CHAPTER ONE

Introduction: Hypocrisy and Change in the World Bank

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

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

[1] See, e.g., World Bank 2005.
[2] Weisman 2007a.
[3] Lapper 2007; Cavallo et al. 2007.

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

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

[4] Lipson (2007, 6) claims that such failures give rise to accusations of hypocrisy directed at the United Nations.

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

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

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

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

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

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

[7] See, e.g., Pincus and Winters 2002.

[8] Wade 2005; Hobbs 2005.

[9] Barnett and Finnemore 1999, 2004; Dijkzeul and Beigbeder 2003; Lipson 2007.

[10] E.g., Steinberg (2002) on the WTO; Schimmelfennig (2002) on NATO; and Iankova and Katzenstein (2003) on the European Union.

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

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

The Sociology of Organized Hypocrisy and Change

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

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

[12] Barnett and Finnemore 2004, 7.
[13] Lipson 2007.
[14] Koremenos, Lipson, and Snidal 2002; Hawkins et al. 2006.
[15] Pfeffer and Salancik 1978.

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

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

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

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

[16] Barnett and Finnemore 2004, 19, citing Alvesson 1993.

[17] Brunsson 2003, 212.

[18] Meyer and Rowan 1977; Argyris and Schön 1978.

[19] Brunsson 1989; Lipson 2007.

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

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

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

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

---

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

[21] Barnett 1997 and 2002; Hurd 2002; Bukovansky 2005; Lipson 2007.

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

[23] On the professionalization and socialization of the staff in the International Monetary Fund, see Babb 2003; Momani 2005, 2007; and Chwieroth 2007. On the general scope conditions and mechanisms of socialization, see Checkel 2005.

Strategic Compact reorganization in 1997 (see chapter 5). Yet reform programs may become a part of hypocrisy.[24] Reform goals and formal structural changes may be enacted to signal conformity to environmental expectations, to mold public opinion and fend off external criticism, to secure needed resources and get on with the work. "Such an interpretation," Brunsson and Olsen argue, "helps to explain why so many reforms are attempted, even though they have little effect on structures and processes, let alone results."[25] In the case of the Bank, Toye and Toye conclude, "the rhetoric of change [has moved] faster than the reality."[26]

At the same time, reform programs are not simply acts of smoke and mirrors. Quite often changes are initiated as the result of learning and the advocacy of new ideas and practices within the organization. In these instances, the intent to uproot hypocrisy and incite change is genuine, at least on the part of the champions of reform. Reform goals are pronounced and plans are enacted to align formal and informal structures and behavior with espoused goals. Yet change remains elusive. Why?

Aligning talk with action across an entire organization, especially one the size and age of the Bank, is not a straightforward task. Talk is cheap, but putting the Bank's money where its mouth is can be very expensive. Reducing hypocrisy necessitates reorienting the staff's expectations and behavior to comply with new agendas. Accomplishing such a change is not merely a matter of political will or of creating effective incentives and sanctions. Rather, uprooting hypocrisy requires arduous changes in structures, policies, mind-sets, and behavior. Such systemic cultural change is notoriously difficult to engineer. Moreover, reforms can be hindered by the very incongruence in environmental and bureaucratic goals that compels hypocrisy in the first place. When reform goals are inconsistent, and when they clash with existing ideologies, norms, incentive structures, and routines, reform is unlikely to succeed. Quite often such attempts produce unintended and undesired consequences, including continued hypocrisy. In the

[24] Brunsson and Olsen 1993, 10. Lipson (2007) calls this "reform as meta-hypocrisy," and argues that reforms that are successful in terms of creating consistency between organizational talk, decisions, and actions may actually render the organization incapable of decoupling in a manner that allows it to continue to cope with inconsistent environmental demands. In this sense, "rhetorical reform"—symbolic change enacted to signal intent to change without actual implementation—is necessary for organizational survival.

[25] Brunsson and Olsen 1993, 10.

[26] Toye and Toye 2005, iii.

end, hypocrisy can become a trap: easy to fall into and hard to get out of. For these reasons, this book examines both the contentious process of change in the Bank and the sources and manifestations of organized hypocrisy.

Hypocrisy and Change in the World Bank

> The road to hell is paved with good intentions. We have a lot of good intentions.
>
> —*John Alvey, outgoing president, World Bank Staff Association, December 2004*

Why the World Bank?

