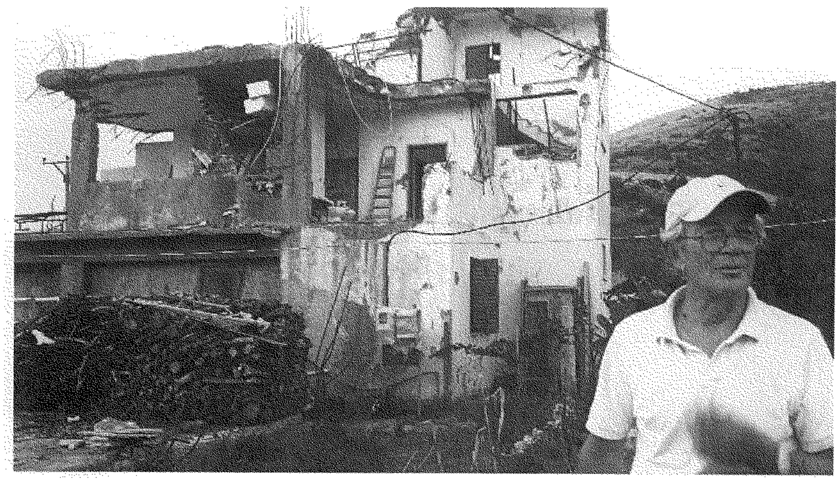
Under the World Bank's rules, governments seeking money from the bank must put together detailed resettlement plans for people who are physically or economically displaced.

Current and former bank employees say the work of enforcing these standards has often been undercut by internal pressures to win approval for big, splashy projects. Many bank managers, insiders say, define success by the number of deals they fund. They often push back against requirements that add complications and costs.

Daniel Gross, an anthropologist who worked for the bank for two decades as a consultant and staff member, said in-house safeguards watchdogs have "a place at the table" in debates over how much the bank is required to do to protect people. But amid the push to get projects done, they're frequently ignored and pressed to "play ball and get along," he said.

In an internal survey conducted last year by bank auditors, 77 percent of employees responsible for enforcing the institution's safeguards said they think that management "does not value" their work. The bank released the survey in March, at the same time that it admitted to poor oversight of its resettlement policy.

"Safeguards are irrelevant for managers," said one staffer who was surveyed for the report.



Albanian authorities used a World Bank-backed project to clear the way for a planned seaside resort, partly or completely tearing down 15 homes in the impoverished village of Jale. Andon Koka's home was flattened, and half of his brother's home (in background) was demolished. Besar Likmeta / BalkanInsight.com

No Consolation

In 2007, residents of Jale, a tiny Albanian beach hamlet on the Ionian Sea, found themselves in the path of a coastal cleanup effort backed by a $17.5 million loan from the World Bank. More than a dozen poor families lived in Jale, many in homes with add-ons and extra floors they rented to vacationers.

Albanian authorities had other plans for the seaside.

They saw Jale as an ideal spot for a high-end resort to lure tourists to the country. They decided to use the coastal restoration project — which was managed by the son-in-law of Sali Berisha, Albania's prime minister at the time — as a vehicle for turning the plan into a reality.

Before dawn one April morning, dozens of police officers streamed into the beach community, heading for structures previously identified in photos taken during aerial surveys paid for by the World Bank. The police rousted residents from their beds and forced them from their homes. Demolition crews leveled entire houses or tore down additions that the government said had been put up without proper permits.

Sanie Halilaj cried as work crews pulled down half of the house she had shared with her husband for more than half a century.

"When you lose a loved one, someone consoles you," the 74-year-old said in a recent interview. "But when you lose your home, there is no consolation."

Bank officials initially denied the evictions were connected to the bank-financed coastal initiative. But a year later, the bank's Inspection Panel found "direct links" between the project and the demolitions. The panel slammed the bank for embarking on a "systematic effort" to obstruct its investigation, providing answers "at times in total conflict with factual information which had been long known to management."

After the panel's report was released in 2008, then-World Bank Group President Robert Zoellick called the bank's actions "appalling." Zoellick vowed that the institution would swiftly "strengthen oversight, improve procedures and help the families who had their buildings demolished."

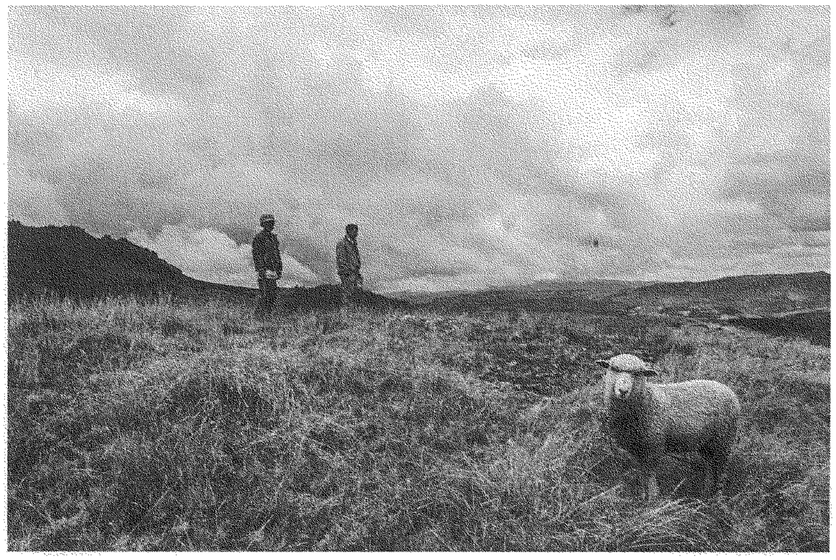
"The bank cannot let this happen again," he said.

Seven years later, little has changed. In Jale, most residents still haven't received payment from the government for what they lost, even though the World Bank has covered their legal costs. At the bank, oversight remains weak.

A 2014 internal World Bank review found that in 60 percent of sampled cases, bank staffers failed to document what happened to people after they were forced from their land or homes.

Seventy percent of the cases sampled in the 2014 report lacked required information about whether anyone had complained and whether complaints were resolved, indicating the bank's mechanisms for dealing with grievances were "box-checking" exercises that "existed on paper but not in practice," the in-house reviewers wrote.

These "sizeable gaps in information" indicate "significant potential failures in the bank's system for dealing with resettlement," the report said. "The inability to confirm that resettlement has been satisfactorily completed poses a reputational risk for the World Bank."



Victor Mendoza, the president of a farming co-op near the sprawling Yanacocha gold mine in northern Peru, with his 10-year-old son. The mine, built two decades ago with the financial backing of the International Finance Corp., the private-lending arm of the World Bank, is deeply unpopular in this region. Farmers like Mendoza claim it is polluting their water supply and threatening the health of their families and livestock. Read the story here. Ben Hallman / The Huffington Post

'They Abandoned Us'

Most World Bank investments do not require evictions or damage people's ability to earn a living or feed their families. But the percentage of those that do has increased sharply in recent years.

A 2012 internal audit found that projects in the bank's pipeline triggered the bank's resettlement policy 40 percent of the time — twice as often as projects the bank had already completed.

The World Bank and IFC have also been boosting support for mega-projects, such as oil pipelines and dams, that the lenders acknowledge are most likely to cause "irreversible" social or environmental harm, an analysis by HuffPost and ICIJ found.

A big project can upend the lives of tens of thousands of people.

Since 2004, World Bank estimates indicate that at least a dozen bank-supported projects physically or economically displaced more than 50,000 people each.

Studies show that forced relocations can rip apart kinship networks and increase risks of illness and disease. Resettled populations are more likely to suffer unemployment and hunger, and mortality rates are higher.

The World Bank acknowledges that resettlement is difficult, but says it's often impossible to build roads, power plants and other much-needed projects without moving people from their homes.

"We stand by the need to continue financing infrastructure projects, including those that entail land acquisition and involuntary resettlement," said Theis, the World Bank spokesman.

The bank says it strives to make sure its borrowers provide real help to people pushed aside by big projects. In Laos, the bank says, authorities built more than 1,300 new homes with electricity and toilets, 32 schools and two health centers for thousands of people forced to move to make way for a World Bank-financed dam.

"Through careful project design and proper implementation, land acquisition and involuntary resettlement have resulted in people's lives improving significantly," Theis said in a statement.

In a drought-haunted region of Brazil, farm families pushed aside by another World Bank-backed dam say that their lives haven't been improved.

Thirty-five families live in a tiny, government-built relocation village called Gameleira, named after the dam and reservoir that forced them to leave their homes along the Mundaú River.

In their old homes, they could take water from wells and the river itself, but the relocation village has no fresh water source. A World Bank report acknowledged a delay in getting water access for the new village, but said the village's water issues had been solved by late 2012.

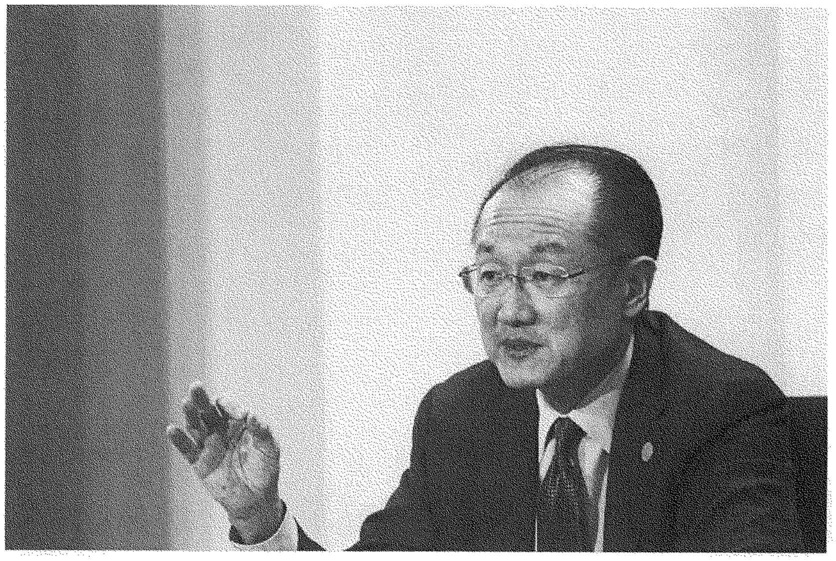
The villagers say that's not true. They are still waiting, four years after they were forced to relocate, for local authorities to keep their promise to build a small pipeline to draw water from the new reservoir to the relocation village. Meanwhile, water from the reservoir is being piped to urban areas.

A well in the village produces salty water and, even with desalination equipment, each family is limited to 36 liters of water a day. Families supplement their supply by buying from commercial vendors, sometimes spending as much as a third of their modest incomes.

These purchases provide them enough water to irrigate small gardens of yuca, beans and corn. If they want to plant cash crops — such as cashews — they have to wait for rain, which hardly ever comes.

"We feel that we are suffering so that people from the city can have water," 39-year-old Francisco Venílson dos Santos, a farmer and father of four boys and two girls, said. "They abandoned us here."

In a written statement, the World Bank said it is satisfied the village was provided an adequate supply of water "both in terms of quantity and quality." The bank said it is helping Brazilian authorities deal with northeast Brazil's prolonged drought by helping "to increase the resilience of small rural communities," giving them advice on drilling emergency groundwater wells and creating "drought preparedness plans."



World Bank Group President Jim Yong Kim at a Berlin press conference. Tobia Schwarz / Getty Images

Shortcuts

In July 2012, an unconventional leader took over as the World Bank's new president. Jim Yong Kim, a Korean-American physician known for his work fighting AIDS in Africa, became the first World Bank president whose background wasn't in finance or politics.

Two decades before, Kim had joined protests in Washington, D.C., calling for the World Bank to be shut down altogether for valuing indicators like economic growth over assistance to poor people.

