

## Funding the Future

# The World Bank has confessed its failings. It doesn't n...

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The [World Bank issued](#) this statement yesterday:

**WASHINGTON, September 16, 2021**—The World Bank Group today released the following statement on behalf of the Bank's Board of Executive Directors:

*"The World Bank's Board of Executive Directors today authorized the release of "[Investigation of Data Irregularities in Doing Business 2018 and Doing Business 2020 – Investigation Findings and Report to the Board of Executive Directors](#)," an independent external review of the facts and circumstances around previously reported data irregularities in the 2018 and 2020 Doing Business reports."*

The [report from the lawyers](#) who undertook the investigation for the World Bank to which that statement refers says:

On January 20, 2021, the International Bank for Reconstruction and Development ("the Bank") engaged our firm to review the internal circumstances at the Bank that contributed to the data irregularities identified in the *Doing Business 2018* and *Doing Business 2020* reports. To that end, we undertook to understand: (1) how improper changes to the data for China (*Doing Business 2018*) and Saudi Arabia, the United Arab Emirates, and Azerbaijan (*Doing Business 2020*) were effected; (2) who at the Bank directed, implemented, or knew about the changes to the data and how their direction or pressure manifested; and (3) what internal circumstances, whether related to policies, personnel, or culture, allowed for the changes to take place.<sup>1</sup>

A summary of the conclusions is this:

### **Doing Business 2018**

Published on October 31, 2017, the *Doing Business 2018* report was released at a pivotal moment for the Bank and its leadership: From mid-2017 to April 2018, Bank management was consumed with sensitive negotiations over its ongoing capital increase campaign. Among other issues complicating the process, there was concern that at least one key stakeholder would meaningfully reduce its commitment to the institution, and that other significant countries, including China, were apprehensive about how ownership shares at the Bank were going to be re-calculated in response to increased financial commitments.

Then-President Dr. Jim Yong Kim and then-CEO Dr. Kristalina Georgieva were overseeing the capital increase campaign, and, according to a then-Development Economics Vice Presidency ("DEC") manager, CEO Georgieva was engrossed in the effort's success. Indeed, CEO Georgieva explained in her interview that multilateralism was at stake, and the Bank was in "very deep trouble" if the campaign missed its goals. In his interview, President Kim described the significant tensions he faced between managing the disparate expectations and objectives of key shareholders.

It was against that backdrop that [Page 1/3](#) regularities pertaining to China occurred.

The allegation is that the process was corrupted.

There is much fury in the development community about this, and those who have always seen the World Bank as a neoliberal enemy are having a field day.

I admit I see things slightly differently. I am delighted by the demise of the Doing Business report. It has always promoted a profoundly inappropriate view of the world concentrating as it did on light regulation and low tax as the basis for prosperity when quite clearly what was not true. This report was part of the old Washington Consensus which the world can most definitely do without.

But does that mean that the World Bank has to be got rid of as some are suggesting? I think not. If it was it would have to be replaced with something looking remarkably like the World Bank. And whilst much of what it has done has not been especially helpful to developing countries in the past, that was true of almost all government actions, including many of those of the UK. Despite that I have not heard development spokespeople demanding we sweep away our government because of those failings which were at least as big. Not have I heard them demand the end of the state in this country because of corruption within the current government, which is all too apparent. Come to that, I did not hear them demand the end of aid agencies when it was shown that they too have failed on occasion. And compared to many governments and some NGOs the World Bank has confessed its failings and even named names.

I happen to think that the World Bank has also been an agency for good on occasion. I have seen its work to tackle corruption. And against the odds the World Bank has called for major tax reforms, including on wealth taxation. And it is promoting tax justice now.

So, what has been found looks very like corruption in the production of what was already a deeply discredited index that was of little or no real value in the world and whose time was already coming. So weed out the related corruption by all means. But those using this situation to call for the end of the World Bank really do need to understand the politics and needs of the real world. They can demand the demise of the World Bank because of its past association with the Washington Consensus, just as they demand the demise of the Organisation for Economic Cooperation and Development because they think it anti-developing country, but the reality is that what they demand can only hinder the chances we have of dealing with the real issues that the world faces, from climate change onwards.

We can rearrange the deckchairs in the interests of political vanity, or we can get rid of corruption and use the tools we have to face the crises that exist to ensure the survival of the planet. I confess to having less and less time for those who only want survival if every box on their list of political requirements is ticked on the way. Some people need to smell the coffee. Whether we like it or not, compromise is required to make things work within the political economic domain, and far too many seem to be forgetting this.

Now is the time to focus on the issues with what we have available to do so. There is no spare decade available to reform the world's institutions before doing so and I really do wish those who want change would have the honesty to admit that.