The Bank is a critical case for the study of organized hypocrisy and change if only because its "talk" and "action" have a profound influence on the theory and practice of global development. Since its rather humble beginnings sixty years ago, the World Bank Group[27] has grown from an original staff of seventy-two people, all located in Washington, D.C., to a current staff of over ten thousand located at the Washington headquarters and in over one hundred country offices. In its first six years of lending (1947–52), the Bank issued loans totaling less than $1.4 billion (approximately $12.6 billion in 2006 dollars),[28] whereas in the last fifteen years the Bank has averaged nearly $22 billion *per year*.[29] Furthermore, in the first ten years of its existence, the Bank issued loans almost exclusively for reconstruction in Europe and other infrastructure projects, including sector lending in electrical power, transportation, industry, and agricultural and forestry.

By the 1990s, the scope of the Bank's lending had expanded tremendously. It now tackles development projects ranging from sweeping adjustment lending for macroeconomic restructuring to social, environmental, and political areas of development, including social protec-

[27] The World Bank Group officially is composed of five organizations: the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA), the International Finance Corporation (IFC), the Multilateral Guarantee Investment Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). The main focus of this study will be the activities of the IBRD and IDA, which together account for the bulk of World Bank concessional and nonconcessional lending operations. Unless otherwise indicated, references to the "World Bank" (or simply the "Bank") will be synonymous with the IBRD and IDA.

[28] Mason and Asher 1973, 178–79.

[29] World Bank Annual Reports 1990–2006.

tion and pensions, designated environmental protection programs, and public sector management. The Bank's loan and grant commitments in 2005 approximately equaled the combined commitments of the four major regional development banks, nearing $22.5 billion in the same year that official development assistance totaled around $100 billion.[30] Annual World Bank lending in fact represents an amount greater than the annual gross domestic product of most of the world's countries.[31] Insofar as its lending policies are mimicked by other development agencies and national governments, the real effect of its material power is immeasurable.

The financial leverage of the Bank, however, is perhaps surpassed by the normative power of its development theories. In the past sixty years, the Bank has accrued a reputation as the premier global development institution with the greatest in-house expertise. The budgetary resources and staff allocation for research alone far exceeds that of any academic institution. More importantly, the Bank publishes each year the highly influential *World Development Report*, the most widely read publication in the area of international development, with fifty to one hundred thousand printed copies in English and additional copies in seven other languages.[32] The Bank puts out an enormous volume of other publications, including conference proceedings, working papers, and economic reports on specific countries. The capacity of the Bank to gather and disseminate data is a tremendous source of influence. The *World Development Indicators* aggregated yearly by the Bank are used extensively to gauge progress in socioeconomic development and aid, and are the primary source of statistics for the major publications of other international organizations, including the United Nations Development Program's annual *Human Development Report*. The data generated not only reflect the Bank's stance on what issues should be weighed in assessing development, but also set the stage for the scope and content of aid policies and programs.

Through these various sources of influence the Bank holds a unique position of authority in the world of ideas on development. Joseph

[30] Annual Reports for 2005 of the World Bank, Inter-American Development Bank, Asian Development Bank, African Development Bank, and the European Bank for Reconstruction and Development; ODA statistics represent the total new ODA (Official Development Assistance) and OA (Official Assistance to post-Communist transition economies) by Part I Developed Countries to Development Countries, available from the OECD 2006 Aid Statistics (www.oecd.stat).

[31] According to the gross domestic product (GDP) statistics of the United Nations Development Program's 2005 *Human Development Report*, over one hundred countries reported a GDP in 2003 less than the average amount of Bank lending over the decade, including most of the developing countries that borrow from the Bank.

[32] Wade 2001a, 1436.

Stiglitz, Nobel Prize winner in economics and former chief economist at the Bank, commented that its "predominant role in development research is so strong that, were it involved in the production of an ordinary commodity, it might be accused of anti-trust violation, dominating an industry."[33] As a result, not only the Bank's financial lending, but also what it *says* about development, shapes other multilateral, bilateral, and national development strategies and defines the conventional wisdom on global development.