Human rights advocates and bank staffers working on safeguards hoped that Kim's appointment would signal a shift toward greater protections for people affected by World Bank projects.

In March, Kim said he was concerned about "major problems" in the bank's oversight of its resettlement policies. He announced an action plan calling for greater independence for the bank's safeguards watchdogs and a 15 percent funding boost for safeguards enforcement.

But while Kim and other bank officials have acknowledged general shortcomings, they have consistently denied that the bank shares blame for violent or wrongful evictions carried out by its borrowers.

In Ethiopia, the World Bank's Inspection Panel found the bank had violated its own rules by failing to acknowledge an "operational link" between a bank-funded health and education initiative and a mass relocation campaign carried out by the Ethiopian government. In 2011, soldiers carrying out the evictions targeted some villagers for beatings and rapes, killing at least seven, according to a report by Human Rights Watch and ICIJ's interviews with people who were evicted.

Daily life in a refugee camp in South Sudan. Some of the camp's residents fled Ethiopia to avoid brutal evictions carried out by government forces. New evidence suggests the government's actions were funded by the World Bank. Read the story here.Andreea Campeanu / International Consortium of Investigative Journalists

Kim said that while "we could have done more" to help the evicted communities, the bank was ultimately not at fault.

In India, the IFC's internal ombudsman found that the lender had breached its policies by not doing enough to protect the large fishing community living in the shadow of the coal power plant it financed on the Gulf of Kutch. With Kim's approval, IFC's management rejected many of the ombudsman's findings and defended the actions of its corporate client.

In both Ethiopia and India, the World Bank Group declined to direct its clients to fully compensate the affected communities.

In response to complaints about the Badia East evictions in Nigeria, the World Bank embraced a shortcut that fell short of its promise that people affected by projects will be fully compensated for their losses.

Typically, a community that claims it has been harmed by a bank project can file a complaint that will trigger an investigation by the bank's Inspection Panel.

But when three Badia East residents submitted a complaint, panel staffers held off launching an investigation. Instead, they guided the residents into a new pilot program for handling disputes. The program put the community into direct negotiations with the Lagos state government.

Megan Chapman, then a lawyer for the Social and Economic Rights Action Center and now a co-founder of Justice & Empowerment Initiatives, represented the evicted residents. The Inspection Panel promised Chapman that the Badia East community could demand an investigation at any time if it wasn't satisfied with the outcome, according to emails reviewed by ICIJ.

Negotiations didn't go well for the evicted residents. The Lagos government insisted they had been illegal squatters, even though some of them had lived there for decades. It gave the group an ultimatum: Accept a small payment and sign away any legal rights, or get nothing.

Chapman believed that the government's offer violated the bank's resettlement policy because it didn't provide new homes for the displaced or compensation equal to what they'd lost. The payments that Lagos authorities offered for larger demolished structures, for example, were 31 percent lower than what the World Bank's own consultants said they were worth.

"It was like David and Goliath. There were these little people fighting against this giant," Chapman said. The bank "really left vulnerable people on their own."

The government's ultimatum divided the community. The leader of Chapman's organization said it was the best offer the evicted people were going to get. He said he was satisfied with the deal. Many residents and their advocates — including Chapman — objected.

But they had nowhere to turn for help.

Internal emails obtained by ICIJ indicate that by early 2014, the Inspection Panel's chair, Eimi Watanabe, was already pushing to make sure that the panel would not investigate the World Bank's role in the case.

After hearing that the leader of Chapman's group was satisfied with the outcome of the negotiations, Watanabe urged her staff to issue a formal notice shutting down the possibility of any investigation before the fragile agreement fell apart, according to internal emails obtained by ICIJ.

"Pl[ease] issue notice soonest before it unravels," Watanabe wrote on Feb. 6, 2014.

Watanabe's directive didn't immediately kill the investigation, but over the following months the panel made it clear that it didn't want to dig deeper into the World Bank's actions.

In July 2014, two of the three residents who had filed the complaint told the panel they were unhappy with the deal and that they wanted to go forward with an investigation. The panel rejected their request and shut the case down with an official notice that said, as an aside, that the bank had fallen short of its own resettlement standards.

Chapman and other advocates say the bank misled them about how the pilot program would work and abandoned the people of Badia East.

Watanabe did not respond to ICIJ's questions about the Lagos case.

Gonzalo Castro de la Mata, the Inspection Panel's current chair, said the panel "deliberated carefully at every stage of the case" and did not seek to arbitrarily shut down the investigation before it could start.

He said that although the Lagos government had agreed to follow World Bank rules for resettlement in Badia East and other neighborhoods, the evictions weren't done under the official umbrella of the bank's urban renewal initiative. Because of this and other factors, he said, the panel determined that "a lengthy process of investigation would not at the end of day necessarily yield better outcomes" for residents who lost their homes.

Joseph Kilimo Chebet, a father of five, standing next to the burned remains of his homestead in Kenya, destroyed only hours prior by Kenya Forest Service officers. Read the story here. Tony Karumba / GroundTruth

An Uncertain Future

As it enters its eighth decade, the World Bank faces an identity crisis.

It is no longer the only lender willing to venture into struggling nations and finance huge projects. It is being challenged by new competition from other development banks that don't have the same social standards — and are rapidly drawing support from the World Bank's traditional backers.

China has launched a new development bank and persuaded Britain, Germany and other American allies to join, despite open U.S. opposition.

These geopolitical shifts have fueled doubts about whether the World Bank still has the clout — or the desire — to impose strong protections for people living in the way of development.

United Nations human rights officials have written World Bank President Kim to say they're concerned that the growing ability of borrowers to access other financing has spurred the bank to join a "race to the bottom" and push its standards for protecting people even lower.

The bank's proposed changes to its safeguard rules would grant many borrowers greater authority to police themselves. In the current draft, governments would be allowed to hold off on preparing resettlement plans until after the bank greenlights projects. They would also be permitted to use their own environmental and social policies instead of the bank's safeguards, as long as the bank determines these policies are consistent with its own.

Some current and former bank officials say these changes would spell disaster for the people living in the growing footprint of the bank's projects — allowing governments to abide by weaker national standards and decide whether vulnerable populations need protecting after they have already received financing.

In December, the World Bank's biggest patron, the U.S. Congress, approved a measure directing the American representative on the World Bank board to vote against any future project that would be subject to weaker safeguards than the ones currently in place.

The bank says that the new rules would strengthen the protections for populations affected by its projects.

Theis, the bank spokesman, said that under the proposed rules, "a rigorous upfront scoping of the project is always required" and borrowers still must prepare plans to address resettlement and other adverse impacts of projects "well in advance of any construction activities."

World Bank officials are now writing a new version of the safeguards that they say will take into account the criticisms of their previous draft. They expect to release the new draft in the late spring or summer.

In the meantime, the bank continues to ramp up its investment in large infrastructure projects, like the one that claimed Bimbo Osobe's home in Badia East.

Osobe spent months after her eviction sleeping under only a net for shelter, she said.

As of mid-March, she was staying in a medical clinic, sleeping in the reception area after the clinic closes at night. She's been forced to send three of her children away to stay with relatives, she said.

"It is not a good thing for a family to be divided," Osobe said.

Sasha Chavkin is a reporter, Cécile Schilis-Gallego is a data journalist, Mar Cabra is a data editor and Michael Hudson is a senior editor at the International Consortium of Investigative Journalists. Ben Hallman is a senior writer and Shane Shifflett is a data reporter at The Huffington Post. Jacob Kushner and Anthony Langat are Kenya-based reporters for the GroundTruth Project, a nonprofit global news service headquartered in the U.S.

Ciro Barros and Giulia Afiune are reporters at Agência Pública in Brazil. Musikilu Mojeed is managing editor at the Premium Times in Nigeria. Besar Likmeta is Albanian editor at BalkanInsight.com. Jeanne Baron is a U.S.-

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By Sasha Chavkin

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The soldiers pointed their guns at Odoge Otiri and led the 22-year-old student into the forest outside his village in western Ethiopia. Then, he says, they began pounding him with their nightsticks, leaving him bloody and unmoving.

"I was unconscious," he recalls. "The reason they left me is they thought I was going to die."

That night, soldiers arrested his wife, Aduma Omot.

"The soldiers took me to their camp," she says. "Then they mistreated me, they raped me."

They held her for two days, she says, before they let her go.

The soldiers attacked them, Otiri says, because he opposed Ethiopian authorities' efforts to force him and his neighbors from their homes as part of the country's so-called "villagization" effort — a massive social engineering project that sought to move almost 2 million poor people to newly built sites selected by the government.

Otiri and Omot are among thousands of Anuak, a mostly Christian indigenous group from the rural Ethiopian state of Gambella, who have fled from Ethiopia's mass relocation campaign.

The Ethiopian government financed the evictions in part by tapping into a pool of aid money from the world's most influential development lender, the World Bank, two former Ethiopian officials who helped carry out the relocation program told the International Consortium of Investigative Journalists. The money, the former officials said, was diverted from the $2 billion in funding that the World Bank had put into a health and education initiative.

The World Bank strongly disputes that its money supported the mass evictions in western Ethiopia. Even as Anuak refugees and human rights groups have publicly charged that World Bank money has been used to bankroll brutal evictions, the bank has continued to send hundreds of millions of dollars into the same health and education program.

"We are confident that the money was used for the purposes intended," Greg Toulmin, the World Bank's country program coordinator for Ethiopia, told ICIJ in March. "We remain confident that there was no link."

New evidence gathered by ICIJ undermines the bank's continuing denials that its money bankrolled the evictions.

One of the two former officials interviewed by ICIJ was well-positioned to know exactly how World Bank funds were being used: Omot Obang Olom, the former governor of Gambella, oversaw the resettlement program in his state.

Olom told ICIJ that he personally oversaw the diversion of some $10 million from the World Bank's health and education initiative, redirecting the money to finance mass relocations through the villagization program. He said senior officials in Ethiopia's federal government instructed him to divert the funds, and this money was essential to conducting the resettlement program.

"If we were not ordered by the federal government to reallocate the World Bank budget for the program, the program would not be possible," Olom said.

Olom, who left the country last year and is now seeking political asylum in the Philippines, has never before spoken to the news media about the eviction program. He now acknowledges that the mass evictions were carried out through threats and violence.

"The farmers came to me and they say, 'Omot, we are not free because members of the defense force come and intimidate us,' " he said. "There are incidents of abusing farmers, even raping the women."

Farmers who spoke out against the evictions, he said, "were beaten, were tortured, by the national defense forces."

The evictions in Ethiopia fit a larger pattern.

Communities displaced amid World Bank Group projects in Nigeria, Honduras, Kenya, Indonesia, India, Guatemala and Uganda have accused the organization's borrowers of committing human rights violations.

Governments and companies backed by the World Bank or its private-sector lending arm, the International Finance Corp., have bulldozed and burned homes and deployed soldiers or private security operatives who have arrested, beaten or even killed people, residents of affected communities have said in official complaints and in interviews with ICIJ.

Human rights experts say the bank is undercutting its mission of helping the world's poorest people by failing to embrace international policies upholding human rights.

Philip Alston, the United Nations' special rapporteur on extreme poverty and human rights, has accused the bank of hiding behind a "sleight of hand" argument that it can't fully engage in human rights issues because its charter forbids it from getting involved in politics. In December Alston and 27 other U.N. human rights officials wrote World Bank Group President Jim Yong Kim to complain that the bank's proposed revisions to its "social safeguards" policies for protecting people in the path of development "avoid any meaningful references to human rights."

