

## **Evaluation of World Bank finds Evidence of Failure to Control Corruption: “Significant Deficiencies” in Compliance with Charter<sup>1\*</sup>**

***Senate Foreign Relations Committee Report says no new funds for World Bank  
and other MDBs until major reforms are undertaken***

April 20, 2010

An unprecedented internal World Bank evaluation made public last year found that the institution failed to adequately address the risks of fraud and corruption in its assistance to poorer countries.<sup>2</sup> A report released by the Senate Foreign Relations Committee in March confirms these findings and recommends that new funds and capital increases not be authorized for the World Bank and other multilateral development banks until major reforms are in place. This paper highlights these and other findings. It then describes concerns that the World Bank may diminish its emphasis on supervision of its operations and compliance with its policies in ways that could undermine efforts to address corruption and achieve greater development effectiveness.

### **Alarming Findings**

The evaluation, “IDA Internal Controls,” which was prepared by the World Bank’s Independent Evaluation Group (IEG), found a material weakness and six significant deficiencies in compliance with the Bank’s Articles of Agreement and Operational Policies. The nearly 700 page report, completed in 2008 by the Bank’s Independent Evaluation Group (IEG), was made public in April 2009.

The evaluation process was mandated by the donor governments of IDA. In 2005, the major countries that fund the World Bank agreed to give IDA \$33 billion through 2008 for its 14<sup>th</sup> replenishment. In return, Bank management agreed to conduct “an independent comprehensive assessment of IDA’s control framework, including internal controls over IDA operations and

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<sup>2</sup> The IEG findings are set forth in 5-volumes entitled, “Review of IDA Internal Controls”: <http://web.worldbank.org/external/default/main?contentMDK=22142204&theSitePK=1324361&piPK=64252979&pagePK=64253958> The IEG states that, “with important qualifications, IDA’s internal controls framework operates to a high standard overall.” But the central weakness in failing to address fraud and corruption goes to the heart of the Bank’s fiduciary duties and development effectiveness.

compliance with its charter and policies.”<sup>3</sup> While its findings apply to the International Development Association (IDA) – the arm of the Bank which provides assistance to low-income countries -- the entire Bank relies on the same controls.<sup>4</sup> Two findings are highlighted below.

**Material Weakness in compliance with charter.**<sup>5</sup> The IEG found that internal controls to prevent fraud and corruption were so weak as to constitute a “material weakness,” i.e., a threat to IDA’s ability to accomplish its objectives and carry out its fiduciary duties as required by its charter (see attached one page original text). Thus, the risk of Bank resources being stolen through collusion, over-pricing, under-delivery, and bribery is high. In addition to the lack of internal controls, IEG also found a perverse internal culture originating with a lack of consistent ethical signals from senior management. Due to this culture, IEG stated that “[The Bank’s] staff fear reprisal for reporting infringements [of policy and of fraud and corruption] and unethical behavior.” The greatest fear of reprisals was found in the Bank’s anti-corruption investigative unit—the Department of Institutional Integrity (INT).

What is needed is reliable, independent enforcement of the Bank’s current anti-corruption guidelines and regulations as well as a mandate to work with law enforcement officials in borrowing countries to prosecute corrupt officials.

In elaborating upon its finding that IDA is in material breach of its obligation under its charter, the IEG report found that (emphasis in original):

“Incentives do not link to ethical behavior....There are no real links in the [staff] incentive system between staff rewards and project performance.”

“Reported improprieties are not followed up on and resolved in a timely manner.”

“Management often fails to take timely actions to follow up on audit, investigatory, and evaluation findings.”

“Actual F & C [fraud and corruption in IDA lending] **may not be rare** but may occur in many countries.” [emphasis in original]

“Bank culture, management priorities, staff incentives and HR (Human Resources) practices have **not given priority to safeguarding against F & C [fraud and corruption] in Bank/IDA**

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<sup>3</sup> “Report from the Executive Directors of the International Development Association To the Board of Governors, Additions to IDA Resources: Fourteenth Replenishment, March 10, 2005,” p. 16, para. 39.

[http://siteresources.worldbank.org/IDA/Resources/14th\\_Replenishment\\_Final.pdf](http://siteresources.worldbank.org/IDA/Resources/14th_Replenishment_Final.pdf)

<sup>4</sup> According to the evaluation, an internal control is a gateway and decision point, involving key units and IDA staff, in a given business process module, through which a business transaction being processed must pass. It is the effectiveness in design of these controls and the subsequent testing of the effectiveness of their operation that is at the center of this review. Controls are tools to manage and mitigate risks.