Because what the Bank says and does is so influential, particularly in the developing world, contradictions between its words and deeds are grist for the mills of those who challenge its discourses and practices. Critics are quick to see hypocrisy and use it as justification for calls for reform or even dismantlement of the Bank. Its management and staff are incredibly sensitive to the effects that perceived hypocrisy has on the organization's credibility and thus their ability to carry out their operations. As Alison Cave, head of the World Bank Staff Association commented in 2007: "We have to be an example. We can't go and preach one thing and do another."[34]

Road Map to the Empirical Chapters

Before we can empirically examine the sources of organizational hypocrisy and processes of change, we need a detailed understanding of both the outside and the inside of the Bank—both the contentious politics that surround the Bank and the way things work within the belly of the beast. This is the objective of chapter 3, entitled "The World's Bank and the Bank's World." In the first half of the chapter, I describe the historical and contemporary relationships between the Bank and its member states (both donors and recipients), international nongovernmental organizations, epistemic communities, and the other actors relevant to the international development regime. The objective here is to establish the dependent relationship between the Bank and the entities that constitute its authorizing and task environments. This outline helps us sort out the cacophony of external demands upon the Bank, and the scope of the autonomy that enables it to evade these pressures, with greater or lesser success, through organized hypocrisy.

In the second half of chapter 3, I explore the social life within the Bank. I investigate the sources and evolution of its distinct intellectual and operational features and the political dynamics of its bureaucratic hierarchy. I examine the effect of bureaucratic politics and an econo-

[33] Stiglitz 2007, 1.
[34] Interview on CNN, 22 April 2007.

mistic, apolitical, and technocratic culture on the organization's ideas, policies, and practices. This description enables us to understand the dominant bureaucratic preferences and goals of the Bank and how they conflict with the preferences and goals of actors in the external environment as well as internal advocates of change. The chapter paints a rich portrait of the social and political environments within and without the World Bank, providing a basis for understanding the incongruence of goals that contributes to hypocrisy, and in turn the opportunities for, and constraints on, organizational change.

Chapter 4 is a case study of the how "talk" and "action" evolve within the Bank, and how and why the two diverge. The specific subject of the case study is the Bank's most prominent development agenda today: the promotion of "good governance" and the fight against corruption. From the start of this effort in the early 1990s, even talking about governance and corruption was difficult in the Bank. Donors and borrowers alike considered overt attention to weak or failed states and to corruption-busting "too political" for the Bank's mandate, particularly during the Cold War. Internally, friction with the Bank's intellectual and operational cultures led to the marginalization of early efforts to mobilize staff resources for governance reform work in borrowing countries.

Easing political tensions after the Cold War shifted donors' attitudes regarding the political scope of the Bank's work. At the same time, there was growing awareness outside and inside the organization that inattention to the politics of reform, and particularly to pervasive corruption in development projects, reduced the effectiveness of aid. Nonetheless, even with shifting environmental pressures, "talking" about politics in the context of the Bank's work was still considered taboo and incompatible with the Bank's conventional (i.e., economic) theories and models. The discourse and theories on governance and corruption in the early to mid-1990s thus emerged through a hard-fought cultural battle of ideas within the organization. The path-dependent effect of neoliberalism in the Bank's theory, reinforced by the dominance of economists in key intellectual positions, led to a peculiar articulation and justification of "good governance" work that to many (including some operational staff) avoided the kind of blunt political language and analytical tools necessary to put the new ideas into practice.

Not surprisingly, mainstreaming good governance in the Bank's lending operations was handicapped by its ways of talking about governance and corruption, even after James Wolfensohn's famous "cancer of corruption" speech. Moreover, persistent features of the operational culture, most critically the pressure to keeping lending, deterred operational staff from pushing the good governance and anticorruption agenda on reluctant borrowers, despite growing pressures from donor states and NGOs. Mainstreaming progressed, but with gaps that were well documented by the Bank's own internal evaluations units.

When Paul Wolfowitz took over from Wolfensohn in 2005, he made it clear that he planned to turn the anticorruption rhetoric into reality. However, his heavy-handed methods, unilaterally freezing or canceling high-profile loans, clashed predictably with the institution's culture and the interests of client countries. Moreover, Wolfowitz stirred resistance from European donor states and NGOs, who found his approach arbitrary (and aligned with the unpopular U.S. neoconservative geopolitical agenda) and dangerously resembling "neoconditionality." The result was a pushback from multiple sides, manifested in the contentious drafting and consultation process surrounding the new governance and anticorruption strategy paper passed in March 2007. There exists a strong consensus within the Bank on the importance of good governance for development, but an equally strong disagreement on how to pursue these ideals in practice.