A spokesman for the World Bank said the bank takes communities' reports of human rights abuses "very seriously," and that "these cases show we must continually improve our approach to supervision." He said the bank has been a leader for decades in setting strong safeguards for people living in the footprint of its projects, and that its proposed new rules go "as far as or further than any other multilateral development bank" to protect vulnerable populations.

The World Bank's Ethiopia program director, Toulmin, said the bank's mission is to support initiatives that fight poverty, not to police unrelated activities by its borrowers.

"We are not in the physical security business," he said.

Fearing The Worst

In Ethiopia, claims of human rights abuses associated with mass evictions in Gambella prompted neighboring South Sudan — a nation ravaged by a civil war — to grant group refugee status to Anuak who have fled Ethiopia.

Otiri and Omot escaped the violence in Gambella in the summer of 2011 by trekking across the Ethiopian border into South Sudan.

The young couple did not make the journey together.

When he awoke alone in the forest after his beating, Otiri faced a choice. If he returned home, he would likely put both himself and his wife in further danger. He decided the safest thing was to head for an Anuak settlement in South Sudan.

He hoped his wife would realize what had happened and follow him there.

Shortly after her husband disappeared, a neighbor told Omot that soldiers had taken him into the forest. She feared the worst.

"What came into my mind," she says, "was that I was not going to see my husband again."

Later that night, three soldiers arrived at her parent's compound, looking for Otiri. They demanded, she says, that she tell them where her husband was hiding. When she said she didn't know, she says, they arrested her and marched her toward their camp, at one point pushing her to ground because she wasn't moving fast enough.

At the soldiers' open-air encampment in the village of Gog Depache, they continued to interrogate her about her husband's whereabouts. When she again insisted that she didn't know, she says, the soldiers raped her.

"After those two days they set me free," she says. "From there I decided to leave the country."

She headed for South Sudan, not knowing what she would find at the end of her journey.

'Friend Of The System'

The World Bank has long made Ethiopia a top priority, funneling loans to its government to help the East African nation of some 90 million people move past its legacy of poverty and famine. In 2005, the bank cut off funding for Ethiopia after the country's authoritarian leaders massacred scores of people and arrested some 20,000 political opponents following disputed elections.

A year later, the bank lifted its ban, launching a new strategy of funding local and state governments rather than central authorities. In 2006, the bank approved $215 million in loans and grants to support a program, called Protection of Basic Services, that's supposed to provide health care, education, fresh water and other support to rural Ethiopians.

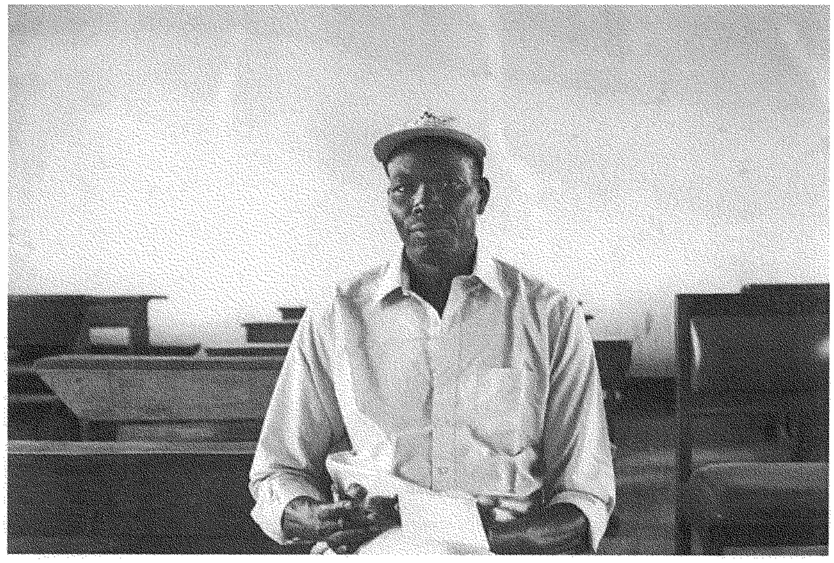
In May 2009, the bank approved $540 million to extend the program.

Soon after, the Ethiopian government began rolling out its ambitious resettlement campaign. The villagization program sought to relocate 1.9 million people in four rural states with large indigenous populations, moving them into larger settlements where authorities could provide schools and clinics.

The goal, according to a 2010 plan for the state of Gambella, was the "socioeconomic and cultural transformation of the people."

The World Bank says Ethiopian authorities didn't consult the bank when they developed the resettlement program, and it didn't learn of the plan until October 2010. In January 2011, the World Bank and other foreign donors wrote the Ethiopian government warning that forced relocation "can impact negatively on the wellbeing and livelihoods of those who were intended to benefit."

Othow Nyigwo, then an education administrator in the state of Gambella, says that in February 2011 superiors summoned him and other local health and education officials to a meeting with Olom, Gambella's governor at the time.



Othow Nyigwo, a former education official in Gambella, sitting in a school classroom in the Gorom Refugee Camp. Andreea Campeanu / International Consortium of Investigative Journalists

At the meeting, Nyigwo says, Olom ordered him to divert some $1,500 in World Bank funds intended for primary school classes into the relocation program. Olom gave the same order to divert funding to all the officials assembled at the meeting, Nyigwo says.

"This money which was given from the World Bank had to be given to the villagization program," says Nyigwo, who is now living in a refugee camp in South Sudan.

As a local supervisor for villagization, Nyigwo heard repeatedly from Anuak villagers who complained they were being forced to give up fertile farmland in exchange for small, barren plots at the new government sites. When he reported these complaints to his superiors, he says, they told him he should stop causing trouble.

Olom, the former governor, confirmed Nyigwo's account of the February 2011 meeting. Olom says federal officials directed him to divert the funding after it became clear that the government didn't have enough money to fully finance the relocation program.

By the second year of the villagization effort, Olom says, top officials told him he needed to tap other sources of funding, including money coming in from the World Bank's health and education initiative. He says he diverted 90 million Ethiopian birr — roughly $5 million at the time — in each of the next two years.

He says higher ups assured him that he wouldn't be blamed for diverting money from the World Bank and other funders — and worked with him to obscure the money trail.

"They knew that the way we allocated the budget was illegal," Olom said in a telephone interview in March from the Philippines. "So they made it very secret."

Olom is a controversial figure. An Anuak himself, he is reviled by many Anuak for his role in carrying out the mass relocations. He has also been accused of corruption and of complicity in a 2003 massacre of his fellow Anuak when he was Gambella's security chief prior to becoming governor.

Olom denies these allegations. He claims he fell out of favor with Ethiopia's federal authorities after more than a decade as a public official, including as a governor and federal minister, because he raised questions about the government's treatment of the Anuak.

Olom maintains that he initially believed the relocation program would help poor people in Gambella, so he went along with federal authorities.

"I was a good friend of the system," he says.

Felix Horne, a researcher with Human Rights Watch who focuses on Ethiopia, said that while Olom may be seeking to repair his reputation, his allegations are credible.

"Its very clear that he wants to make himself out as another victim of the regime," Horne said. But "his statements definitely seem plausible. Everything we've heard from former government officials in Gambella matches up with what he said."

The Ethiopian government did not respond to ICIJ's inquiries directed to its embassy in Washington, D.C., its Ministry of Foreign Affairs, or its country office at the World Bank.

Asked about the Nyigwo and Olom's accounts, a World Bank spokesman said the bank was "not aware of these specific third-party allegations" and urged ICIJ to call the bank's fraud and corruption hotline "and report the matter without delay."

Land To Foreign Investors

As Olom and Nyigwo were helping to carry out Ethiopia's resettlement push, the World Bank was conducting an assessment of the program.

Concerned after learning about the campaign in late 2010, bank staffers visited western Ethiopia in February and March 2011 to see how relocations were being carried out. The team traveled to Benishangul-Gumuz, a state north of Gambella that was selected for the relocation program but didn't have an Anuak population.

Based on the team's reports from the field, World Bank officials concluded the relocations in that region "appeared to be voluntary and not a direct consequence of bank-supported investment projects."

In late February 2011, even before the review team had finished its work, the bank approved another extension of the basic services program, sending another $420 million to Ethiopia. Much of the money went to Gambella and other states that were taking part in the resettlement program.

Toulmin, the bank's Ethiopia coordinator, said the bank also relied on field visits by other foreign donors who went to Gambella and shared their findings. He said that, like the World Bank's review team, these missions did not encounter any evidence of violence or forced evictions.

Even as the field visits soothed the bank's concerns about villagization, the Ethiopian government had turned over large tracts of land in Gambella to private investors in exchange for leasing fees.

The Anuak, who lack legal title to their ancestral lands, received nothing in return, Anuak refugees say. In Ethiopia, the government officially owns all land, but occupants are supposed to retain some customary rights.

Forty-two percent of land in Gambella was being leased or marketed to investors, according to a 2011 report by the Oakland Institute, a U.S.-based advocacy group that's critical of widespread transfers of land to corporations in developing countries.

Among the largest leaseholders in Gambella is Saudi Star, a conglomerate owned by Ethiopia's richest man, Saudi dual citizen Sheikh Mohammed Al-Amoudi.

Land previously occupied by Anuak is now being used by Saudi Star for commercial plantations, according to two Anuak elders interviewed by ICIJ and reports by the Oakland Institute and Human Rights Watch. The government cleared small villages within what became the Saudi Star lease area and relocated the residents as part of the villagization program, the Oakland Institute's report said.

A spokeswoman for the sheikh confirmed that Saudi Star has leased 10,000 hectares in Gambella, but denied any of the land had been occupied by Anuak. "No people or farmers were relocated from the land on which Saudi Star is operating," she said.

She said any suggestions the company improperly benefited from the government's land-use decisions are fabrications fueled by "advocacy groups with a political agenda."

An Anuak refugee tilling the land in the Gorom Refugee Camp in South Sudan. Andreea Campeanu / International Consortium of Investigative Journalists

Tearful Reunion

As they pushed Anuak villagers out of their homes, local officials conscripted many of them to work on building the new, government-selected sites.

Odoge Otiri, the young husband who says he was assaulted by soldiers, says he drew their anger because he had stayed home and refused to work cutting tall grass to thatch the roofs of the new homes that he and his neighbors didn't want.

The soldiers smashed away at his elbows and knees with their sticks, he says, until he passed out. When he regained consciousness, he saw that he was alone, with no soldiers or any signs of a village in sight.

He walked nearly two hours to reach another Anuak village.

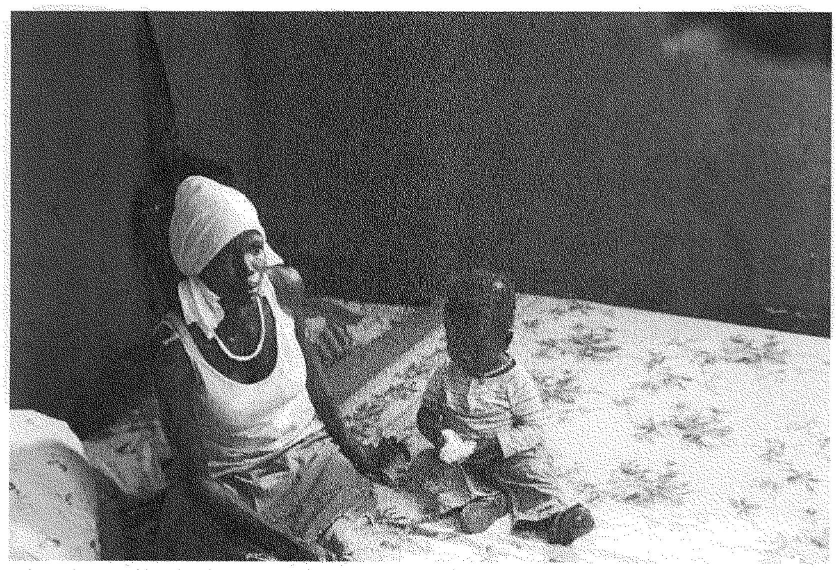
"Even though I was walking slowly and I was scared, God guided me on my way," he says.