<sup>5</sup> One of the methodologies for reaching these conclusions entailed an examination of: 1) the umbrella processes and associated controls (fiduciary, contractual, safeguards, etc.) for processing three important operational documents: the Country Assistance Strategy, Specific Investment Loans, and Development Policy Loans through all stages (from identification to completion). When these processes are appropriately designed to facilitate and verify compliance with key IDA policies and procedures, then there can be assurance that that IDA funds are used for the intended purposes.

**operations.”** [emphasis in original]

**Twenty-two “significant deficiencies”<sup>6</sup> (grouped into six categories)<sup>7</sup> in compliance.** (See findings in the attached two page summary.) Among these, IEG found that “there appear to be a significant number of Operational Policies... – some 50% – which were not directly linked by Management to any key controls or business processes.”<sup>8</sup> The evaluation singles out non-compliance with appraisal and supervision policies as being particularly problematic.<sup>9</sup> The lack of adequate appraisal of operational documents that are submitted to the Board for their approval fosters Board decision-making on the basis of incomplete information about its operations, including fiduciary and safeguard risks for the Bank and its client governments. The lack of adequate supervision – including monitoring and evaluation (M&E)-- of operations in the field undermines efforts to control fraud and corruption and achieve development effectiveness.

### **Findings of the Senate Foreign Relations Committee**

In 2004, the Senate Foreign Relations Committee, chaired by Senator Richard Lugar, held a series of hearings about the issue of corruption at the multilateral development banks (MDBs). During these hearings, an expert witness shocked the committee and the public by stating that his best calculations yielded estimated losses due to fraud and corruption in the projects and loans of the MDBs at about \$200 billion over the life of the institutions.<sup>10</sup> The World Bank alone, according to the witness, had lost over \$100 billion in resources through corrupt practices. Nonetheless, IDA replenishments continued based on commitments from the MDBs to put more effective controls in place.

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<sup>6</sup> Control *deficiencies* are classified as one of the following: (i) an internal control deficiency; (ii) a significant deficiency; or (iii) a material weakness. According to the evaluation, “the classification of a deficiency is based upon the likelihood of occurrence/noncompliance and/or the significance of noncompliance. Identified deficiencies could be significant deficiencies or material weaknesses where the control deficiencies have attributes that could: impair the achievement of IDA’s objectives; violate requirements of IDA’s charters or other contractual agreements; significantly weaken safeguards against waste, loss, or unauthorized use of funds, property, or assets; involve conflicts of interest; involve systemic problems in country assistance, partnerships and project lending, or require the attention of Senior Management, the Board as well as the awareness of external stakeholders.”

<sup>7</sup> For IEG, these “significant deficiencies” are identified as: (i) a need to maintain the currency of the Bank’s Operational Policies and Bank Procedures (OP/BPs); (ii) a need for improved systems of document retention and accessibility; (iii) generic weaknesses in controls over financial management and procurement processes; (iv) a need for improved management oversight of project processing and supervision, coupled with improved staff incentive structures and performance accountability; (v) a need to improve risk management; (vi) a need for greater IT security in some areas. The IEG report changes in tone from section to section and states also that “overall IDA’s internal controls framework operates effectively and with high standards, but with some important [aforementioned] qualifications,” i.e., if one excludes fraud, corruption, lack of links between staff incentives to ethics and project performance, etc.

<sup>8</sup> IEG, “IDA Internal Controls, Volume V, p. 18.

<sup>9</sup> The evaluation identifies: 1) “a lack of focus on key risks and controls during preparation/design and supervision stages of IL projects”, Ibid., Volume 3, page I-9-10. 2) “The issue of operational policies and business procedures (OPs/BPs) not keeping pace with the changes needed and/or introduced on the ground relates primarily to the ones on appraisal and supervision of investment lending, i.e., OP/BP 10.00 and 13.05.” IEG Evaluation, Volume III, p. C10.

<sup>10</sup> “Criminal Debt”, Testimony of Jeffrey Winters, “Combating Corruption in the Multilateral Development Banks, Hearing before the Committee on Foreign Relations, United States Senate, May 13, 2004. Winters is an associate professor at Northwestern University with a PhD from Yale.

Thus the IEG report is an indicator of how effectively the World Bank has fulfilled this commitment. Despite the report's damning conclusions, the MDBs are requesting substantial contributions in cash and loan guarantees from donor governments: the World Bank alone is requesting over \$70 billion of the United States.