Chapter 5 turns back to the question of resolving organized hypocrisy, and more specifically the promises and pitfalls of strategic reform. I examine the most recent large-scale reorganization of the Bank, entitled the Strategic Compact. The three-year initiative, launched in 1997 by James Wolfensohn, entailed a dramatic reorganization of the formal hierarchy as well as an effort to introduce incentive structures and norms that would disrupt the organizational culture and bureaucratic politics of the "old Bank." The stated objective of the Compact was to realign staff behavior with the envisioned "new Bank," particular in areas where organized hypocrisy was most evident.

However, navigating the conflicting demands of the Bank's external environments while simultaneously transforming bureaucratic culture proved to be anything but straightforward. The Compact itself, reflecting inconsistent environmental pressures, adopted contradictory goals that undermined the potential for success in key areas. For example, efforts to revamp the Bank's formal structures and to institutionalize compliance with environmental and social safeguards (a demand of watchdog NGOs and donor states) were countered by efforts to streamline the approval of projects (a demand of borrower states). Not surprisingly, success was most apparent where the reforms were consistent with the existing bureaucratic culture. In some cases, this success reinforced structural and cultural features that impeded mainstreaming in other targeted areas. Thus strategic reform inadvertently perpetuated organized hypocrisy. At a minimum, the architects of the

Compact learned the difficulty of engineering cultural change in such a complex organization.

The concluding chapter reflects on the theoretical and empirical lessons learned in this study. I comment on the endurance of hypocrisy in the Bank and on the connection between legitimacy, hypocrisy, and organizational survival. Most critically, I speculate on whether we will see more or less hypocrisy in the Bank in the near future. Mounting calls to reform the content and delivery of international aid challenge the core mandates, capacity, and culture of the Bank. We observe today the continued incongruence of environmental and bureaucratic goals. Paul Wolfowitz's own hypocrisy exacerbated these tensions, creating stronger divisions between the Bank's member countries and between its leader and his staff. Even under the new leadership of Robert Zoellick, the World Bank is today in crisis and is seeking to restore its legitimacy to justify its continued existence. Yet to the extent that legitimacy is sought through organized hypocrisy, the path to survival is precarious.

Methodology of Studying Organized Hypocrisy and Change

This book may best be labeled a sociological study or ethnography of the Bank. Here, the focus is not the "objects" or recipients of developmental finance, but the aid industry itself—a focus that already has a rich tradition.[35] As Michael Watts describes, the ethnographic approach asks how ideas and practices are institutionalized, in particular by examining the internal dynamics of IOs. This in turn "takes the *social construction* of knowledge (by whom, with what materials, with what authority, with what effects), and the relations between knowledge and practice very seriously, and in so doing can identify struggles and spaces in which important changes can be and are made."[36]

The research for this book was carried out between September 1999 and January 2007. During this time I conducted over one hundred formal and informal interviews inside and outside the Bank, both in Washington, D.C., and (for three months in late 1999) in Moscow. Under the auspices of a Brookings Institution Research Fellowship, I had the good fortune of working in Washington for one full year

[35] See, for example, Tendler 1975, 1997; Hancock 1989; Ferguson 1994; Cooper and Packard 1997; Escobar 1995; Dichter 2003; Lewis et al. 2003; Bebbington et al. 2004, 2006; Guess 2005; Goldman 2005. For an excellent summary critique of the development aid industry, see Easterly 2002 and Birdsall 2004.

[36] Watts 2001, 286.

(September 2001–August 2002), only a twenty-minute walk from the Bank's headquarters. The Brookings affiliation enabled me to develop valuable connections to staff within the Bank, which led to snowballing interviews and the privilege of being blind-copied on emails and sent internal documents. The time in Washington also allowed me to indulge in the "scientific" activity of simply hanging out at 1818 H Street to see how life worked within the Bank. This included nonparticipant observation of meetings, brown-bag discussions, and casual conversations in the cafeteria and atrium coffee bar. Since 2002, I have returned to Washington at least once a year to conduct follow-up interviews in the Bank and surrounding NGOs.