Though Otiri was a stranger, a woman there took care of him out of concern for a fellow Anuak. She tended to his injuries for three days while he regained strength.

Then he began the long, slow walk to the border. He had no way at the time to send word to his wife and no idea what was happening to her back in their village.

When he reached the Anuak settlement in Pochalla, South Sudan, he asked two businessmen who were heading to Gambella to look for Omot and tell her where he was staying.

After his wife, Aduma Omot, was released by the soldiers, she faced a painful choice of her own: whether to stay in Ethiopia or to flee and hope to find her husband across the border.



Aduma Omot and her daughter, Annacerjwok, at their home in the Gorom Refugee Camp in South Sudan.
Andreea Campeanu / International Consortium of Investigative Journalists

Without word from her husband, she also decided to leave Ethiopia. She began walking toward Pochalla.

Along the way, in the town of Pignudo, she encountered the two businessmen. They told her that her husband was alive and was awaiting her in South Sudan.

When she reached the Anuak refuge in Pochalla, two small children led her to the compound where her husband was staying.

"I saw her entering into the compound, and we all wept," Otiri recalls. "The first thing that came into my mind was a great pleasure."

'Agree to Disagree'

In late 2011, Human Rights Watch confronted the World Bank and the Ethiopian government about reports of abuses stemming from the resettlement program in Gambella. These accounts, which it detailed soon after in a report called "Waiting Here for Death," described a campaign of evictions enforced by arbitrary arrests, beatings, rapes and killings.

The report said the group had "documented at least seven credible accounts of people dying as a result of the beatings inflicted by the military and heard of many more that could not be corroborated."

One villager quoted in the report described soldiers using guns and sticks to beat a 19-year-old so severely that he began vomiting blood and died soon after.

Human Rights Watch charged that the World Bank and other development funders bankrolling the Protection of Basic Services effort were "involved in a program that is doing more to undermine the rights and livelihoods of the population than to improve them."

The bank denied that resettlement was being imposed by force or that World Bank money had been used to support forced relocations. The bank said its investments in Ethiopia had helped slash child mortality in half and increase primary school enrollment by 13 percent in less than a decade.

The Ethiopian government has said its resettlement campaign in Gambella relocated 37,883 families before it concluded in mid-2013.

A top Ethiopian official told Human Rights Watch that all families were relocated with their "full consent and participation." Any allegations of police and military coercion, the official said, were "downright fabrications" ginned up by "anti-development" elements in Gambella who were working "in a concerted campaign with the support of their foreign handlers."

With few other options, Anuak refugees turned to the World Bank's internal watchdog unit, known as the Inspection Panel.

Daily life at the Gorom Refugee Camp. Andreea Campeanu / International Consortium of Investigative Journalists

Working with an American nonprofit organization, Inclusive Development International, a group of Anuak refugees filed a 21-page complaint in September 2012 charging that the bank's support for the Protection of Basic Services program violated the bank's rules against wrongful evictions and dispossessing indigenous groups. It said the services financed by the bank were "precisely" those to be provided by the resettlement campaign, meaning that bank funds were "substantially contributing" to the evictions.

In a series of meetings with World Bank officials, Anuak refugees described widespread abuses by the government. Toulmin, the bank's Ethiopian program director, said that the refugees' accounts weren't enough to outweigh the findings of field missions by the bank and other foreign donors that found no evidence of widespread forced evictions or human rights abuses.

"At the end, we simply had to agree to disagree," Toulmin said.

A day after the complaint was filed, the bank approved another $600 million dollars in spending for the basic services program.

'The World Bank Was Responsible'

In February 2014, a team from the Inspection Panel headed to Ethiopia to conduct a field investigation in Gambella, which remains home to tens of thousands of Anuak.

But when the investigators began travelling to new government-built villages to meet with Anuak who'd been resettled, they found that the Ethiopian authorities had gotten there first.

"All the people had been instructed in advance of us coming," says Eisei Kurimoto, a scholar of Anuak history at Japan's Osaka University who'd been asked the join the review team as an adviser. "And they had been intimidated in advance to tell us good things."

So while most of the team conducted public meetings, Kurimoto decided to meet privately with villagers in their homes. Even in the formal meetings, Anuak described armed soldiers accompanying government officials who told them to evacuate. But some of their testimonies in the private conversations were far more troubling.

In these private sessions, they described shootings, arbitrary arrests and sexual violence, according to transcripts of Kurimoto's discussions with villagers.

"There was one Anuak man among [military] Special Forces who rejected the order to go force farmers to move to the new location by force," an Anuak, whose name is not given, told Kurimoto. "And we heard a shot, a highland [federal] policeman shot this man … to death right there."

When the panel released its report in February 2015, the voices of people who described threats and violence were largely absent.

The report noted that the panel "came across" some information about abuses linked to the evictions, but the report did not describe them in detail — prompting Inclusive Development International, the NGO that helped Anuak villagers file the complaint, to claim the panel had "whitewashed damning evidence of widespread human rights abuses."

The Inspection Panel said it didn't have the authority to investigate allegations of human rights violations by the bank's borrowers. Its only role, it said, is to determine whether the bank violated its own rules.

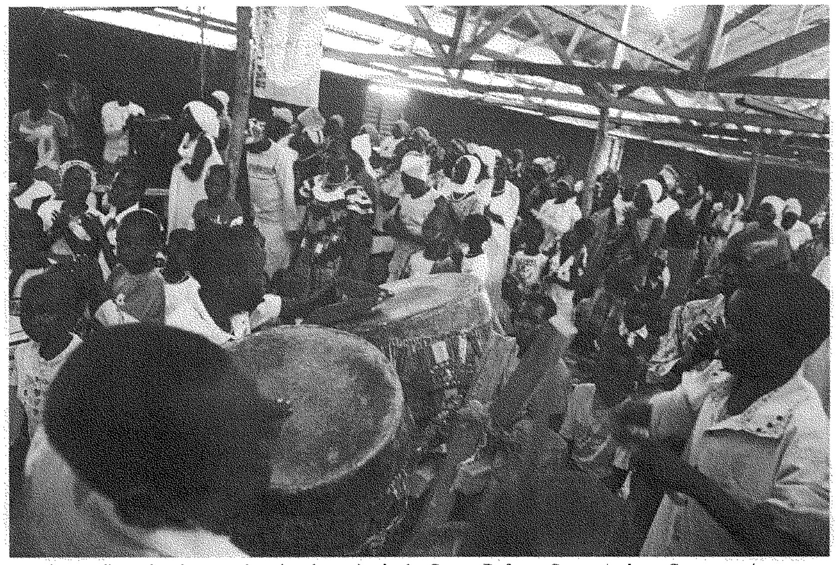
The panel's report criticized the bank for ignoring evidence of an "operational link" between the bank-financed project and Ethiopia's eviction campaign and for failing to do anything to protect affected communities.

But the panel stopped short of assigning the bank blame for the mass evictions. Because the evictions were not a "necessary" part of the health and education program, the panel said, the bank couldn't ultimately be held responsible for them.

Kurimoto, the panel's own expert, thought this conclusion didn't make sense.

"Personally, I think the World Bank was responsible," he told ICIJ. The bank "turned a blind eye to what was happening on the ground."

In March 2015, the World Bank approved a new $350 million loan to Ethiopia, which included support for local government in Gambella.



Anuak attending a Sunday morning church service in the Gorom Refugee Camp. Andreea Campeanu / International Consortium of Investigative Journalists

'In the Hands of God'

On a sweltering Sunday morning in South Sudan last summer, hundreds of Anuak refugees packed onto the dirt floor of a small, dimly lit church.

At the front of the congregation, a tall young man with a microphone began to sing. At first his forceful baritone hung alone in the hot, close air, but he was soon joined by a burst of song from the choir.

Then the congregation rose to its feet, clapping along. Sweat dripping from his face, the singer paced down the narrow aisle, his hoarse and powerful voice exhorting all to worship. Some raised their hands in the air. Piercing ululations from women rang out over the voice of the choir.

In the war-torn nation of South Sudan, Gorom Refugee Camp is a bastion of faith for more than 2,000 Anuak who have fled Ethiopia. They are struggling to rebuild their lives amid scarcity and an unknown future.

Odoge Otiri and Aduma Omot live in a two-room shelter beside a patch of okra and cassava that Otiri is cultivating. They have been in Gorom, supported by aid from the United Nations, for more than two years. Otiri says that there is nothing to do there.

"Life in the refugee camp is very difficult," Otiri says. "There is not enough food."

But they haven't given up. Without much hope that they can return to Ethiopia, they are doing their best to make new lives in a new land. Since they arrived, their family has grown to include their first child, a baby daughter. The girl fidgets in Omot's arms, occasionally reaching out to breastfeed.

Her name is Annacerjwok — Anuak for "In the Hands of God."

Sasha Chavkin is a reporter at the International Consortium of Investigative Journalists. He traveled to Ethiopia and South Sudan for this story.

Produced by Hilary Fung and Shane Shifflett.

Video editing and production by Hilke Schellmann.

Prologue

Prologue Evicted & Abandoned Ethiopia Peru India Honduras Kosovo
Prologue
Evicted & Abandoned
Ethiopia

Peru
India Honduras Kosovo

By Jacob Kushner, Anthony Langat, Sasha Chavkin and Michael Hudson

Wednesday, April 15, 2015, 8:01 pm EDT

Gladys Chepkemoi was weeding potatoes in her garden the day the men came to burn down her house.

After her mother-in-law told her that rangers from the Kenya Forest Service were on their way, Chepkemoi strapped her 1-year-old son on her back and hurried to her thatched-roofed home. She grabbed two tins of corn, blankets, plates and cooking pans, and hid in a thicket.

She watched, she said, as the green-uniformed rangers set her house ablaze.

After they were gone, she came out of the thicket to see what was left.

"What used to be my home was now ashes," she said.

The young mother is one of thousands of Kenyans who have been forced out of their homes since the launch of a World Bank-financed forest conservation program in western Kenya's Cherangani Hills. Human rights advocates claim government authorities have used the project as a vehicle for pushing indigenous peoples out of their ancestral forests.

They are not alone.

In developing countries around the globe, forest dwellers, poor villagers and other vulnerable populations claim the World Bank — the planet's oldest and most powerful development lender — has left a trail of misery.

Dams, power plants, conservation programs and other projects sponsored by the World Bank have pushed millions of people out of their homes or off their lands or threatened their livelihoods. In some cases, governments supported by World Bank money have arrested, beaten and even killed people who objected to being forced from their homes, according to interviews and official complaints.

They've been put at risk because the bank has repeatedly violated its own rules for protecting people who are in the path of development projects, an investigation by the International Consortium of Investigative Journalists, The Huffington Post, The GroundTruth Project and other ICIJ media partners has found.

This story is the first in a series about what can happen to people on the ground when the World Bank bankrolls big projects. Other stories published today by HuffPost and ICIJ include an overview detailing the reporting team's key findings, a look at mass evictions in Ethiopia tied to a World Bank project and an examination of a Peruvian gold mine backed by the bank's private-sector investment arm. ICIJ and its partners will publish more stories in the coming weeks based on reporting from India, Honduras, Kosovo and other countries.

"I don't understand why they chase us like this"

Selly Rotich, mother of five

The World Bank has admitted "shortcomings" in its protections for people displaced by projects the bank supports. It says it is working to improve its policies and how it enforces them. The bank also says protecting people in the way of big projects is a "cornerstone" of its efforts to "end extreme poverty and promote shared prosperity."