On March 10, 2010, the Senate Foreign Relations Committee released a report – “The International Financial Institutions: A Call for Change” -- urging the U.S. and other major donor countries “to be firm in demanding that needed reforms are secured *before* committing additional funds” (emphasis added).<sup>11</sup> The Committee has issued this directive because its own continuing hearings as well as its monitoring of fraud and corruption corroborate those of the IEG evaluation. Among other things, the Committee’s report:

- calls for the World Bank and other international financial institutions to “redouble their efforts, including increasing resources for internal controls, to battle the invidious corruption that has thwarted so many development projects.”<sup>12</sup> It states that most “operations and thinking [of the international financial institutions] continue to be characterized by inertia and a reluctance to reform.”<sup>13</sup>
- highlights the endemic problem with the “loan approval culture” saying that: “The international financial institutions too often focus on issuing loans rather than on achieving concrete development results within a finite period of time.”<sup>14</sup>

One recommendation of the Committee calls for the World Bank Group to cease its refusal to cooperate with the U.S. Government Accounting Office (GAO) and provide the GAO with access to information. According to Senate sources, this lack of cooperation has blocked the ability of GAO to conduct two studies that Senators Richard Lugar, Evan Bayh, Patrick Leahy and former Senator (now Vice-President) Joe Biden requested in 2008. The two studies concern the effectiveness of the anti-corruption strategy of the International Development Association (IDA - the part of the World Bank that gives low interest loans to poorer countries), on the one hand, and the World Bank’s environmental assessment process, on the other.<sup>15</sup>

It is extraordinary that the Bank would refuse to allow GAO to evaluate its performance while asking the U.S. Government and other donors to approve:

- a 30% capital increase for the International Bank for Reconstruction and Development (which lends to middle income countries),<sup>16</sup>

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<sup>11</sup> U.S. Government Printing Office, “The International Financial Institutions: A Call for Change, A Report to the Committee on Foreign Relations United States Senate,” March 10, 2010, 111<sup>th</sup> Congress, 2n Session, S. Prt. 111-43, p. 1. <http://foreign.senate.gov/imo/media/doc/55285.pdf>

<sup>12</sup> “The International Financial Institutions: A Call for Change, A Report to the Committee on Foreign Relations United States Senate,” p. 1.

<sup>13</sup> Ibid., p.2.

<sup>14</sup> Ibid., p. 1.

<sup>15</sup> The GAO divided the environmental assessment into two parts - one on US oversight and the other on World Bank performance. The first evaluation has been completed, and can be accessed at:

<http://www.gao.gov/products/GAO-09-99>. The GAO, a Supreme Audit Institution (SAI), is still pursuing needed access to information for the second evaluation.

<sup>16</sup> While some of the US resources are transferred to the Bank, the majority of resources exist in the form of callable capital, a type of guarantee that enables the institution to maintain its AAA rating.

- a near doubling of the capital of the private sector lending arm of the Bank, the International Finance Corporation,
- additional billions from the taxpayers in donor countries to fight global warming, and
- billions more for the next three-year replenishment of funding for the Bank's International Development Association (IDA).

Without concrete evidence of a major change in the culture of management and establishment of effective controls to address fraud and corruption, the risk that large amounts of these funds may be stolen is substantial.

### **Questionable Effectiveness of The World Bank's Response to Date to the IEG Evaluation**

In the two years since the IEG synthesized its findings, Bank management purports to have taken a number of steps to begin to address the findings of the IEG report, including through a “5-Point Action Plan.”<sup>17</sup> It has also established an Implementation Oversight Panel (IOP) to monitor, oversee and report to the President and the Board on implementation of the corrective actions set forth in the Plan.

To date, the 2010 Senate Foreign Relations Committee Report does not find the actions of the Bank sufficient. To the contrary, as noted above, the Report explicitly recommends that increased funding of the Bank should not be authorized without *the implementation of* much more effective and credible reforms.

Moreover, the core of Bank management’s response to the IEG Report, the Action Plan, requires further elaboration—not to speak of implementation -- since new, specific control measures have not yet even been devised for many issues, let alone shown to be operational. The Bank’s Independent Evaluation Group itself is reserving judgment on the Plan until all the requisite new control measures have been identified (management tentatively expects this to happen by late 2010).

