

Actors in the Democratic Arena: The World Bank

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Since the end of World War II in 1945, the international community has been dedicated to fostering democracy from region to region. This has coincided with the increase of globalization and technology that has made it easier for countries to communicate and trade with one another more effectively. As this is the case, it was only natural that international organizations would be created to focus on the economic development of countries that were either former colonies or USSR states. The World Bank Group was founded in 1944 at the Bretton Woods Conference as the International Bank for Reconstruction and Development. The intended purpose of creating the Bank was to provide loans and grants to low/middle income countries that were unable to secure loans in the traditional setting. The World Bank Group is composed of five separate institutions that focus on reducing poverty, increasing shared prosperity, and promoting sustainable development (World Bank Group, 2019). The institutions are the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. The paper will primarily focus on the International Bank for Reconstruction and Development and the International Development Association as these two organizations have had a greater focus on governance and democracy in developing countries. The two organizations are also what constitutes as the World Bank while the other three organizations help make up the World Bank Group. The International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) provide financing agreements and policy advice to developing countries and countries in transition. This paper will focus on how the World Bank behaves like an actor that promotes democratization with its developmental loan programs that help create the conditions needed for stable democracies.

The question of what conditions are essential in a country to create an environment in which democracy can thrive is one that many scholars are still discussing. Some argue that a robust economy driven by the middle class is necessary while others suggest that democracy is brought about by mass mobilization of the people. Examples of both arguments can be seen in the emergence of democracy in Eastern European countries after the fall of the Soviet Union (USSR). In “Is There a Necessary Condition for Democracy? The Role of State Capacity in Postcommunist Countries”, Jessica Fortin argued that one important condition that was relevant to building democracy in post-communist countries was state capacity (Fortin 2011). State capacity was defined as the ability of a state to govern its people effectively politically and economically (Fortin 2011). Fortin discovered that in states that became democracies, their state capacity was higher than states with low levels of state capacity (Fortin 2011). As state capacity includes the state’s ability to provide public goods for its citizens, international organizations like the World Bank are vital to supporting states in this area.

The World Bank assists states by providing them with loans and grants that supplement developmental programs they support. These programs are meant to target specific areas that a state is having difficulty providing for its citizens. Such areas include education, health, public administration, infrastructure, and private sector development (World Bank Group, 2019). The goal of these programs is to increase the capability of states to provide for their citizens in these areas which aligns with the World Bank’s objectives to increase shared prosperity, reduce global poverty, and promote sustainable development globally. As a state’s capacity to provide increases, the likelihood of democracy emerging in the state also increases. Thus, the role of institutions like the World Bank is to provide access to resources that enable states to increase their capacity.

Another important condition that helps foster democratization in a country is political liberalization. Political liberalization is the process in which a country increases its citizens' rights and liberties by minimizing the government's supervision of society and individuals. Examples of countries that are politically liberal include the United States, France, United Kingdom, and Sweden. In those countries, citizens can speak freely and even condemn the actions of their government without fear of prosecution. On the other hand, in states that have not undergone the process of political liberalization, their citizens are often afraid to speak out against the government, become politically engaged, or even join civil society organizations in fear of being prosecuted by the government. The World Bank provides incentives that can make countries want to undergo the process of political liberalization.

A state in the World Bank is either seen as a borrower or a lender (World Bank Group, 2019). Borrower states are given loans and grants by the IBRD or IDA loan programs. The IBRD loan program primarily lends money to states that are middle-income or creditworthy while the IDA loan program is for the poorest states. Lender states are the states that provide the monetary assistance the World Bank needs for its loans and grants. In order to become a lender state, a borrower state has to graduate from the IBRD loan program (Carnegie and Samii 2019). This occurs once a state has exceeded the fixed gross national income (GNI per capita) threshold two years in a row (Carnegie and Samii 2019). Once the country is eligible to graduate, they are subject to a process of review of their democratic institutions by World Bank officials and countries on the bank's governing board. Carnegie and Samii argue that since the World Bank is run by a group of liberal states, its members inherently promote the ideals of democracy which can be achieved through political liberalization (Carnegie and Samii 2019). Therefore, the World Bank acts to promote democracy because of its core base of Western democracies as lender

states. Borrower states are inclined to adhere to the rules of the World Bank if they want to obtain the loans and grants they need to stabilize and build their economies. To do so, they may implement political reforms that liberalize their country's political environment. Such reforms often align with the core principles of democracy and may include establishing representative legislative branches, reducing the powers of the executive, and expanding the civil liberties awarded to citizens.

Carnegie and Samii also made the argument that the elitism that exists in global institutions like the World Bank creates pressures that incentivize states to participate (Carnegie and Samii). The elites in this case are wealthy Western democracies that are seen as examples of stable governance. States wanting to attain the same level of status and prestige as the "elite" group of states are motivated to reform their political system to conform with the status quo.

Moreover, the World Bank has been known to stop supporting governments that go against democratic norms. An example is when the World Bank in conjunction with other Development Assistance Groups stopped supporting the Ethiopian government in light of the 2005 Ethiopian election massacre (Abteuold and Fesseha 2018). The Ethiopian election massacre occurred in the months following Ethiopia's election on May 15th, 2005 where government forces acted violently to quell protesters from the opposition parties. Situations like what happened in Ethiopia have showcased the tendency of international institutions to rely on limiting financial support as a means of influencing countries to act more democratically. This may not be the most effective way of preventing antidemocratic behavior from member states as authoritarian states, like China, have begun to increase their economic influence in developing countries through loans and grants. China's approach to providing monetary assistance to developing countries has not had the same strings attached approach as the World Bank

(Gehring, Kaplan, Wong 2019). In fact, a strong correlation exists between countries with more democratic governments being World Bank donor countries and countries that are more authoritarian relying on aid from China (Gehring, Kaplan, Wong 2019).

There are several arguments against the efficacy of World Bank loaner programs when it comes to economic development in borrower countries. Many view the Bank's lending policies as an extension of Western capitalism which has been fondly referred to as the Washington Consensus (Haerpfer et al., 2019). This form of democracy has been viewed as opportunistic and largely focused on economic development as a marker of democratization instead of more social factors like the presence of a flourishing civil society or middle class. It led the World Bank to promote Structural Adjustment Programs that have left detrimental effects on the economy of states that implemented them (Bretton Woods Project, 2019). Others view the World Bank as protecting the economic interests of Western democracies while disregarding the needs of developing countries and sending them further into debt. The fact that many of the leaders and officials on the governing board of the World Bank are from Western countries means that there is an underrepresentation of people from developing countries and their perspectives. This results in the exclusion of a large portion of the world in conversations about democracy, economic development, and the role of international bodies. It has also made the World Bank seem biased in its policy and decision-making process as highlighted in the Greek loan program (Bretton Woods Project, 2019).

Ultimately, the role the World Bank has played in fostering democracy has been one that seems to change according to the interests of the international community. It seems to focus on economic development as a primary factor in establishing sustainable democracies and ignores other paths to democracy. However, some of the programs and projects of the bank have been

successful in pushing borrower states to implement political reforms that are democratic in nature. As the world continues to become even more interconnected, it is crucial that institutions like the World Bank reflect the changing ideals of the international community. The focus on Western democracies as the epitome of democracy is one that will have to evolve in light of increased populism and nationalism from the West.

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