In Kenya, the World Bank's in-house Inspection Panel found the bank violated its policies by failing to do enough to protect the Sengwer, an indigenous minority group in Kenya's western forests that includes Chepkemoi and her family.

The report, released last year, concluded the bank wasn't directly to blame for the evictions targeted at the Sengwer, but said the bank might have helped prevent abuses against them if it had enforced its own rules — including the requirement that its borrowers respect the land rights of indigenous peoples.

Smoke rises from a homestead destroyed by fire in western Kenya's Cherangani Hills. Members of the Sengwer, an indigenous group, claim Kenya Forest Service rangers have tried to drive them out of their ancestral forest by burning their homes. Tony Karumba / GroundTruth

The World Bank began financing the Kenya Forest Service's Natural Resources Management Project in 2007. It promised to cover $68.5 million of the project's $78 million budget in an effort to help the KFS "improve the livelihoods of communities participating in the co-management of water and forests."

The Forest Peoples Programme, a U.K.-based advocacy group, says the bank's funding of the conservation project put the Sengwer in danger because the project redrew the Cherangani Hills' protected Forest Reserve in a way that included thousands of them inside the reserve's boundaries. This gave KFS officials a pretext for evicting them, according to the group.

Paul Kibet, secretary of the Sengwer Council of Elders, said that cash from the World Bank also provided the equipment the KFS needed to launch its mass eviction campaign. "After receiving this money, they bought new vehicles. They bought the forest guards a lot of new guns and boots, et cetera," he said.

"When I woke up the next morning my body was grayish and pale"

John Chebaraa, a 60-year-old father of seven

Kenya's government claims the Sengwer are illegally occupying public lands. Authorities have torched at least a thousand Sengwer homes since the World Bank began financing the conservation project, according to accounts by Sengwer and human rights researchers. They have also jailed dozens of Sengwer for farming without permits and trespassing on lands that their clans have occupied "since time immemorial," a formal complaint filed in 2013 by a group of Sengwer to the World Bank claimed.

The KFS says it has not carried out "forceful" evictions of the Sengwer and that "genuine persons deserving resettlement" have been "extensively profiled through a consultative and participatory process."

In the spring of 2011, the World Bank urged Kenya's finance ministry to end the evictions until the bank could help the government work out a plan for addressing the Sengwer's concerns. According to bank officials, Kenyan authorities agreed to stop the evictions until they found new land where the Sengwer could relocate.

Sengwer leaders said the land offered by the government was treeless and barren.

The evictions and burnings continued.

Paulina Sanyaga said that after the KFS torched her home in March 2011, she slept in the forest with her children. Her youngest was 5 years old at the time. "My child asked why we were sleeping outside, and I told him that the government had burnt not ours alone, but everybody else's house too," she recalled.

Because her fence was destroyed by KFS men, she said, many of her cattle and sheep were lost or stolen.

"It felt so painful to lose them," she said. "They were my own sweat."

John Chebaraa, a 60-year-old father of seven, said he slept in a caved-in tree trunk the night after his home was burned in mid-2011.

Justin Kipkorir, Brian Bett and Councillor Joel Kiptale inspect Kipkorir's home, which he said was raided and destroyed by KFS officers. Shemilla Chemutai displays a cooking pot bearing puncture marks that she said KFS officers made with a machete. An elderly Sengwer woman and relatives at their homestead at Ket Mokinget. Tony Karumba / GroundTruth

"It was very cold," he said. "When I woke up the next morning my body was grayish and pale."

After their house was torched in October 2011, Chepkemoi, her husband and her co-wife — the Sengwer are polygamous — built a makeshift shelter out of bamboo, cow hide and sheep skin. They slept in it for months instead of building a permanent house, she said, "because KFS were always patrolling nearby. If we built another house, they would have burned it down as well. So we waited until they stopped patrolling the area."

The fire set by the KFS consumed their millet, five sacks of corn and four beehives, Chepkemoi's husband, Brian Bett, said. The family only had potatoes and milk to eat.

"I did not have enough food for the family to eat, and we often had to sleep hungry so that my children could eat," Bett said. "My children have faced a lot of difficulty and they cried a lot, because they are young and do not have the ability to explain what is ailing them."

Kenya's government continued its relocation push after the World Bank's funding for the Natural Resources Management Project officially ended in June 2013.

In early 2014, advocates for the Sengwer reported that authorities had begun a new wave of evictions, writing to United Nations agencies that things on the ground were "chaotic," with some people moving with their children and belongings "to nowhere in particular."

The bank, noting that it was no longer funding the forest conservation project, said it was "not linked to these evictions." World Bank officials argue the bank is not to blame for any of the evictions carried out by the KFS because the Kenyan government has been evicting the Sengwer for decades and continued doing so after the bank's official role ended.

Tom Lomax, a human rights lawyer with the Forest Peoples Programme, said the World Bank deserves a measure of blame even for more recent evictions because it "did not do enough — or didn't do anything loud enough — to address the evictions during the course of the project." That emboldened Kenyan authorities to go forward with a removal campaign that grew increasingly aggressive during the World Bank's sponsorship of the KFS, he said.

Tens of thousands of Sengwer still live in the Cherangani Hills. KFS rangers have maintained the campaign of evictions through 2014 and into 2015, according to Sengwer leaders.

In September, reporters witnessed two gutted, smoldering homes and several fences still burning. Residents said forest rangers had set the fires hours before.

Selly Rotich stands in what used to be her kitchen. Hours earlier KFS officers destroyed the mud and thatch dwelling, Rotich said. Tony Karumba / GroundTruth

"I don't understand why they chase us like this," Selly Rotich, a mother of five, said as she sat outside her scorched home.

The next day, nine KFS rangers confronted reporters as they entered the forest, demanding to know why they were talking to the Sengwer.

"These guys are squatters," said one officer, who declined to identify himself. "They are not allowed to be in the forest. They are here illegally."

Reporters asked the rangers if they were the ones who set fire to Sengwer homes the day before. Another ranger responded, "You are being lied to. You are being misled by the people. They claim that we are burning the houses — how do you know that they are not burning their own houses?"

At that, several of the KFS agents grinned.

Jacob Kushner and Anthony Langat are Kenya-based reporters for the GroundTruth Project, a non-profit global news service headquartered in the U.S. Sasha Chavkin is a reporter and Michael Hudson is a senior editor at the International Consortium of Investigative Journalists.

Produced by Hilary Fung and Shane Shifflett.

WRITTEN TESTIMONY BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE,
SUBCOMMITTEE ON INTERNATIONAL MONETARY POLICY AND TRADE

ON

"EXAMINING RESULTS AND ACCOUNTABILITY AT THE WORLD BANK"

Submitted By

Jean Ensminger
Edie And Lew Wasserman Professor Of Social Science
California Institute Of Technology

March 22, 2017

Chairman Barr, Ranking Member Moore, and distinguished members of the Subcommittee, it is an honor to have been invited to testify before the Subcommittee on International Monetary Policy and Trade on the subject of World Bank reform.

I have been asked specifically to address issues that flow from my research on corruption in World Bank projects in Kenya, and to comment on the perspective of beneficiaries and implications for Bank reforms.

By training, I am an economic anthropologist, and since the 1970s I have conducted research in a remote area of Kenya near the Somali border. The people living in this area are similar to many other herders in the drought-prone, arid lands of eastern Africa. They are the poorest of the poor, exactly the kind of people IDA funding is attempting to lift out of poverty.

In 2004, the World Bank Arid Lands Resource Management Project arrived in the village where I have lived and conducted research over many decades. The corrosive effects of the corruption that I witnessed in that community project propelled me into a broader analysis of the Arid Lands Project that served 28 districts in Kenya and ran from 1996 to 2010. As I dug more deeply, it became apparent that corruption had been entrenched in the project since 2000. That conclusion is based upon hundreds of interviews with beneficiaries, Kenyan project staff, members of civil society, World Bank staff, donors in Nairobi, and senior Kenyan politicians and civil servants. Unfortunately, these patterns continue in current Kenyan World Bank projects.

The central component of the Arid Lands Project was community-driven development (CDD). The idea is to empower villagers. Villagers select their own projects and elect leaders to manage the funds, implement the project, and monitor the work. In 2012 there were 400 World Bank CDD projects in 94 countries. These are the kinds of projects that most directly impact large numbers of poor beneficiaries.

In 2007, I reported the Arid Lands case to INT, the World Bank's Integrity Vice Presidency, which is solely responsible for investigating corruption in World Bank projects. As that process played out over many years, I gained insight into how the World Bank addresses corruption. Following an extensive INT forensic audit of the Arid Lands Project, the World Bank eventually shut down the project just as the Board was about to renew it for a further 5 years. In its investigation of 28,000 transactions from 7 of the 28 districts, the INT audit concluded that 62 percent of those transactions were suspected fraudulent or questionable. Significantly, this is the <u>only</u> large-scale forensic audit that appears on the INT website out of a total of 66 posted reports going back to 2008.

Before turning to the lessons learned about corruption from the Arid Lands Project, let's put the case in context. Based upon my experience, this is not an exceptional case, nor is Kenya an outlier among similarly systemically corrupt countries.

Because of the correlation between poverty and corruption, the world's most corrupt countries are where we find many of the world's neediest populations. That said, there are other projects in similarly corrupt countries that have realized better results with less corruption.

The Arid Lands Project ran for 14 years before it was shut down for corruption. What went wrong? Many of the problems can be attributed to project design. In particular, transparency was lacking, and this was compounded by a design that empowered project staff with far too much discretion. Beneficiaries were the victims of both of these failings.

To better understand the failure of transparency, let's consider the situation from the point of view of the beneficiaries. What would a beneficiary need to know in order to better monitor his or her own village project and to ensure that no one is syphoning funds from the project offices? Beneficiaries tell me that they want to see the overall project budget and transaction level data for all projects, training, and administration in their area. They want to know where the money is supposed to be going.

It is never in the interest of corrupt officials to share budgetary and contracting details, which is why they are so often hidden, even when project documents explicitly require that they be made available, as was the case for the Arid Lands Project.

Recently, a villager asked the head of a current World Bank project in his area how much money his county was budgeted to receive from the project. The villager knows that project money has been stolen, and he wants to better understand the magnitude of the problem. This information should be publicly available, but the head of the project in the county refused to provide it to him. Two weeks ago I made the same request of the two World Bank Task Team Leaders (TTLs) who serve as project managers. Despite a second email follow-up request, I have received no response as of this writing. Lack of transparency in World Bank project funding is still a problem in Kenya today.

One of the most harmful features in the design of the Arid Lands Project was the discretion that district project officers had over which villages received projects. This effectively amounted to monopoly control over who got the money, and it vested the project office with immense power over beneficiaries.

By controlling the allocation of future funds to villages, the project staff was able to stifle legitimate protests. When project beneficiaries complained that promised funds and services were not delivered, they were often told to overlook deficiencies and wait for a new project in the next funding round. This strategy almost always worked to silence beneficiaries, even though they often did not get funding in the next round.

When visits by supervisors and auditors were anticipated, villagers were coached to praise the project and say that they had received benefits that they had not. They were persuaded that if they failed to do so they would jeopardize future World Bank funding, and they were promised that there was an even bigger project on the way, which was sometimes true. I have seen this scenario play out many times. If these strategies did not stop protesters, project staffers bought them off with small bribes or cut their community from the project and diverted funds elsewhere. These practices continue today in other Kenyan projects.

The effectiveness of these strategies in preventing most villagers from carrying their complaints forward is one reason that the Arid Lands Project stayed under the radar so long.