While the jury is out with regard to how the Bank implements its Action Plan and its associated Governance and Anti-Corruption Strategy, two developments are troubling:

First, a new, but flawed, ‘whistleblower’ protection measure was implemented in order to address the retaliatory climate in the Bank by providing protection and rights to staff who come forward to report irregular transactions. According to the Government Accountability Project (GAP) the new Bank whistleblower mechanism largely fails to remedy fraud and corruption because it fails to provide effective protection from retaliation. Instead, the mechanism violates fundamental policy criteria identified by *Sec. 1505 of the US Foreign Operations Act 2005* –as well as by Transparency International and GAP as “best practice” for protecting whistleblowers.

Specifically, the Bank *does not* provide either access to an impartial forum that will hear whistleblowers’ claims of retaliation or a guarantee of employment/reinstatement when

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<sup>17</sup> The Action Plan would: 1) Improve efficiency, effectiveness and controls for investment lending; 2) Strengthen risk management capacity, incentives and accountability at project and institutional levels; 3) Better integrate fraud and corruption prevention into operations; 4) Tighten fiduciary controls; and 5) Address deficiencies in the areas of information technology and analytical work.

whistleblowers successfully contest retaliatory dismissal. In the 21 months since its adoption, no Bank staff member has successfully defended him or herself from retaliation by invoking this protection.

**Second, management's claims -- that reforms at the Department of Institutional Integrity have made the investigations unit an effective deterrent to fraud and corruption -- are not credible.** Management based these claims on the implementation of recommendations set out by a panel chaired by Paul Volcker that reviewed the practices at the Department in 2007.<sup>18</sup> But recent documents show that the Volcker Panel heard tainted testimony and received accounts of administrative standards that had been doctored to impress the panel favorably.<sup>19</sup> Although management is now aware of the manipulation of the Volcker panel and the weakening of its conclusions, no action has been taken to remedy the situation. On the contrary, the Bank's General Counsel has acknowledged that although Bank management considers the interference with the operations of the Volcker Panel "disheartening" the matter is officially "closed."<sup>20</sup> In the meantime, the most recent staff survey shows that the Department of Institutional Integrity has the lowest morale of any Department of the Bank.

At present, the World Bank is instituting sweeping reforms in the way it does business that may undermine its intention to strengthen compliance with its Articles of Agreement and Operational Policies, as described below.

### **Mixed Messages on the Future of World Bank Supervision and Compliance Activities**

One of the six categories of "significant deficiencies" found by the IEG evaluation relates to project oversight. IEG called for "improved management oversight of project processing and supervision." In response to the IEG findings, Bank management claims it is already increasing compliance with internal controls and will seek to strengthen controls, such as those relating to supervision.<sup>21</sup> However, in other papers setting out future management priorities intended for different external audiences, including the Development Committee, Bank management characterizes an emphasis on supervision and compliance as "out of sync" with the new development paradigm.

Bank management reports that its reform:

"aims to change the philosophy of the Bank's approach to post-[Board] approval project activity, with a shift from an emphasis on supervision and compliance to one of implementation support..."<sup>22</sup> (Emphasis added.)

And that,

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<sup>18</sup> IEG, "IDA Internal Controls," Volume 1, pg. xxviii.

<sup>19</sup> World Bank Administrative Tribunal (AT) ruling 419, paras. 42 and 45; AT ruling 410, para. 52.

<sup>20</sup> "[World Bank Ignores Corrupt Anti-Corruption Work](http://www.whistleblower.org/blog/31-2010/522-world-bank-ignores-corrupt-anti-corruption-work)," <http://www.whistleblower.org/blog/31-2010/522-world-bank-ignores-corrupt-anti-corruption-work>.

<sup>21</sup> For instance, "Review of IDA Internal Controls: An IEG Evaluation of Management's Assessment and the IAD Review: Report on the Completion of Part II, Management Response and Updated Summary of Management's Overall Assessment," OPCS and CSR, World Bank, February 24, 2009.

<sup>22</sup> World Bank, "New World, New World Bank Group: The Internal Reform Agenda," February 2, 2010, p. 7.

“At a time when the development community is focused on results, accountability, and partnership, current supervision efforts place most of the emphasis on inputs, process, and oversight of compliance... What is needed is a culture shift—from a culture of *supervision* to a culture of *implementation support*...<sup>23</sup> (Emphasis added.)

