

**Jack Blum:** In the 1990s I met two people who worked at the World Bank who had contract arrangements with the bank, one of whom had worked for the bank in Africa over a 20 year period and it became clear that the guy was someone who had seen every form of corruption imaginable, in which World Bank money just disappeared almost as soon as it was being dispersed.

This is the Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

**Jack Blum:** He said the problem is the bank has refused to discuss corruption as a problem. And the reason they've refused to discuss it is the bank's board of directors includes the people who are the corruptors and the corruptees.

As we heard in the previous episode, Jack Blum was coming up against multiple challenges in tackling corruption internationally. Over occasional lunches, Jack and his new friends grappled with the most effective ways to tackle serious problems at the World Bank.

**Jack Blum:** Because it was clear that nothing could go forward or be fixed without tackling the problem of corruption head on. The bank had pretty well refused to tackle it simply because the people who were the managing directors for the different countries turned out to be the very people who were benefiting from the corruption.

The question was, what do we do to break through? Well, the first thing we began doing was holding regular meetings in the cafeteria at the bank and having people talk about the problem of corruption and what to do about it and what the problems really were. And the idea was that maybe the bank should be taking an interest in recovering money that disappeared, when money went walkabout on one of their projects or loans. And eventually we, we got a meeting room and you know, somehow worked it out that this became a regular feature for maybe a period of a year or so.

The discussions in turn led to discussions that would be with the higher-ups at the World Bank. And of course the reaction of people the higher up the ladder you went, was more negative because their response was anything you want to do about controlling corruption would wind up interfering with the sovereignty of the country that had borrowed the money. And the problem with the World Bank trying to recover money that had disappeared was that the bank shouldn't be interfering with the sovereign, which was in fact the borrower, and that it was up to the sovereign to go after whatever had been stolen, and all the bank could do was note that it had been stolen. My reaction to that was, this is idiocy, because in truth, the assets that had been stolen were in the hands of the people who were saying we shouldn't go after those assets. And as far as the bank interfering with sovereignty by doing it, the bank was certainly interfering with sovereignty when it came to the collection of the debt, because the IMF and all of the arms at the bank that would deal with the question of debt were perfectly willing to impose the most odious and terrible conditions as conditions for further borrowing. This went on for a period of about two years that we had these meetings and tried very hard to work things out but we didn't get very far inside the bank, except that some of the top people began talking about corruption as a problem, which was not a bad idea.

In the course of this period I was approached by the State Department, AID principally, to speak about the problems of corruption and tax evasion in different places around the world. One of the places I went to was Kenya and it was, at the time, under President Daniel Arap Moi and corruption was absolutely rampant in the country. There was one unforgettable meeting with the Kenyan Bar Association. The lawyers were talking about corruption in the Kenyan judiciary and one lawyer told me a story I will never forget, which was how he had a client and he prepared diligently for the case involving the client. He had worked very hard, he'd written the best brief he'd ever written in his career. And he made a superb argument, he said, before the court. And lo and behold, the court ruled in his favor, and he was so pleased with the work he had done. And on the way out of the courthouse, after getting the judgement, the client said, well, that payoff really worked.

While I was there, someone heard me speak on the subject of corruption and said, I need your help and this was a gentleman of Indian descent who had wanted to bid on a project that the World Bank was funding in Kenya. He said the bank had put out a request for proposals and this was to build a hospital. The request was to absolutely do a turnkey job for the entire hospital. And he said that what he wanted to bid on was medical equipment that would go into the hospital. He said the way the bid was organized, the single bidder had to provide everything. And the specifications in the bid included equipment that was only available through one particular supplier. And what that meant was that the bid process was absurd because only that particular supplier would be able to meet the requirements of the bid proposal. And he said, would you see what you can do to call attention to the way this bid has been rigged and see if you can get somebody at the bank to do something about the rigged bid? So I came back to Washington. The president of the bank at the time was Wolfensohn. And I put the case to Wolfensohn, as I recall, in the form of a letter. And the letter I got back was essentially, none of our business, this is a problem for the government of Kenya. They're the ones who wrote the proposal, the bid proposal and it's not something that the bank gets itself involved in. That is at the heart of the difficulty at the bank.

But then there was a further problem that began to emerge and that is in an environment like this, the bank people on the ground can be terribly tempted to get involved in the corruption involving the lending. And the rules at the bank at the time for employees and people who were project managers or country directors were pretty lax and numbers of people who were involved in this kind of project financing would be dealing on the sly with various and sundry contractors and bidders who were looking for someone to help them. And there would be some emolument, whether in the form of a consulting agreement or whatever with the very people who were supposed to be supervising them.

I ran into this in another case where the project was to develop a refinery that would produce alcohol as a fuel. And the proposal was to buy a plant that had been built, but not operated, somewhere, I think it was in Louisiana. And it was to be moved to a location in the Caribbean. And the people who brought me into it wanted legal help on various aspects of selling this plant. And I quickly realized there was a consultant who was in the middle of it who was putting everything together who was also an employee of the bank. The question was how can that be? But there were no internal requirements that would have prevented it. This, of course, made me very unpopular with the bank when I started bringing this stuff to the attention of management because it, it chipped away at all of the things that they were protecting.

I, not terribly long ago, I'd say about two years ago, was approached by someone who had come from the private sector, I've forgotten what he had done, but he became a senior World Bank person for a project in Africa, let's leave it like that. And he started talking about the corruption all over again and how he tried to dent it but couldn't because he ran up against the corrupt local officials and the bank saying that's not your job.

Basically nothing has changed, the problem is an outgrowth of the structure of the bank and the notion that protecting sovereignty comes above everything. But when it comes to collecting the debt, sovereignty is not that important. The lever in that one is if you don't play by our rules, which will be cutting subsidies for housing or, or education or food or transportation, that's okay. We can, we can leverage that. But we can't go back out and go after the crooks who stole the money.

**Naomi Fowler:** The Corruption Diaries is a production of The Tax Justice Network, made by Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.