But consider how these processes pervert the local culture. The honest altruists who resist project bribes are penalized, and the local villagers willing to be bought by the project are both financially rewarded and elevated to community leadership. Worse, the few who persist in fighting project mismanagement are at personal risk and wind up jeopardizing their communities' access to future project benefits.

Is there a way forward? Absolutely, and models already exist. One step is to improve project design.

Indonesia is often cited as the great success story in community-driven development, and I would agree. We can learn many lessons from the differences in project operations between the Kenyan and the Indonesian projects.

The original Indonesian CDD project (KDP) had many design elements that differed from the Arid Lands Project and from current Kenyan CDD projects. It was specifically designed to bypass the major centers of government corruption. Private firms were used to hire many project staff rather than seconding them from corrupt government ministries. The tone at the top of the project was inspiring, and this attracted reform-minded job applicants. In contrast to the monopolistic discretion of the Kenyan project staff, the Indonesian design allocated projects based upon a democratic and competitive selection process run by representatives of all the villages in a target sub-district.

The Indonesian project was also exceptional in the degree to which it commissioned and incorporated research to improve performance; the project opened itself to uncensored examination by third parties. This resulted in academic papers that are now classics in the study of CDD and corruption.

We know from academic literature that one of the strongest correlates of low corruption levels is a vigorous free press. Capitalizing on this, the Indonesian project created an ingenious blind-funding mechanism to encourage investigative journalists to write about corruption in the project. All of this speaks to an open, experimental, and organically evolving project dedicated to serving the needs of the poor. The Indonesian project was not without corruption, but its managers were eager to find solutions.

The World Bank has the finest and most productive development research group in the world. The Indonesian project was wise enough to appreciate the advantages of applying this talent to many of their problems, including corruption, and that openness was rewarded with superior results.

We should be encouraged by the Indonesian case, as it means that development aid really can make a difference for the poorest of the poor, even in a highly corrupt country. I would caution, however, against assuming that Indonesia is the norm and Kenya is the outlier. I believe the reverse is true.

Better design and monitoring are important parts of the corruption solution, but sanctions also have a place, especially when faced with extreme capture such as occurred in Arid Lands.

One often hears World Bank senior management say that, "the World Bank has zero tolerance for corruption." But what does that mean in terms of policy and outcomes? INT is the World Bank's answer to corruption. They are the sole body tasked with investigation of fraud and corruption in World Bank projects.

It is rarely, if ever, in the interest of a donor organization to advertise to their funders that money has been misspent. There is an inherent conflict of interest between the mandate of INT to fight corruption and operations' goals of keeping projects funded and client states happy. INT is in the political cross hairs.

Since the Arid Lands forensic audit report of July 2011, INT has posted 48 additional redacted investigation reports on their website. Of these 48, 45 (94 percent) were investigations of companies. The vast majority of these cases involved one company that was found guilty of fraudulently fabricating documentation in order to qualify to bid on a contract. One case, Padma Bridge in Bangladesh, involved huge corruption. Of these 45 cases, 36 resulted in company debarment from business with the World Bank; one company was given a reprimand, and the remainder resulted in no action.

Of the remaining 3 out of 48 investigation reports in the last 5 ½ years, 2 involved fraud by a single project employee. The last case found evidence of large-scale corruption in which about 400 contractors each paid 10 percent kickbacks to the government.

Clearly, the overwhelming focus of work for INT's external investigations is cases against individual companies that result in debarment. This is important work, but it is unlikely to touch the significant number of projects like Arid Lands that deliver services directly to the poor. The contractors involved in CDD-style projects are local, they number in the thousands, and they are capable of quickly rebranding and opening up for business under a new name. Going after them would be equivalent to "whack a mole."

The problem in many World Bank projects is not limited to a few rogue contractors and project staffers. In systemically corrupt countries like Kenya, it is common for World Bank projects to be captured by the government ministry cartels from which the project staff is seconded.

Intensive forensic auditing, the strategy that uncovered large-scale corruption and shut down the Arid Land's project, is not currently a priority of INT. Debarring corrupt companies sometimes makes better newspaper headlines, and debarment cases are easier and cheaper to conduct than large forensic audits. But this investigative direction leaves a vast segment of the World Bank's portfolio exposed.

Why else isn't INT more aggressively pursuing project-wide corruption? Part of the answer is INT's resource constraints and lack of sufficient, highly qualified staff with formal investigative and forensic accounting experience. However, these constraints are self-imposed, and reflect senior management preferences, both above INT and inside INT.

Understandably, World Bank operations want to see projects through to completion. Corruption investigations can shut down projects and derail careers. They are also inconvenient for senior management in the Bank who are balancing delicate relationships with their country clients. Predictably, pressure is brought to bear on INT. I experienced first hand how operations interfered with the INT investigation of the Arid Land's project.

It is notable that the Vice President for INT, whose direct report line used to be to the Bank's President, now reports to the Managing Director and Chief Administrative Officer. At the very least, this recent demotion in reporting status gives the appearance that the World Bank now cares less about corruption abatement and the important work of INT. INT's declining budget also speaks volumes, as does the small size of its budget relative to the magnitude of the Bank funds it attempts to protect.

What does this mean for the odds that a corrupt team that has taken over a World Bank project is going to get caught? In the Arid Lands case it is amply evident that 14 years of routine project management oversight, supervision missions, monthly financial management reports, and audits, did not catch them. Lest one think that these systems are functioning better today, I see no evidence of that on the ground in Kenya. Given time and resource constraints, many of these tasks have devolved to box checking.

When the probability of getting caught declines, crooks grow bolder. The same principle applies to countries. When countries, or country sectors, show a pattern of high levels of corruption in World Bank projects, or fail to cooperate with INT investigations, the World Bank should be more willing to demonstrate tough political will and cut them off. It has happened, but too rarely to send the right message.

Helping the poorest of the poor in corruption-ridden countries is difficult work. It is also heroic, and that is what has attracted many excellent people to the World Bank. We learn from the Indonesian case that much can be accomplished with the right tone at the top, careful design, transparency, research and experimentation, and effective sanctions.

Below I summarize a few of my key recommendations to reduce corruption in World Bank projects.

INT

- Move INT's direct report out of operations and over to the audit committee of the Board of Directors consistent with standard practice in many firms, and equivalent to the current reporting status of the Inspections Panel.
- Partition INT to create a separate unit to handle complex corruption cases. To be successful, such a unit must be headed by a manager who has professional investigative skills and a staff of highly-trained forensic accountants and investigators with law enforcement experience who know how to handle evidence, witnesses, and the strategic interviewing demanded of such complex cases.
- Set up a few satellite INT offices in global locations to facilitate timely investigations, to develop ties with local law enforcement for enhanced power in investigations, and to increase access to leads from civil society, journalists, and project staff.

Transparency

- The new disclosure policy of 2010 was a laudable step, but it stopped short of helping beneficiaries and third parties fight corruption. Access to project financial information is specifically excluded from the disclosure policy. This should be changed by adding the following:
  - Mandate that projects publish transaction level budget and expenditure data quarterly on the web and on publically accessible boards in relevant local sites. Note that enforcement of the latter is virtually impossible, which is why the web is crucial; web postings can be easily monitored for compliance.
  - Mandate public notice (on the web and in locally appropriate outlets) of contracts, job advertisements, tender advertisements, and details of winning and losing bids.
  - Mandate that projects include similar expenditure and contract information from all donor partners so that World Bank supervisors and interested

parties can detect double dipping from multiple donors for the same project activities.

Neither Congress nor the USED's office has the power to micro-manage World Bank policies. Changes of the sort that I am suggesting would require significant commitment and a great deal of sustained U.S. leadership to win the support of a majority of sympathetic Board members. In the past, the U.S. has been effective in providing such leadership.

I thank the Subcommittee once again for this invitation to share my research findings and suggestions on how we might make the World Bank more effective in the important work of lifting the poorest citizens of the world from poverty.

"Examining Results and Accountability at the World Bank"
Subcommittee on Monetary Policy and Trade
Committee on Financial Services, US House of Representatives

Written Statement of
Scott A. Morris, Center for Global Development

Mr. Chairman, Ranking Member Moore,

Thank you for the opportunity to testify this morning on the World Bank's work in low-income countries. My name is Scott Morris, and I'm a senior fellow and director of the US Development Policy Initiative at the Center for Global Development, a non-partisan think tank for international development policy issues based here in Washington, DC.

Let me start with the observation that the World Bank is the leading provider of development assistance in the world, providing financing and technical expertise in nearly 150 countries globally. But by leader, I don't just mean the bank is the largest. According to most independent assessments, the World Bank consistently appears as the most, or one of the most, effective development institutions globally on key measures of cost efficiency, project outcomes, and policy influence. These were the findings of multilateral aid reviews conducted by governments in the UK, Australia, Sweden, the Netherlands, and Denmark; by independent organizations like mine; and by an extensive survey of developing country leaders conducted by AidData, a US-based research organization.

I raise this point at the outset not in order to say "case closed" but to provide a broader context for considering important questions of World Bank reform and instances of project-level failures, as evidenced by the testimony of the other witnesses on this panel. Let me be clear: each of the cases raised here this morning represents unambiguous World Bank failings. When we look at the details of the Uganda project alone, it's clear that no one should simply wave away a case like this as just one project out of the 1600 or so that they bank conducts each year.

I would like to offer a few observations on how to think about these cases of failure in the bank, three areas of reform that I think deserve consideration, and finally, I would like to offer some thoughts on the degree to which the United States, as the largest shareholder of the World Bank, can continue to exercise effective oversight and influence in this multilateral institution.

I. How to Think About Failure

Risk of failure is inherent in the work that the World Bank does, particularly operating in difficult environments, whether in very poor countries like Uganda, or countries beset by conflict like Afghanistan. Zero risk would essentially mean zero activity for the institution. The key questions are: how does the bank manage risk and promote effectiveness, and how well does it learn from its failures when they do occur?

Managing risk/promoting effectiveness. The bank has multiple layers of monitoring and checks aimed at promoting effectiveness and guarding against corruption. Consider two areas. First fraud and corruption: of the approximately 1600 active projects at the bank in a given year, the bank's investigative arm (INT) is typically investigating 50-60 substantiated cases of fraud and wrongdoing. In these cases, the INT office is aggressive in its response, employing debarment of firms from bank procurement and working with local authorities to pursue prosecutions. Separate from INT, the bank also has an independent complaints mechanism, the "Inspection Panel", with origins in your committee. By receiving and evaluating complaints independently, the panel plays an important role in the bank's system of checks and balances.

Second, if we look more broadly at the *effectiveness* of World Bank projects (are they having the impact that is intended?), one important measure here is the degree to which the institution is even trying to answer that question. This may seem obvious, but the critical function of program evaluation is often sorely lacking in many public agencies and institutions. So, whereas the World Bank, through various independent mechanisms, conducts hundreds of project and program evaluations each year (and through sampling methods is able to assess overall portfolio performance), a recent GAO report determined that the Department of Defense (DoD) had conducted just four evaluations within its $8 billion foreign assistance programs in 2015, and none of them was determined to be high quality.

Further, the World Bank has made considerable strides in recent years toward making its internal data public so that independent researchers and evaluators can conduct their own assessments of bank projects and programs. One of the failings at DoD identified by GAO was the lack of transparency in reporting program results.

Learning from failures. What's the evidence that the World Bank learns from its failures? It's notable that the bank's board of directors just recently approved a $230 million road project in Bolivia, in which risks similar to the Uganda project associated with a large influx of labor were identified and actively mitigated as part of the project design. More systematically, the bank has also launched a Gender-based Violence Task Force, which should in part help to address a longstanding problem within the institution of compartmentalization of lessons learned within one region or sector.