“Implementation support” sounds as though it would be associated with improved development effectiveness—except that Bank management explicitly associates it with less emphasis on supervision and compliance—including compliance with fiduciary requirements. Moreover, a major obstacle to development effectiveness on the part of the Bank has been documented in numerous reports over the years as the perverse “pressure to lend” and “loan approval culture” of the institution. Both the IEG evaluation and the Senate report make the point that the weaknesses and deficiencies identified by IEG are symptoms of this “loan approval culture.” Such a culture focuses staff time and resources on preparing loan and grant operations for Board approval rather than on achieving results on the ground through successful project implementation. The problem with the “loan approval culture” has been acknowledged not just for years, but for decades.

In 1992, the internal World Bank Wapenhans Report identified the World Bank’s pervasive “loan approval culture” is responsible not only for poor project quality, but also for an overall lack of fiduciary reporting and financial compliance: “Borrowers’ compliance with legal covenants—especially financial ones -- is startlingly low.”<sup>24</sup> A follow-up 1993 Bank “Financial Reporting and Auditing Task Force” reported that most required financial reporting on World Bank loans was of such low quality as to be useless for fiduciary monitoring, and that the financial statements the Bank did receive “frequently are not reviewed by Bank staff or are reviewed by Bank staff without the necessary skills to identify significant problems and initiate appropriate action.”<sup>25</sup>

**Fifteen years later, in April 2008, another internal Bank evaluation showed significant failure of the institution to diagnose fiduciary problems.** The analytic tools employed by the Bank are intended to identify risks to the use of Bank loan proceeds posed by weaknesses in borrower financial management and procurement systems. Thus they help the Bank fulfill its fiduciary obligations. **However, the 2008 report found, these tools have contributed in only a limited fashion to the achievement of the Bank’s fiduciary objectives.**<sup>26</sup>

Only 44 percent of financial management tools and 47 percent of the procurement assessment tools provided a “Highly Satisfactory” or “Satisfactory” risk assessments. They did not even take into consideration the vulnerabilities of weak country systems to corrupt practices. “A

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<sup>23</sup> World Bank, “Moving Ahead on Investment Lending Reform,” Risk Framework and Implementation Support,” September 3, 2009: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/09/09/000333037\\_20090909235811/Rendition/PDF/502850BR0Box3410only10SecM200910442.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/09/09/000333037_20090909235811/Rendition/PDF/502850BR0Box3410only10SecM200910442.pdf).

<sup>24</sup> World Bank, Report of the Portfolio Management Task Force (Wapenhans Report), 1 July 1992.

<sup>25</sup> World Bank, Financial Reporting and Auditing Task Force. Internal report, 8 October 1993, Central and Operational Accounting Division.

<sup>26</sup> Country Financial Accountability Assessments and Country Procurement Assessment Reports: How Effective Are World Bank Fiduciary Diagnostics? Report No. 43395, April 25, 2008, page X.

review of more than 100 projects found these to incorporate only modest recognition of the FM [financial management] or procurement risks raised by the diagnostics and their implications.”<sup>27</sup>

The Bank’s latest 5-Point Action Plan acknowledges the challenge of “inadequate mechanisms for institutional risk identification, monitoring and management.” However, it is still unclear what incentives the Bank would require to make significant headway in tackling these problems that have persisted over decades. It is also unclear whether the Bank will provide incentives for empowering civil society – a process that the institution quaintly refers to as “demand-side governance.”

Given the gravity of the IEG’s findings one would think that the World Bank would be strengthening its emphasis on supervision and compliance. Yet, Bank management says “Supervision is out of sync with the current development paradigm.”

For Bank staff, supervision procedures are perceived as too complex, unclear, and burdensome.

Bank management states that the shift to implementation support will facilitate improved development results. However, *increased* fiduciary supervision and compliance efforts are critical to achieving results. Implementation support alone will not address, for example, critical compliance issues related to political willingness to act.

Increased supervision – including monitoring and evaluation -- are needed for many reasons:

- In the past three years, Bank task teams have had to carry a heavier supervision load as the size of the portfolio increased by about \$30 billion. It is remarkable that, in that time, supervision resources for the IBRD did not increase.
- Monitoring and evaluation (M&E) are a critical aspect of supervision, since there is a significant and positive association between these processes and project outcomes. However, in reviewing projects that closed in fiscal 2007 and 2008, IEG found that only 37% of projects exiting the portfolio received ratings of high or substantial M&E systems, while the remaining 63% were rated modest or negligible.<sup>28</sup> Indeed, if one looks at IEG evaluations of various types of World Bank work (e.g., environment, gender, health and education), each one says that results and outcome are impossible to assess because monitoring and evaluation or results frameworks are missing.
- Bank management is calling for a dramatic shift away from what it calls the rigid “ring-fenced” project model to a “flexible” menu of design and funds flow options.<sup>29</sup> Flexible project operations can “move money” faster and in larger quantities and with *fewer* fiduciary, environmental and social safeguard policy requirements. Many of these operations (e.g., “Development Policy Loans”) inject money directly into national budgets. Already, in fiscal

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<sup>27</sup> Ibid., Chapter 2, page 12.