Ethnographic research also entails reading the immense amount of material (both official and unofficial) produced by the Bank. A great deal of my time was spent combing through the latest reports, from the flagship *World Development Reports* to operational documents (including Country Assistance Strategy papers), to departmental notes and Bank Staff Association newsletters. Perhaps the most valuable publications were the evaluation reports published by the Operations Evaluation Department (OED, now named the Independent Evaluation Group, or IEG) and the Quality Assurance Group (QAG). In particular, starting in the late 1990s, the OED began to evaluate the processes of mainstreaming in several areas of the Bank's work (including the environment, gender, and governance). In addition, there is a wealth of information about the Bank's mainstreaming gaps and incompliance with policy in reports written by NGOs and government agencies, such as the United States General Accounting Office.

Conducting ethnographies of international organizations is not easy. The researcher has to gain access to them, which can be quite difficult. As Lewis et al. argue, ethnographic studies of this sort are few "not least because of the logistical and methodological difficulties of being able to 'get inside' such organizations in order to study them—especially if the researcher has traditionally had a critical stance towards development. Organizations do not easily and willingly open doors to such researchers."[37]

There is indeed a considerable start-up cost in such research. Gaining initial access and learning how things work at the Bank takes patience and persistence. Nonetheless, most management and staff were receptive and even eager to talk once I became familiar with the external and internal politics of the Bank and fluent enough in "Bankese" to ask trenchant questions. At the same time, staff members experience

[37] Lewis et al. 2003, 545 n. 6. See also Ghosh 1994 on conducting ethnographies of IOs.

a pervasive sense of insecurity, stemming in part from the intolerance of open dissent, which compels most people to prefer anonymity or to speak off the record. Thus, a large portion (approximately 75 percent) of the information I collected in interviews is used as background only or is attributed simply to a "Bank official." Those who requested such anonymity are not named in the list of interviewees at the end of this book, but I am grateful for their candor.

Conducting ethnographic research on the Bank may in fact be easier today than in the past, for three key reasons. First, over the past decade there has been tremendous pressure from member states and NGOs for increased openness and transparency.[38] This has greatly eased access to information, particularly official project documents, evaluation reports, and research papers. Many materials once marked not for public release are now accessible on the Bank's immense website or available for purchase (at an oddly high fixed cost) through the Bank's Public Information Center. Other documents may be requested through a country's executive director.[39]

Second, a significant amount of "leaked" information is readily accessible to the public. Beyond the stories that appear regularly in the *Washington Post* and *Financial Times*, watchdog organizations, such the Washington-based Bank Information Center and the London-based Bretton Woods Project, are dedicated to gathering sensitive data on the Bank, including internal documents and information about the conduct and impact of the Bank's programs in borrowing countries. One needs to be aware that many NGO reports are intended to reveal problems rather than successes, but they are a fantastic source of current information and a good counterweight to the Bank's own publications (which, understandably, emphasize the positive impact of its work). These NGOs are quite willing to share their information, and their staff members are well versed in the internal affairs of the Bank as well as other multilateral development banks. I am extremely appreciative of the many NGO activists, particularly Bruce Rich at Environmental Defense, who helped me to gain access to key individuals and documents and generally pointed me in the right directions.

[38] See, e.g., Nelson 2001.

[39] Ironically, one area of research that remains difficult is archival research, which I attempted in 2005–7 in order to see internal documents regarding past reorganization programs. Due to rather arcane and very cumbersome information disclosure policies, which require the Bank's legal counsel to review and approve most access requests from researchers, much of the Bank's wealth of internal documents is still untapped. The information disclosure policies are under review, as of spring 2007, and may be reformed to facilitate access for external researchers.

Finally, as I have hinted above, the current malaise within the Bank has peculiar implications for access to the organization. It is not difficult to find disillusioned staff members who are ready to dissent from the Bank's official stance. They are often quite willing to share stories, draft reports, and internal correspondence that reveal the gap between official rhetoric and the "way things actually happen." One staff member joked that if a document is marked "for internal use only," you can bet the NGOs and newspapers will have it within twenty-four hours.[40] Moreover, the sheer size of the World Bank and the rate of staff turnover mean that former employees and consultants populate Washington think tanks, NGOs, and other aid organizations, and many feel free to speak bluntly about their former employer.