Finally, we should keep in mind that financial risk is largely borne by the country. Unlike most US foreign assistance, which is disbursed as grants, World Bank support, even in low-income countries, is typically in the form of a loan with varying degrees of subsidy. And for various reasons, countries almost never default on World Bank loans. The financial strength of this model is reflected in the recent AAA rating for World Bank bonds linked to IDA's lending to low-income countries. So, we absolutely should care about corruption to the degree that it jeopardizes the underlying development projects in these countries, but we should also recognize that it is not a problem that has ever put the bank itself in any kind of financial jeopardy.

II. How Can the World Bank Do Better?

Nonetheless, a significant number of World Bank projects fail to achieve their intended outcomes, and a non-negligible number of projects fall victim to fraud and corruption. How can the bank do better?

- First, greater reliance on results-based mechanisms like the Program for Results, which both empowers the client country and shifts more of the burden of delivering measurable outcomes onto the countries. The bank and the country agree at the outset on appropriate standards of oversight and a set of desired outcomes (such as an increase in literacy rates through education funding, or a reduction in travel times through a road project), and the bank only disburses money if those outcomes are achieved. Early evidence from P4R suggests that it is achieving good results, and it will be important to see how well these results-based projects perform over time in comparison to traditional bank project lending, which simply disburses funds to pay for project inputs (textbooks in schools, or asphalt for roads).

- Second, as much as I believe that the INT office works aggressively to respond to allegations and evidence of corruption, I also think we would have a stronger overall evidence base for the bank's performance if INT had the capacity to conduct randomized audits of bank projects each year. So, not just responding to signs of corruption, but proactively reviewing a random selection of projects where no such evidence exists. The selections could be targeted to projects that fall within key areas of risk (countries, sectors, etc.).

- Third, the bank is taking some steps toward adopting new technologies to improve project accountability and performance. I think they could move more aggressively in these areas. For example, recognizing the remarkable degree of smartphone coverage even in the poorest countries, the bank could be deploying apps that enable both whistleblower-type reporting, as well as more transparent community-level ratings of bank projects. Think "Yelp" for World Bank projects.

III. How Can the United States Do Better?

The last point I would like make relates to the role that you play, and more generally the role of the United States government in driving reform efforts in the World

Bank. The United States is the largest shareholder in the World Bank, but in practice, US influence in the institution in key areas has typically come through its donations to the World Bank's International Development Association (IDA). As the largest cumulative donor to IDA since its founding in 1962, the United States, and particularly the US Congress, has effectively leveraged these resources to shape policy in the institution in areas like anti-corruption with the creation of the independent inspection panel, bank safeguards and procurement rules, and key aspects of program evaluation.

US IDA commitments have also helped to shape World Bank engagement in key countries and situations of US interest, such as supporting Jordan's hosting of a massive influx of refugees from Syria, efforts to contain Ebola in West Africa, and just this week, a $1.6 billion commitment to address the unprecedented famine in Sub-Saharan Africa and Yemen.

Given the uncertainty of foreign assistance funding this year, it is worth recognizing what US IDA contributions deliver for US taxpayers: an institution that is widely recognized as either the best, or among the best, sources of development finance and expertise in the world; and a mechanism for leveraging very modest US contributions (representing two-tenths of one percent of the defense budget) into IDA assistance to 77 low income countries on the order of $25 billion a year. And as the bank continues to pursue innovations in its financial model, that leverage will get even better for the United States.

But steering the bank's work requires active engagement, which in turn continues to rely on a strong US pledge to IDA and a commitment to honoring that pledge.

Finally, it is worth considering the role of these contributions in a broader context – both the World Bank's role and performance relative to other international organizations, and the role of these institutions relative to the capabilities and functions of bilateral programs at USAID, the MCC, and OPIC. I would encourage you to consider a formal review of the foreign assistance toolkit as a way to inform and guide any major changes to the foreign assistance budget over the next year. All told, these programs (bilateral and multilateral) represent less than one percent of federal budget outlays. It is well worth a rigorous test of their cost effectiveness and alignment with US interests in the world before proceeding with deep cuts, program eliminations, or consolidation. So I would urge this committee to take part in such a review from the standpoint of your jurisdiction over the multilateral institutions.

Thank you again for the opportunity to share my thoughts and I look forward to your questions.

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

MAXINE WATERS, CA, RANKING MEMBER

July 14, 2016

Dr. Jim Yong Kim
President
World Bank Group
1818 H Street, NW
Washington, D.C. 20433

Dear Dr. Kim:

We are writing to express our alarm over the World Bank's cancelled Uganda Transport Sector Development Project. As you know, the Bank is facing serious allegations related to misconduct by a Chinese contractor, including sexual exploitation of minors, repeated harassment of female staff, and deficient safety measures that may have resulted in five fatalities. The Bank has admitted that its supervision of the project was inadequate, particularly with respect to protecting Ugandan girls.

In addition to negligent supervision, the Bank's slow response to local communities' accusations is troubling. According to the Bank's own timeline, Ugandans had to wait six months from the time they first voiced their complaints until the Bank's Country Director wrote to public authorities requesting follow-up by law enforcement. Ten months elapsed before the Bank suspended the project, and delays in the Management Response meant that the Bank's Inspection Panel did not visit Uganda until one year following the initial allegations. As the Panel continues to investigate this case, we urge you and Bank management to cooperate fully while respecting the Panel's independence. We also ask that any findings of negligence and wrongdoing lead to appropriate disciplinary action.

The failure of this project to protect, let alone benefit, Ugandans should inform supervision in all sectors and regions going forward. We believe that the Bank must strengthen its role in supervising and monitoring its projects to ensure that the poor are protected in the Bank's work. Any actions by the Bank that would weaken its oversight could undermine support for the institution.

Additionally, the Bank has long faced criticism, including from its own staff, for a culture that too often places the volume of lending above concerns for the effectiveness of that lending. Last October, the Subcommittee on Monetary Policy and Trade held a hearing on the multilateral development banks that explored this very problem, and a report by the Bank's Independent Evaluation Group notes how the "pressure to lend" has characterized the Bank's culture for decades, often at the expense of development outcomes.[1] It is clear

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[1] *Learning and Results in World Bank Operations: Toward a New Learning Strategy*, Independent Evaluation Group, 2015.

Dr. Jim Yong Kim
July 14, 2016
Page 2

that such a culture can distract from the proper preparation and administration of projects, including monitoring and supervision, thus putting development at risk.

In the case of Uganda, the Bank clearly should have made supervision a higher priority. We hope that future beneficiaries, be they in Africa or elsewhere, will encounter more capable and responsive partners at the Bank.

Sincerely,

BILL HUIZENGA
Chairman
Subcommittee on
Monetary Policy and Trade

GWEN MOORE
Ranking Member
Subcommittee on
Monetary Policy and Trade

cc: The Honorable Jacob Lew, Secretary of the Treasury

OXFAM
America

Oxfam Statement for the Record
"Examining Results and Accountability at the World Bank"
House Financial Services Committee
March 22, 2017

We firmly believe that IDA is a critical place for the United States to be putting its aid dollars and support the government's commitment of $3.9bn in December 2016. Some of the key benefits of investing resources in IDA include that it is:

- One of the largest sources of concessional finance for Lower Income Countries
- One of the biggest providers of financing for core support for human development services such as health and education, key to reducing inequalities in countries.
- Despite there being fewer lower income countries, there is still a huge amount of poverty and inequality within those countries. Meeting the Sustainable Development Goals will also require concessional financing.
- There is a benefit of distributing aid through multilateral sources as the World Bank, since it is often less political and buffered from the interests of individual donor countries, and rather can focus on development priorities.
- IDA performs well on many aspects of aid effectiveness, especially country ownership over development priorities, predictability of financing, and transparency. IDA continues to be ranked highly in global rankings on aid transparency.
- The level of political impartiality when the World Bank engages in IDA countries - especially fragile states - allows it to be a trusted actor focusing on development priorities.

Through its strong financial contributions, the United States is very well positioned to ensure the World Bank is continuing to deliver on IDA, and producing strong inclusive, development impacts while not harming communities and the environment – an essential task on which the Bank still has significant work to do as we have seen with Inspection Panel cases and also, for example, through Oxfam and partners' tracking of the International Finance Corporations' investments through financial intermediaries (see The Suffering of Others (2015) and Owning the Outcomes (2016)).

The Bank has a relatively strong set of social and environmental policies but implementation and accountability is key. The US has historically played a crucial role in pushing the institution to be transparent and accountable, through the government's insistence on a progressive Access to Information Policy, the creation of an Inspection Panel, and strong social & environmental safeguards. The US should continue to use its standing as the majority shareholder of the World Bank to ensure it is using its financial resources responsibly and effectively. We recommend the US push the Bank to:

- Ensure strong development impacts that benefit and prioritize poorest communities especially with respect to education and health programming
- Ensure strong implementation of the new Environmental and Social Framework
- Strengthen the Inspection Panel for enhanced accountability
- Insist on transparency of all World Bank Group Investments especially through the tracking of investments through financial intermediaries.

We would welcome the opportunity to work with Treasury and the US Executive Directors' office at the World Bank to push through these important reforms.

COMMANDER
UNITED STATES EUROPEAN COMMAND

July 25, 2011

Mr. Secretary,

MEMORANDUM FOR SECRETARY OF THE TREASURY

FROM: Admiral James Stavridis

SUBJECT: Support for Work Accomplished by the Inter-American Development Bank

1. Mr. Secretary, I write to thank you for continued United States support of the Inter-American Development Bank (IDB). During my time as the Commander of US Southern Command, I witnessed first-hand many of the valuable contributions and tremendously positive influence the IDB has had on Latin America, the Caribbean, and across the region. I would like to outline a few of these accomplishments for your consideration.

2. The IDB has played a catalytic role in mobilizing international support around bold agendas that include innovative and proven poverty alleviation programs throughout the region. An example is the conditional cash transfer programs (CCT). These programs have proven, time and again, to reduce short-term poverty and contribute to important reductions in overall inequality. A great example, and one in which the IDB took a leadership role is Mexico's groundbreaking conditional cash transfer program, called Oportunidades. Oportunidades now serves nearly six poor families nationwide after receiving two loans from the IDB for $2.2 billion. In the following years, the IDB approved a total of $5 billion for the development of similar programs in countries such as Colombia, Guatemala, Honduras and Peru. At the moment, there are 16 CCT programs in Latin America and the Caribbean.

3. In 2009 the Bank developed a new framework for its support to countries in the area of citizen security, a major factor affecting social cohesion and economic development and an area in which the Bank expects to invest considerably in the years to come. This framework is the basis of the Regional Security Strategy that was recently discussed by the IDB with the US Department of State, the international community and the Central American Integration System (SICA) and that will be presented in June this year at the International Conference for Central American Security.

5. The IDB´s Multilateral Investment Fund has played a key role in raising international awareness of the importance of remittances. The MIF research, projects, and knowledge generation have spurred innovation and competition in the sector, resulting in a systemic impact on the Latin American and Caribbean (LAC) remittance market and beyond. Over 80 million LAC remittance senders and recipients have benefitted from the 75% drop in transfer prices since 2000, making LAC remittance costs among the

SHGXS
SUBJECT: Support for Work Accomplished by the Inter-American Development Bank

lowest in the world. Based on the $60 billion transferred to LAC in 2009, this amounts to savings for these 80 million people of $6 billion.

6. Clearly, the IDB plays an important role in the region contributing directly to US strategic interests. I congratulate you and the IDB on this success and am convinced we will see more fantastic progress in the years to come.

Sincerely,

J. STAVRIDIS
Admiral, U.S. Navy

My time as Commander of US SOUTHERN Command 2006-2009 made me a true believer!