<sup>28</sup> IEG, “Annual Report on Development Effectiveness: Achieving Sustainable Development,” World Bank, 2009, p. 27.

<sup>29</sup> World Bank, “New World, New World Bank: The Internal Reform Agenda (ii),” 2 February 2009, p. 6.

2009, these budget support operations already constituted 25% or more of IDA operations and 50% of IBRD operations.

The IEG evaluation warns that controls for fraud and corruption in these flexible loans are even weaker than for traditional, ring-fenced project lending. The report states, “In [flexible<sup>30</sup>] operations, procurement controls do not apply, so F & C [fraud and corruption] has to be addressed through IDA FM (Financial Management) and Loan Administration Controls...”

- Finally, the Bank is shifting the locus of responsibility for compliance with its fiduciary (financial management and procurement) and safeguard (environmental and social systems) to recipient governments. This shift requires that governments both strengthen their ‘country systems’ and ensure that these systems are equivalent to the World Bank’s safeguard policies. This will be a challenge since IEG reports that, in many IDA countries, these systems “are often weak or non-existent.” To help strengthen country systems, Bank would need to redouble rather than relinquish certain controls related to supervision and compliance.

As noted above, internal bank reports responding to the IEG findings assert the importance of staff compliance with internal controls, whereas reports outlining future management strategies that target broader audiences claim that greater emphasis on supervision and compliance is anachronistic. Will the real Bank please stand up?

## **Conclusion**

In the aftermath of the global financial crisis and with the rise of the G-20, there is a power shift toward developing countries that want fewer strings attached to World Bank lending. However, regardless of how the Bank and country authorities share the power over lending operations, compliance with fiduciary and safeguard controls are needed in order to protect the interests of communities and the environment. While the Bank complains about the costs associated with complying with controls, the costs of non-compliance are higher whether those costs relate to capital flight, corruption, or social and environmental damage.

According to some Bank officials, the institution’s goal of streamlining its operations is necessary in order to compete with China and other emerging market countries that provide countries with few conditions on, and fast access to, financial resources. However, the Bank is a public institution working with taxpayer monies and its job is to be a pace-setter in terms of responsible lending, not to compete with its member countries and private banks for investment opportunities.

The World Bank has an Action Plan and Governance and Anti-Corruption Strategy to address fraud and corruption challenges, what is needed is reliable, independent enforcement of its existing anti-corruption guidelines and regulations as well as a mandate to work with law enforcement officials in borrowing countries to prosecute corrupt officials.

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<sup>30</sup> Flexible operations include Development Policy Operations and the forthcoming Results-Based Investment Loan (RBIL).

In addition, it is essential that the Bank realize that the processes of supervision of its operations and compliance with its controls are not “out of sync” with a responsible development paradigm. To the contrary, these processes are necessary to comply with its Articles of Agreement.

*Oversight of IDA.* The findings of the 2009 IEG evaluation echo some of the findings of the Senate Foreign Relations Committee. Yet, they have elicited relatively little reaction among donor nations. In early 2008, before the full IEG assessment was complete, donors approved another \$42 billion for IDA through 2011, trusting management to report on progress. This year they are negotiating another (the 16<sup>th</sup>) three-year refinancing of IDA, which may total more than \$50 billion. The findings of the IEG evaluation are not even on the agenda for negotiating the terms of this replenishment. This would seem to represent a failure in oversight of the institution.

The U.S. and other governments should heed the recommendation of the U.S. Senate Foreign Relations Committee Report that the “Obama Administration consider delaying a G-20 commitment for capital increases for multilateral banks until it is clear that capital infusions are necessary [and] needed reforms are underway.”<sup>31</sup>

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\*The views expressed are those of the authors and not necessarily of the Heinrich Boell Foundation.

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<sup>31</sup> “The International Financial Institutions: A Call for Change, A Report to the Committee on Foreign Relations United States Senate,” p. 6.