Conclusion: On the Measurement and Normative Implications of Organized Hypocrisy

Two key lessons I learned in conducting this research merit final comment. First, it is difficult to create objective, universally accepted standards for observing and measuring hypocrisy. Inevitably, hypocrisy is a matter of perception. There are also gradations of organized hypocrisy (e.g., the number of instances of incompliance with policy, and size of the mainstreaming gaps) that make it more or less damaging to institutional legitimacy. Hypocrisy is also uneven across an organization: it may be quite prevalent in some units or areas of the Bank's work, and not in others.

Ardent critics are quick to decry individual acts of incompliance with policy as hard evidence of systemic hypocrisy. Other observers are less likely to jump to such conclusions. There is a natural tendency to apply Justice Stewart's pornography standard to hypocrisy: we know it when we see it. One way to avoid this arbitrary subjectivity is to refrain from identifying hypocrisy without substantial evidence and agreement from multiple sources. In this book, I have sought verification of my evaluations from a balance of sources, including NGOs, official Bank reports, and interviews with staff. I also directed due attention to discerning where hypocrisy was expanding or disappearing, by looking for evidence of changes in behavior.

Second, there is an inherent danger of conflating individual and organized hypocrisy. The dictionary does not distinguish them, but rather leads us to believe that all hypocrisy is conscious "pretense" and "false claims." Implicit is the assumption that the hypocrite is a coher-

[40] Interview with Bank staff member, April 2005, Lawrence, Kansas.

ent, unitary actor who consciously decides whether to deceive or to be true to her word. Yet organizations are not unitary actors, but, as Lipson argues, "collectivities constituted and endowed with social agency by their social environments. . . . Just as it makes little sense to speak of an individual afflicted with schizophrenia or dissociative identity disorder (i.e. multiple personalities) as hypocritical, the censure associated with the term is inappropriate to consideration of organized hypocrisy in open systems organizations."[41] Bukovansky likewise argues that "'institutional hypocrisy' may . . . be very different from the hypocrisy of an individual, and the former may not deserve the moral condemnation we might level at the latter."[42]

In the case of the Bank, it is easy to identify specific acts of hypocrisy and to pinpoint individual responsibility, especially if you happen to name the president of the Bank. Determining responsibility for systemic hypocrisy, on the other hand, is much more difficult. In sociological terms, the Bank is a loosely coupled organization. Those who "talk" for the Bank are not always those who "act." In fact, we tend to observe the talk through presidential speeches, high-profile publications such as the *World Development Report*, and major strategy and research papers. The individuals and units that produce these public messages are not usually those in the front line of operations.[43]

The distance between those who produce the discourse on development and those who carry out the Bank's practice thus reflects the structural separations between its research and operational branches. Despite attempts in recent years to bridge these parts, for example through new networks and by assigning research staff to field operations, many staff members still feel that research and operations inhabit separate planets. Moreover, the incentive structures and cultures of these branches diverge, particularly in terms of *whose* expectations staff members must respond to in their daily work. For operations staff, the buck quite literally stops with client governments (or more proximally, the country directors), whereas researchers feel more pressure from donors and the broader intellectual community.[44] This source of goal incongruence multiplies the external sources of incongruence that drive organized hypocrisy.

[41] Lipson 2007, 9.

[42] Bukovansky 2005, 6.

[43] The six regional operational units are Middle East and North Africa, South Asia, East Asia and Pacific, Europe and Central Asia, Africa, and Latin America and the Caribbean.

[44] A recent external evaluation of the Development Economics Department made this essential point. See Deaton et al. 2006.

These two key lessons have normative implications for efforts to determine *who* is the hypocrite and where to lay blame. To the extent that organized hypocrisy is rooted in structural and cultural constraints (inconsistent environmental and bureaucratic pressures) that are impossible to resolve, hypocrisy may be an unavoidable feature of Bank life. Organized hypocrisy may also be necessary to ensure the Bank's survival. And that leaves a dilemma, best articulated by renowned Bank scholar Robert Wade: "Anyone concerned to protect and expand the scope of international organizations and international public goods has to be concerned with how either to improve the ability of IOs to be hypocritical and get away with it, or to reduce the need for organized hypocrisy. Or both."[45]

[45] Wade 2005, 3.