UNITED STATES TRANSPORTATION COMMAND
508 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5357

10 May 2010

MEMORANDUM FOR SECRETARY OF THE TREASURY

FROM: CDR USTRANSCOM and CDR USCENTCOM

SUBJECT: Support for Work Accomplished by the Asian Development Bank

1. Mr. Secretary, we write to thank you for continued United States support of the Asian Development Bank (ADB). Both United States Transportation Command (USTRANSCOM) and United States Central Command (USCENTCOM) are eyewitnesses to the valuable contributions that the ADB is making in a region of great importance to the United States. Our meetings with the ADB's President Kuroda and U.S. Ambassador Chin have left us with a sincere appreciation of the great work the ADB team is doing.

2. The ADB is a leading donor in Afghanistan, financing projects such as the Ring Road and the Uzbek-Afghan railway project, which contribute directly to reducing poverty and enhancing opportunities for the development of cross-border and regional commerce. These projects are vital to the success of the U.S. strategy in both Afghanistan and the region. We are very pleased with the progress of the rail line from Hairaton to Mazar-e-Sharif. On trips to the region, we have visited both sides of the Afghanistan/Uzbekistan border and foresee long lasting benefits from this initiative.

3. ADB's $30M rehabilitation of the road between Dushanbe and the Kyrgz border has facilitated trade between Tajikistan and its neighbors, thus bolstering the regional economy and cementing relations between these countries. In Kyrgyzstan, a similar positive outcome is foreseen for the ADB's proposed $50M reconstruction of the Bishkek-Torugart highway.

4. Another country of great interest to both USTRANSCOM and USCENTCOM is Pakistan—a key Operation ENDURING FREEDOM logistics partner. ADB is the lead donor in Pakistan in the energy and transportation sectors, contributing to the stability of a country critical to U.S. strategic interests.

5. ADB is an increasingly important player in the Caucasus region and responded rapidly with project financing to Georgia in the aftermath of its conflict with Russia. Integration of the region through better transportation connections is a key element in its assistance plans and will no doubt provide additional opportunities for the flow of commerce throughout the region.

6. ADB plays an important apolitical role in getting countries to work together for common interests. United States engagement at the ADB contributes to our strategic interests in the region. We would like to congratulate you and the ADB on its many successful efforts and welcome continued strong partnership with ADB as part of our overall United States purpose and goals in these areas of critical importance.

Sincerely

DAVID H. PETRAEUS
Commander
United States Central Command

DUNCAN J. McNABB
Commander
United States Transportation Command

"Examining Results and Accountability at the World Bank"

Subcommittee on Monetary Policy and Trade

March 22, 2017

Chairman Andy Barr (R-KY)

Questions for the Record

Dr. Jean Ensminger

1.) You have worked for years in Kenya, with many individuals who have been affected by Bank projects. How can we make the Bank's staff more open and responsive to local viewpoints?

    Many World Bank project managers (task team leaders) would like to have the time and resources to do a better job. In recent years, their ability to do so has been heavily constrained by budget cuts that force them to push through projects without sufficient planning and design. Their time constraints also mean that they cannot devote sufficient time to supervision. In my view, populations would be better served with fewer, but stronger projects. More money is not required, but a reallocation of funds toward better design and mentoring through supervision, most definitely is.

    Here is one recent example of flawed project design. On January 13, 2017, the World Bank launched the "Kenya Climate-Smart Agriculture Project," which includes funding in its $250 million budget for foreign travel by county government staff in Kenya to visit: India, Indonesia, Mexico, and Brazil. Since the beginning of county government in Kenya in 2013, such trips have been repeatedly called out in the Kenyan media and by the Kenya National Audit Office as grossly wasteful. This is not the best way to serve populations on the verge of starvation. In my experience, such trips are most commonly used to bribe government officials to act and vote in specific ways that rarely have the interests of their citizens in mind. Officials love these trips because they use the opportunity to accumulate per diem "allowances" at high foreign rates.

    It is not easy for Bank staff to understand what is going on on the ground. To do so, they need to spend quality time in the field away from their minders, and most especially, away from the project staff. Unannounced visits to the site of almost any project are likely to be highly revealing.

2.) One of the more surprising discoveries in your research is that the project you researched had received positive ratings up to the time you began investigating it, and was even on the verge of being extended by the Bank. Is it safe to say the Bank would have gone forward if you hadn't raised concerns?

I am absolutely certain that the project would have been renewed for a five-year extension. It had an official date set for that renewal on the calendar of the Board of Directors. Even with the INT audit underway, there were powerful forces pressing to go forward with the renewal.

Is it your view that numerous projects are currently running with satisfactory ratings that are, in fact, characterized by widespread corruption?

Yes, I suspect that many projects with satisfactory ratings have widespread corruption. But fixing the rating system is not necessarily going to make any difference. For example, the Kenya Climate Smart project referenced above, is a follow-on project of the "Kenya: Adaptation to Climate change in Arid and Semi-Arid Lands (KACCAL)." KACCAL was rated "moderately unsatisfactory" in many previous ratings, and "moderately satisfactory" in the most recent rating from March 17, 2017; it closes on April 28, 2017. Despite these ratings, and what I know to be a deplorable performance, the greatly expanded follow-on project is now funded at $250 million.

When you think of the failures of the Kenyan project you studied, is it reasonable to expect the Bank to have understood the corruption risk beforehand?

Yes, the risk to any project in Kenya should have been anticipated. Anyone who reads the daily Kenyan newspapers is aware of the pervasive threat of corruption in Kenya. Over the past 20 years, Transparency International has consistently ranked Kenya among the most corrupt 10 to 20 percent of countries in the world.

3.) In their book *Why Nations Fail*, Prof. James Robinson of the University of Chicago and Prof. Daron Acemoglu of MIT discuss the importance of "inclusive institutions." These institutions "enforce property rights, create a level playing field, and encourage investments in new technologies and skills." Without them, foreign aid is unlikely to succeed. On the other hand, extractive institutions "concentrate power in the hands of a few, who will then have incentives to maintain and develop extractive economic institutions for their benefit and use the resources they obtain to cement their hold on power."

Does your research support the argument that extractive institutions undermine foreign aid's effectiveness?

Countries that rank among the most corrupt in the world are often systemically corrupt. By this I mean that corruption cartels have effectively infiltrated most, if not all, institutions of government. Any aid program that works through government has to take extraordinary steps to avoid capture by government cartels, and this may not even be possible. Most World Bank aid projects are run through government ministries. In systemically corrupt countries, there is a high probability that projects run by government civil servants have been captured by the cartel that runs the ministry. This was true in the case of Arid Lands.

What makes matters worse, is that people often dismiss project losses to corruption as the cost of doing business in tough neighborhoods. What people fail to take into account is the harm done with the ill-gotten gains. In the case of the Arid Lands project, some of the stolen funds went directly into political campaigns in support of the ruling party. This is the norm, not the exception. In other words, the stolen funds are not only a consequence of government corruption cartels, but they are serving to perpetuate that system by contributing to the re-election of the cartel.

3.) Your testimony discusses a project in Indonesia that fought corruption by fostering a free press. Does Kenya's level of development relative to Indonesia complicate your recommendations? Would the Bank be justified in diluting its standards for low-income members in Africa, or should we apply high standards to everyone?

It is indeed true that Kenya is not as well off economically as Indonesia. However, vast stretches of rural Indonesia share poverty dynamics that resemble much of Kenya. And arguably, we should be even more vigilant in poorer countries with regard to controlling corruption in aid. The damage that ill-gotten gains can wreak upon the institutions of a poor country are potentially more destabilizing than they might be in a richer country.

5.) Last year, the World Bank forecasted that around 45 percent of its financing would be for "development policy lending," also referred to as "budget support."

What are the implications of your research for how we think about budget support? Should your findings make us more skeptical of the World Bank's direct assistance to governments?

Budget support may be appropriate and efficient in the case of countries with strong institutions and low levels of corruption. In the case of systemically corrupt countries, providing budget support is equivalent to handing the keys to the bank over to the crooks. In such countries, corruption cartels have insinuated themselves in most if not all branches of government and government ministries. Turning funds over to them with fewer benchmarks of accountability is not a good idea.

If the Bank increases its budget support, will the kinds of research and investigations we have heard about today be more or less likely? How can the U.S. effectively hold the Bank accountable if its loans are not tied to a project?

It is all but impossible to measure accountability when aid is given as budget support to highly corrupt countries.

6.) In your testimony you write, "I experienced firsthand how operations interfered with the INT investigation of the Arid Lands project." How did the Bank's operations staff seek to impede INT, and how susceptible was INT to their interference?

There were numerous ways in which operations interfered with the INT investigation of the Arid Lands Project. Financial management in operations and the forensic audit team in INT had agreed upon a precise definition of "eligible" and "ineligible" expenditures before the audit work was conducted. By World Bank rules, "ineligible" expenditures must be repaid to the World Bank. At the end of the audit, when operations saw just how many "ineligible" expenditures (62 percent of all transactions) had been captured, they then insisted that the forensic auditors redefine the "ineligible" category. This led to the awkward language that appears in the report, which separates "questionable" from "suspected fraudulent" expenditures and reduced the eventual size of the repayment made by Kenya. "Questionable" expenditures were not repaid.

After the forensic audit was finalized in June 2011, the Vice President for INT travelled with the Vice President for Africa to Kenya on June 13, 2011 and met with the Cabinet Minister who oversaw the project, the Finance Minister, and the Prime Minister of Kenya. They agreed on two important matters in those meetings: 1) to temporarily withhold the report of the forensic audit from the public and not publish it immediately on the INT website, as planned; and 2) to conduct a second audit (with the Kenyan National Audit Office) of the same transactions that INT had spent 18 months investigating, and use the second audit as the basis for the amount of money to be repaid for "ineligible" expenditures.

There are three striking issues raised by this meeting and it consequences. First, one may legitimately question why the INT Vice President was travelling with the Vice President for Africa in the first place and sharing a report with the Kenyans before it had been shared with the Board of the World Bank, where it had been promised months prior. If INT is to maintain a truly independent posture as a credible watchdog, such a close relationship with the parties that are being investigated is suspect. Second, the decision to delay the publication of the report was met with extreme displeasure from the audit team in Washington, and upon return, the Vice President for INT reversed himself and put it on the web after sharing it with the Board. Third, to allow the Kenyans to redo the audit work of INT severely undermined INT's independence.

7.) In your testimony, you have proposed that projects publish expenditure data and many other details in order to hinder corruption. Do you have any reason to believe that IDA projects are unable to make these disclosures? Could the World Bank argue that these communities lack the necessary capacity?

The Arid Lands Project, for all its failings, proposed a remarkably progressive transparency policy in its project documents. The problem was that it did not make good on its transparency promise until it was forced to do so. However, the project was producing reports in 2003 from the most remote territories in Kenya that included exactly the kind of expenditure data that beneficiaries need to be able to access in order to know what financial transactions are being recorded for their territories. These data are simple excel tables that list: the date, type of project (classroom construction, water pan, generator, training exercise, etc.) the village location, number of participants (if training), and total expenditure. If they could do it 14 years ago on the remote frontiers at the border of Kenya and Somalia, and the border of Kenya and South Sudan, they can do it almost anywhere. These are data that all projects have to be collecting on a routine basis in order to submit financial reports to the World Bank. Sophisticated computer skills are not required. It stands to reason that if you want people to monitor their own projects, which is the philosophy behind participatory development, then you have to give them this information so that they can track the money and understand what they are supposed to be receiving. Most community driven development projects already mandate that such data must be made available on billboards in villages and project offices, but the only way to really ensure that the data are being made available publicly is to also insist that they be put on the web. The web can be easily monitoring, while billboard postings in remote locations cannot be.